

CITY AND COUNTY OF SAN FRANCISCO
BOARD OF SUPERVISORS
BUDGET AND LEGISLATIVE ANALYST

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TO: Budget and Finance Sub-Committee

FROM: Budget and Legislative Analyst



SUBJECT: March 6, 2019 Budget and Finance Sub-Committee Meeting

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Item 3 File 19-0170	Department: Fire Department (Fire)
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution would authorize the San Francisco Fire Department (SFFD) to accept and expend a grant in the amount of \$2,733,591 from the Federal Emergency Management Agency (FEMA) to purchase rescue tools and defibrillators, for the period of September 14, 2018 through September 13, 2019, with SFFD providing a 10 percent match of \$273,359. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • In February 2018, SFFD applied for a grant from FEMA to purchase new rescue tools and defibrillators. In August 2018, FEMA awarded a grant of \$2,733,591 to SFFD. To receive the grant, SFFD would provide a 10 percent match of \$273,359. The grant reimburses SFFD expenditures for the equipment to be funded by the grant; SFFD has not incurred expenditures to date for the grant-funded equipment. • The grant would be used to purchase 22 sets of hydraulic extrication equipment, with each one including a cutter, spreader, ram bar, hose, and power unit, and 50 cardiac monitors/defibrillators with extended warranties. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • The grant authorized by the proposed resolution would provide SFFD \$2,733,591 to purchase rescue tools and defibrillators. SFFD would also contribute a 10 percent match of \$273,359, for a total procurement of \$3,006,950. Sufficient funding is included in the SFFD FY 2018-19 budget. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • 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 San Francisco Fire Department (SFFD) responds to over 150,000 incidents each year, including fires, vehicle accidents, and medical and other emergencies. SFFD has an inventory of rescue tools and defibrillators that is aging and in need of replacement and upgrade.

In February 2018, SFFD applied for a firefighter assistance grant with the Federal Emergency Management Agency (FEMA) to purchase new equipment. In August 2018, FEMA awarded SFFD the grant, with a performance period of September 14, 2018 through September 13, 2019. According to Mr. Mark Corso, SFFD Finance Division, the grant reimburses SFFD expenditures for the equipment to be funded by the grant; SFFD has not incurred expenditures to date for the grant-funded equipment.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would authorize SFFD to accept and expend a grant in the amount of \$2,733,591 from FEMA to purchase rescue tools and defibrillators, with SFFD providing a 10 percent match of \$273,359. The funding would be used to purchase 22 sets of hydraulic extrication equipment, with each one including a cutter, spreader, ram bar, hose, and power unit, and 50 cardiac monitors/defibrillators with extended warranties.

FISCAL IMPACT

The grant authorized by the proposed resolution would provide \$2,733,591 in FEMA funds for rescue tools and defibrillators. SFFD would provide a 10 percent match of \$273,359, for a total budget of \$3,006,950. The grant budget is shown in Table 1 below.

Table 1: FEMA Grant Budget

Item	Per Unit Cost	Quantity	Total Cost
Extrication Equipment Sets	\$35,000	22	\$770,000
Defibrillators	35,000	50	1,750,000
Extended Warranty (Defibrillators)	5,000	50	250,000
<i>Subtotal</i>			<i>\$2,770,000</i>
Sales Tax (8.5%)			235,450
Grant Writing Fee			1,500
Total			\$3,006,950
FEMA Share			2,733,591
SFFD Share (10% of FEMA Share)			273,359

According to Mr. Corso, the SFFD share comes from the City's General Fund and is included in the SFFD FY 2018-19 budget.

RECOMMENDATION

Approve the proposed resolution.

<p>Item 6 File 19-0105</p>	<p>Department: Department of Public Health (DPH)</p>
<p>EXECUTIVE SUMMARY</p>	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution approves Amendment No. 1 to the contract between the Department of Public Health (DPH) and Community Awareness and Treatment Services (CATS) for the medical respite and sobering center program, for a total five-year term from July 2017 through June 2022, and contract amount of \$23,186,920. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • CATS was selected to provide fiscal intermediary services to the San Francisco Homeless Outreach Team (SFHOT) and the medical respite and sobering program through a 2013 Request for Proposals (RFP). DPH did not execute a new contract with CATS for these services following the 2013 RFP, but rather amended an existing 2010 contract with CATS to add medical and respite sobering center services. • In July 2017, the sobering center and medical respite programs were removed from the 2010 contract between CATS and DPH to create a stand-alone contract. The medical respite and sobering center program is provided jointly by DPH and CATS. Under the July 2017 contract between DPH and CATS for the medical respite and sobering center program, CATS was to complete the ongoing construction of new space at the existing medical respite and sobering center located at 1171 and 1185 Mission Street. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • The contract amount is \$23,186,920 from FY 2017-18 to FY 2021-22, funded by the City’s General Fund. The contract amount includes a grant from Tipping Point for CATS to complete expansion of the medical respite and sobering center from 56 beds to 87 beds. <p style="text-align: center;">Policy Consideration</p> <ul style="list-style-type: none"> • The scope of work in the 2017 contract between DPH and CATS differs from the scope of work defined in the 2013 RFP, which defined the scope of work to be fiscal intermediary services. The 2017 contract’s scope of work is for CATS to provide support services to the medical respite and sobering center, and to oversee construction of the expanded facility from 56 beds to 87 beds. Therefore, the contract should be authorized as sole source. <p style="text-align: center;">Recommendations</p> <ul style="list-style-type: none"> • Amend the proposed resolution to state that the Director of the Department of Public Health recommends a sole source designation in accordance with Administrative Code Section 21.42, based on (i) the services that provided under the 2017 contract are unique to the Department, (ii) consistent with the Department’s mission and goals, and (iii) require specialized skills, personnel, facilities, or other resources. • Approval of the proposed resolution as amended is a policy matter for the Board of Supervisors. 	

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.

Administrative Code Section 21.42 authorizes the Department of Public Health to designate behavioral health services contracts as sole source, where such services are provided by non-profit organizations. To be designated sole source, the Department should determine that such services are unique to the Department, consistent with the Department's mission and goals, and require specialized skills, personnel, facilities, or other resources.

BACKGROUND

Original Request for Proposals

In November 2013, the Department of Public Health (DPH) issued a Request for Proposals (RFP) to solicit providers for fiscal intermediary services for the San Francisco Homeless Outreach Team (SF HOT) and medical respite and sobering center. The scope of services outlined in the RFP included fiscal management and human resource services for two direct service cost centers; 1) SF HOT and 2) medical respite and sobering center clients.

Three proposers responded to the RFP and a panel reviewed and scored the proposals, as shown in Table 1 below.

Table 1: Proposers and Scores for RFP

Rank	Proposer	Score
1	Community Awareness & Treatment Services (CATS)	99.2
2	Public Health Foundation Enterprises (PHFE)	88.8
3	Health RIGHT 360	83.8

DPH deemed Community Awareness & Treatment Services (CATS) to be the highest scoring responsive and responsible proposer.

Contracts between DPH and CATS

CATS had been providing behavioral health services, including fiscal intermediary services to support SF HOT, through a 2010 contract with DPH. DPH did not execute a new contract with CATS to provide fiscal intermediary services to SFHOT and the medical respite and sobering center following the 2013 RFP. Rather, DPH amended the 2010 contract with CATS to add medical and respite sobering center services; the amended contract's scope of work defined support services to be provided by CATS to medical respite and sobering center clients, but did not specifically define fiscal intermediary services to be provided by CATS to the medical respite and sobering center. The Board of Supervisors approved the amendment to the 2010 contract between CATS and DPH in December 2015, extending the contract from December 31, 2015 through December 31, 2017 (File 15-1033, Resolution 469-15).

In July 2017, the sobering center and medical respite programs were removed from the larger CATS contract to create a stand-alone contract. The medical respite and sobering center are primary care programs, while the programs under the 2010 contract between CATS and DPH were managed under Behavioral Health Services.

The medical respite and sobering center program is provided jointly by DPH and CATS, serving homeless adults with substance use disorders and chronic medical needs. Program clients need assistance with chronic health management, medication adherence, and social services. DPH provides medical care and social services, while CATS provides support services, including building maintenance, hospitality and food, and program operations, such as daily living support and transportation.

The new contract between DPH and CATS for the medical respite and sobering center program was established for two-years from July 2017 through June 2019, in an amount not-to-exceed \$8,823,784. The 2017 contract's scope of work defined (a) the support services to be provided by CATS to medical respite and sobering center clients, and (b) CATS responsibility for constructing additional medical respite and sobering center space to add beds. While the new contract did not define the fiscal intermediary services to be provided by CATS to the medical respite and sobering center, the contract did state that "all objectives and descriptions of how objectives will be measured are contained in the SF DPH Fiscal Intermediary Performance Objectives document". According to Ms. Michelle Ruggels, Director of the DPH Business Office, the Department established medical respite program performance objectives specific to this program, which replaces the fiscal intermediary performance objectives referenced in the contract; the Department plans to revise the contract to include the medical respite program performance objectives.

Status of Construction and Addition of Beds

Under the July 2017 contract between DPH and CATS for the medical respite and sobering center program, CATS was to complete the ongoing construction of new space at the existing medical respite and sobering center located at 1171 Mission Street and 1185 Mission Street. A project team made up of staff from DPH, CATS, the Department of Public Works, and the selected architect are to oversee the project. According to Ms. Ruggels, DPH awarded the contract to CATS for two years to align with the time period of a major capital expansion, increasing the program's capacity from approximately 56 beds to 87 beds. The capital expansion was completed in FY 2017-18.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve Amendment No. 1 to the contract between DPH and CATS, extending the term of the contract by three years through June 2022, and increasing the not-to-exceed amount by \$14,363,136, from \$8,823,784 to \$23,186,920.

Contract Term

DPH awarded the 2017 contract to CATS for medical respite/sobering center support services through the 2013 RFP. As noted above, in the more than three-year period between the RFP and the contract award in 2017, CATS provided support services to the medical

respite/sobering center through a separate contract that had been awarded in 2010. The proposed Amendment No. 1 to the 2017 contract would allow for a total contract term of five years from July 1, 2017 through June 30, 2022, which is consistent with the original RFP, which provided for a term of up to 10 years.

FISCAL IMPACT

The proposed resolution would increase the not-to-exceed amount of the contract by \$14,363,136, for a total contract amount of \$23,186,920. The contract funds approximately 63,673 program support staff hours annually, at a rate of \$63.08 per hour, and includes a projected annual Cost of Doing Business increase of 2.5 percent in FY 2019-20 through FY 2021-22. Support staff hours can include services to maintain and clean facilities, providing meals, and transporting clients to medical or social service appointments. With the exception of a grant from Tipping Point in FY 2017-18, used to complete construction of the location to increase the beds from 56 to 87, the contract is funded by the City's General Fund. The sources and uses of funds are shown in Table 2 below.

Table 2: Sources and Uses of Funds in CATS Contract

Sources	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	Total
San Francisco General Fund	\$4,031,972	\$4,016,417	\$4,097,087	\$4,179,378	\$4,263,321	\$20,588,176
Tipping Point Grant	612,000	-	-	-	-	612,000
<i>Subtotal</i>	<i>\$4,643,972</i>	<i>\$4,016,417</i>	<i>\$4,097,087</i>	<i>\$4,179,378</i>	<i>\$4,263,321</i>	<i>\$21,200,176</i>
Contingency (12% of FY 2018-19 – FY 2021-22)						1,986,744
Total Not-to-Exceed Amount						\$23,186,920

Uses	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	Total
Medical Respite/Sobering Center Services (Approximately 63,673 Annual Staff Hours)	\$4,031,972	\$4,016,417	\$4,097,087	\$4,179,378	\$4,263,321	\$20,588,176
Facility Expansion	612,000	-	-	-	-	612,000
<i>Subtotal</i>	<i>\$4,643,972</i>	<i>\$4,016,417</i>	<i>\$4,097,087</i>	<i>\$4,179,378</i>	<i>\$4,263,321</i>	<i>\$21,200,176</i>
Contingency (12% of FY 2018-19 – FY 2021-22)						1,986,744
Total Not-to-Exceed Amount						\$23,186,920

POLICY CONSIDERATION

The 2013 RFP solicited providers of fiscal intermediary services, including fiscal management and human resource management. According to Ms. Ruggels, CATS has been providing fiscal intermediary services, as authorized in the RFP, by providing human resource management for CATS support staff, management of the capital expansion, and financial management of the building maintenance and other functions that support the program.

The scope of work in the 2017 contract between DPH and CATS differs from the scope of work defined in the 2013 RFP. While the 2013 RFP specifically defined the scope of work to be fiscal intermediary services, the 2017 contract's scope of work is for CATS to provide support services to the medical respite and sobering center, and to oversee construction of the expanded facility from 56 beds to 87 beds.

Because the scope of work the 2017 contract and proposed first amendment differ from the scope of work advertised in the 2013 RFP, the Budget and Legislative Analyst considers the 2017 contract and proposed amendment to be authorized as a sole source. Therefore, in accordance with Administrative Code Section 21.42, the proposed resolution should be amended to state that the Director of the Department of Public Health recommends a sole source designation, based on (i) the services that are provided under the 2017 contract are unique to the Department, (ii) consistent with the Department's mission and goals, and (iii) require specialized skills, personnel, facilities, or other resources.

RECOMMENDATIONS

1. Amend the proposed resolution to state that the Director of the Department of Public Health recommends a sole source designation in accordance with Administrative Code Section 21.42, based on (i) the services that provided under the 2017 contract are unique to the Department, (ii) consistent with the Department's mission and goals, and (ii) require specialized skills, personnel, facilities, or other resources.
2. Approval of the proposed resolution, as amended, is a policy matter for the Board of Supervisors.

<p>Item 7 File 19-0106</p>	<p>Department: Department of Public Health (DPH)</p>
<p>EXECUTIVE SUMMARY</p>	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution approves Amendment No. 1 to the contract between Conard House and the Department of Public Health, for behavioral health services, to (1) increase the contract not to exceed amount by \$36,323,985 from \$8,538,779 to \$44,862,764, and (2) extend the term by four years from June 30, 2019, for a total contract term of five years from July 1, 2018 through June 30, 2023. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • The Department of Public Health issued a request for proposals in August 2017 to solicit providers for mental health outpatient programs for adults and older adults in three service categories, including Supportive Housing Mental Health Outpatient Programs. The Department awarded a contract to seven of the nine proposals, including Conard House. • The Department of Public Health had a prior contract with Conard House. In order to maintain services pending final selection of providers in response to the request for proposals, the Department entered into an interim contract with Conard House from January 1, 2018 through December 31, 2018. The Department later replaced this interim contract with the current contract for a term from July 1, 2018 through June 30, 2019 covering the full fiscal year. • The current contract from July 1, 2018 through June 30, 2019 is for the not-to-exceed amount of \$8,538,779, which is below the \$10 million threshold that requires Board of Supervisors approval. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • The contract budget over five years is \$44,862,764. The City’s General Fund makes up approximately two-thirds of the contract amount, and federal and state funds make up approximately one-third of the contract amount. <p style="text-align: center;">Policy Consideration</p> <ul style="list-style-type: none"> • The Department of Public Health releases annual monitoring reports of community-based mental health providers paid by the City, and performance scores are on a scale ranging from 1 (“unacceptable”) to 4 (“commendable”). The Conard House received between a 3 (satisfactory) and a 4 (commendable) on all service categories in FY 2016-17, the most recent monitoring report. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • 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

The Department of Public Health issued a request for proposals in August 2017 to solicit providers for mental health outpatient programs for adults and older adults in three service categories: Regular Mental Health Outpatient Programs, Specialized Mental Health Outpatient Programs, and Supportive Housing Mental Health Outpatient Programs. The Department of Public Health received eleven proposals for Supportive Housing Mental Health Outpatient Programs. The Department of Public Health deemed two proposals non-responsive.¹ A panel composed of members from city agencies and non-profits reviewed nine proposals and scored them as shown in Table 1 below.

Table 1: Proposals and Scores for Supportive Housing Mental Health Outpatient Programs

Rank	Proposer	Score (out of 160)
1	UCSF Citywide – 240 Direct Access to Housing residents	147.80
2	UCSF Citywide – SROs under Housing First Portfolio	149.80
3	Community Housing Partnership– Scattered Sites	151.60
4	Progress Foundation	148.20
5	Community Housing Partnership (CHP) for Richardson Apartments	149.20
6	Community Housing Partnership (CHP) for Rene Cazenave Apartments	148.80
7	Baker Places, Inc. – Odyssey House	147.80
8	Baker Places, Inc. – Baker Assisted Independent Living Program	147.40
9	Conard House	143.00

The Department of Public Health awarded a contract to seven of the above nine proposals, including for Conard House. According to Mr. Mario Moreno, Director of Office of Contract Management and Compliance, applicants to the request for proposals were required to demonstrate five years of experience providing mental health outpatient treatment services and provide monitoring reports and financial audits. In order to receive an award, the applicants had to demonstrate experience providing mental health services for the specific target population, had to be a current Medi-Cal or Medicare provider or show evidence of certification in process.

¹ Unity Care's proposal was for Transitional Age Youth, which was not the target group of the request for proposal of adults and older adults. Community Awareness and Treatment Services, Inc. (CATS) proposal was for new program funding, which is outside the scope of the request that explicitly solicited for existing programs.

Prior Contract between the Department of Public Health and Conard House

The Department of Public Health had a prior contract with Conard House from July 1, 2010 through December 31, 2017 to provide residential treatment and supportive housing mental health outpatient services.

In order to maintain services pending final selection of providers in response to the request for proposals and award of new contracts, the Department entered into an interim contract with Conard House from January 1, 2018 through December 31, 2018. According to Mr. Moreno, the Department of Public Health later replaced this interim contract with the current contract for a term from July 1, 2018 through June 30, 2019 covering the full fiscal year, and replacing the contract ending December 31, 2018. The selection of the August 2017 request for proposals did not occur until March 2018,² and therefore the Department prepared a one-year contract to enable services to continue while contract negotiations were concluded.

The current contract from July 1, 2018 through June 30, 2019 is for the not-to-exceed amount of \$8,538,779, which is below the \$10 million threshold that requires Board of Supervisors approval.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution approves Amendment No. 1 to the contract between Conard House and the Department of Public Health, for behavioral health services, to (1) increase the contract not to exceed amount by \$36,323,985 from \$8,538,779 to \$44,862,764 and (2) extend the term by four years from June 30, 2019, for a total contract term of five years from July 1, 2018 through June 30, 2023.

FISCAL IMPACT

The contract budget over five years is \$44,862,764, as shown in Table 2 below, which includes contract services, an annual Cost of Doing Business increases subject to Board of Supervisors approval, and a contingency of 12 percent. The City's General Fund makes up approximately two-thirds of the contract amount, and federal and state funds make up approximately one-third of the contract amount.

² According to Mr. Moreno, the Department of Public Health received 28 proposals from 22 agencies, and therefore had to put together three separate review panels to evaluate and score the proposals.

Table 2: Sources and Uses of Funds for the Conard House Contract

Sources	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	Total
Federal and State Funds						
State Adult 1991 Mental Health Realignment	\$1,244,616	\$1,244,616	\$1,244,616	\$1,244,616	\$1,244,616	\$6,223,080
Federal Financial Participation Medi-Cal	1,170,004	1,170,004	1,170,004	1,170,004	1,170,004	5,850,020
State Mental Health Services Act	65,898	65,898	65,898	65,898	\$65,898	329,490
<i>Federal and State Funds Subtotal</i>	<i>\$2,480,518</i>	<i>\$2,480,518</i>	<i>\$2,480,518</i>	<i>\$2,480,518</i>	<i>\$2,480,518</i>	<i>\$12,402,590</i>
San Francisco General Fund						
County General Funds	\$3,988,326	\$4,148,400	\$4,337,310	\$4,530,900	\$4,729,288	\$21,734,224
Cost of Doing Business- General Fund	160,074	188,910	193,590	198,388	203,303	944,265
Homelessness and Supportive Housing Work Order	970,724	970,724	970,724	970,724	970,724	4,853,620
Cost of Doing Business-Work Order	24,268	24,268	24,268	24,268	24,268	\$121,340
<i>SF General Fund Subtotal</i>	<i>\$5,143,392</i>	<i>\$5,332,302</i>	<i>\$5,525,892</i>	<i>\$5,724,280</i>	<i>\$5,927,583</i>	<i>\$27,653,449</i>
Total Sources of Funds	\$7,623,910	\$7,812,820	\$8,006,410	\$8,204,798	\$8,408,101	\$40,056,039
Contingency (12%)						4,806,725
Total Not-to-Exceed Amount						\$44,862,764
Uses						
Outpatient Services	\$2,525,028	\$2,525,028	\$2,525,028	\$2,525,028	\$2,525,028	\$12,625,140
Supportive Housing	3,268,762	3,268,762	3,268,762	3,268,762	3,268,762	16,343,810
Representative Payee Program*	1,830,120	1,830,120	1,830,120	1,830,120	1,830,120	9,150,600
Cost of Doing Business		\$188,910	\$382,500	\$580,888	\$784,191	1,936,489
<i>Subtotal</i>	<i>\$7,623,910</i>	<i>\$7,812,820</i>	<i>\$8,006,410</i>	<i>\$8,204,798</i>	<i>\$8,408,101</i>	<i>\$40,056,039</i>
Contingency (12%)						4,806,725
Total Not-to-Exceed Amount						\$44,862,764

*The Representative Payee Program allows Conard House to be designated as a substitute payee for clients' public income benefits. Clients in the program have access to money management, limited case management, housing referrals, with rent payments automatically issued to maintain stable housing. Clients must have a mental health diagnosis, be approved for Social Security Disability/Income (SSD/I) benefits, or temporarily enrolled in the County Adult Assistance Program if the SSD/I benefits are pending.

The contract amount for FY 2018-19 is \$7,623,910, plus a 12 percent contingency, for a total FY 2018-19 amount of \$8,538,779. In the six month period between July 1, 2018 and December 31, 2018, the Department of Public Health has paid Conard House \$4,461,839 of the total contract amount of \$8,538,779.

POLICY CONSIDERATION

The Department of Public Health releases annual monitoring reports of community-based mental health providers paid by the City. The performance scores are on a scale ranging from 1 (“unacceptable”) to 4 (“commendable”). The Conard House received between a 3 and a 4 on all service categories in FY 2016-17, the most recent monitoring report. The Conard House had an overall score of 4 from FY 2013-14 to FY 2015-16. According to Mr. Moreno, the agency is not receiving any technical assistance or corrective planning at this time, and deliverables are on target.

RECOMMENDATION

Approve the proposed resolution

Item 8 File 19-0072	Department: Department of Public Health (DPH)
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution would approve Amendment No. 1 to the lease between the Department of Public Health, as tenant, and SFP2 1360 Mission St., LLC, as landlord, for 6,300 square feet of space at 1360 Mission Street for (a) an initial monthly base rent of \$26,937 with an annual three percent increase starting on October 1, 2019; and (b) a total term of ten years from October 1, 2011 through September 30, 2020, with a one year extension option from September 22, 2020, through September 21, 2021. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • Since 1992, the Department of Public Health has leased 6,300 square feet of office space at 1360 Mission Street, Suite 401. The Department of Public Health currently occupies this space for the operation of its IT Business Services unit, Service Management and IT Procurement unit, with a staff of approximately 30. • In 2011, the Board of Supervisors approved a five year lease of the space from October 1, 2011 through September 30, 2016, with one (1) two-year option to extend through September 30, 2018. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • The proposed annual rent rate of \$50.28 per square foot (effective April 1, 2019) represents a 98 percent of current fair market rent. The total rent to be paid by the Department of Public Health over the three and one-half years, including the one-year extension option, would be \$820,704. This total cost would be paid from the City's General Fund, subject to Board of Supervisors appropriation. <p style="text-align: center;">Policy Consideration</p> <ul style="list-style-type: none"> • The lease is in holdover status since September 30, 2018. In the past year, the Department of Public Health has asked the Board of Supervisors to approve new agreements for three properties whose leases had expired. Real Estate Division has reorganized the longer term planning with the Department of Public Health in order to begin lease negotiations at an earlier time. • The Department of Public Health is in the early stages of developing a Civic Center and overall Relocation Plan. Their goal is to move staff out of the City-owned building at 101 Grove and other leases within the vicinity in order to consolidate the staff to the extent possible into City-owned buildings. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • Approve the proposed resolution 	

MANDATE STATEMENT

City Charter Section 9.118(c) states that any modification, amendment or termination of a lease that had an initial term of ten years or more, including options to extend is subject to Board of Supervisors approval.

Administrative Code Section 23.27 requires Board of Supervisors approval of leases that are longer than one year where the City is the tenant.

BACKGROUND

Since 1992, the Department of Public Health has leased 6,300 square feet of office space at 1360 Mission Street, Suite 401. The site was initially chosen for the Department's sexually transmitted disease prevention and control services, and was modified to fit the needs of the section. The Department of Public Health currently occupies this space for the operation of its IT Business Services unit, Service Management and IT Procurement unit, with a staff of approximately 30.

In 2011, the Board of Supervisors approved a five year lease of the space from October 1, 2011 through September 30, 2016, with one (1) two-year option to extend through September 2018 (File 11-0778). At that time, the Board of Supervisors also authorized the Director of Real Estate to enter into any additions, amendments or other modifications of the lease agreement that did not materially increase the obligations of the City.

In April 2018, the City began negotiations with the landlord to amend the lease. The lease is currently in holdover status after it expired on September 30, 2018. The holdover provision in the existing lease provides for the rent to increase 110 percent in the first month, and 140 percent after the first month. According to Mr. Jeff Suess, Senior Real Property Manager for the Real Estate Division, the actual rent during the holdover period is 103 percent over the previous rent.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve Amendment No. 1 to the lease between the Department of Public Health, as tenant, and SFP2 1360 Mission St., LLC, as landlord, for 6,300 square feet of space at 1360 Mission Street for (a) an initial monthly base rent of \$26,937 with an annual three percent increase starting on October 1, 2019; and (b) a total term of ten years from October 1, 2011 through September 30, 2020, with a one year extension option from September 22, 2020, through September 21, 2021.

Table 1 below summarizes the terms and conditions of the proposed lease extension.

Table 1. Summary of Proposed Lease Details

	Proposed Lease Terms
Lease Period	Approximately April 1, 2019 to – September 30, 2020 (18 months)
Size of property	6,300 square feet
Base rent paid by tenant	\$316,764 per year (approximately \$50 per square foot)
Annual rent adjustments to base rent	3%
Options to extend the lease	One (1) year option to extend through September 21, 2021
Rent increase on exercise of option	3%
Tenant Improvement Allowance	None
Utilities and services	Paid by landlord

According to Mr. Suess, the landlord will redevelop the property, and therefore Real Estate negotiated a short term lease. The City will relocate the staff from 1360 Mission Street to a city owned location, discussed further in the Policy Section below.

FISCAL IMPACT

The proposed annual rent rate of \$50.28 per square foot (effective April 1, 2019) represents a 98 percent of current fair market rent¹ established by an independent appraisal conducted by John Mateo MAI.²

The base rent includes utilities and services. As shown in Table 2 below, the total rent to be paid by the Department of Public Health over the three and one-half years, including the one-year extension option, would be \$820,704.

Table 2: Total Costs by Year under Proposed Lease

Dates	Rent
April 2019 through September 2019	158,382
October 2019 through September 2020	326,267
<u>October 2020 through September 2021 (optional)</u>	<u>336,055</u>
Total	\$820,704

This total cost would be paid from the City's General Fund, subject to Board of Supervisors appropriation approval in the Department of public Health's annual budget. The Department of Public Health has currently spent \$208,689 on the lease from July 2018 through February 2019 of the total \$314,457 budgeted in FY 2018-19.

¹ As of February 4, 2019, the fair market rent for the property was \$51.50 per square foot per year according to the appraisal.

if the consideration to be paid by the City for the lease as base rent is more than \$60 per square foot per year, the Director of Property, on behalf of the department concerned shall obtain an Appraisal Review for such appraisal. Because the fair market rent for the 1360 Mission Street property was \$51.50 per square foot per year according to the appraisal, an appraisal review was not required.

POLICY CONSIDERATION**Delays in Lease Negotiations**

As mentioned previously, the lease is in holdover status since September 30, 2018. According to Mr. Suess, lease negotiations were delayed due to changes that occurred with both the owner and their proposed project timelines. At this time, the Department does not anticipate seeking a renewal at this location beyond September 2021.

In the past year, the Department of Public Health has asked the Board of Supervisors to approve new agreements for three properties whose leases had expired (File 18-0928, File 18-0377, and 19-0073³). According to Mr. Suess, the Real Estate Division has reorganized the longer term planning with the Department of Public Health in order to begin lease negotiations at an earlier time.

Department of Public Health Relocation Plan

The Department of Public Health is in the early stages of developing a Civic Center and overall Relocation Plan. Their goal is to move staff out of the City-owned building at 101 Grove, which requires seismic retrofitting, and other leases within the vicinity in order to consolidate the staff to the extent possible into City-owned buildings. The Department wants to retain a presence in Civic Center, primarily for its Ambulatory Care and Population Health Programs, where a central city geographical location is important for the population being served.

RECOMMENDATION

Approve the proposed resolution.

³ This item is currently awaiting approval.

Item 9 File 19-0073	Department: [Select Board, Commission, or Department]
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution would authorize a new lease between the Department of Public Health, as tenant, and William J. Piedmonte, as landlord for 729 Filbert Street, replacing the lease that expired on June 30, 2018, for March 1, 2019 through January 31, 2024. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • Since 1993, the Department of Public Health has leased the building, located at 729 Filbert Street, to operate the Chinatown-North Beach Mental Health Clinic. The facility provides a multilingual outpatient clinic and day treatment for adults and elderly immigrants. • In June 2003, the Board of Supervisors approved a new lease for the space at 729 Filbert Street from July 1, 2003 through June 30, 2013. In October 2010, due to the 2008 financial recession, the Board of Supervisors approved amendments to the lease that (a) reduced the rent paid by the City and (b) extended the term through June 30, 2018. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • The proposed annual rent rate of \$48 per square foot (effective March 1, 2019) represents 98 percent of the current fair market rent. The City pays all costs associated with janitorial staff and utilities, and will reimburse the landlord for 50 percent of tenant improvements up to \$39,500. Over the five-year term of the lease, the total cost would be \$3,054,441 of General Fund monies, subject to Board of Supervisors appropriation. • The Department budgeted \$568,350 in FY 2018-19 for 729 Filbert Street rent and other expenses associated with the lease. The actual FY 2018-19 rent and expenses are estimated to be \$453,165, or \$115,185 less than budgeted. <p style="text-align: center;">Policy Consideration</p> <ul style="list-style-type: none"> • The lease is currently in holdover status after it expired on June 30, 2018. In the past year, the Department of Public Health has asked the Board of Supervisors to approve new agreements for three properties whose leases had expired. The Real Estate Division has reorganized the longer term planning with the Department of Public Health in order to begin lease negotiations at an earlier time. <p style="text-align: center;">Recommendations</p> <ul style="list-style-type: none"> • Request the Controller's Office to designate \$115,185 funds from the FY 2018-19 Department of Public Health budget to be surplus and therefore should be returned to the General Fund Balance at the end of FY 2018-19. • Approve the proposed resolution as amended. 	

MANDATE STATEMENT

City Charter Section 9.118(c) states that any modification, amendment or termination of a lease that had an initial term of ten years or more, including options to extend, is subject to Board of Supervisors approval.

Administrative Code Section 23.27 requires Board of Supervisors approval of leases that are longer than one year where the City is the tenant.

BACKGROUND

Since 1993, the Department of Public Health has leased the three-story building, located at 729 Filbert Street, to operate the Chinatown-North Beach Mental Health Clinic. The facility provides a multilingual outpatient clinic and day treatment for approximately 1,034 clients, forty percent of whom are elderly immigrants who are Chinese, Vietnamese, Cambodian, Laotian, and Italian speaking. The Department of Public Health initially identified the space due to its proximity to the target population.

In June 2003, the Board of Supervisors approved a new ten-year lease between the Department of Public Health, as tenant, and William J. Piedmonte, as landlord, for the space at 729 Filbert Street from July 1, 2003 through June 30, 2013 (File 03-0880). In October 2010, the Board of Supervisors approved amendments to the lease that (a) reduced the rent paid by the City to William J. Piedmonte from \$290,614 to \$276,084, and (b) extended the term through June 30, 2018 (File 10-1215). According to Mr. Jeff Suess, Senior Real Property Manager for the Real Estate Division, the reduction in the rent was due to the 2008 recession.

The lease is currently in holdover status after it expired on June 30, 2018. The Department has paid rent during the holdover status equal to 110 percent of the base rent in effect on June 30, 2018 in accordance with the original lease provision.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would authorize a new lease between the Department of Public Health, as tenant, and William J. Piedmonte, as landlord for 729 Filbert Street, replacing the lease that expired on June 30, 2018.

Table 1 below summarizes the terms and conditions of the current and proposed lease extension.

Table 1. Summary of Proposed Lease Details

	Proposed Lease Terms
Lease Period	Approximately March 1, 2019 through January 31, 2024 (4 years and 11 months)
Square footage	11,067 square feet
Base rent paid by tenant	\$531,216 per year (approximately \$48 per square foot)
Annual rent adjustments to base rent	Consumer Price Index (CPI) with a minimum of 2% and a maximum of 5%
Options to extend the lease	One (1) additional term of five (5) years, through February 29, 2029
Rent on exercise of option to extend the lease	Based on CPI with a minimum of 2% and maximum of 5%
Tenant Improvement Allowance	Interior painting and new vinyl floor tile in first floor reception area. Landlord to pay for tenant improvements, City to reimburse for 50% of the cost up to \$39,500.
Utilities and services	City responsible for utilities and janitorial, landlord pays all other expenses.

FISCAL IMPACT

The proposed annual rent rate of \$48 per square foot (effective March 1, 2019) represents 98 percent of the current fair market rent¹ established by an independent appraisal conducted by Kidder Matthews, LLC.²

The City also pays all costs associated with janitorial staff and utilities, estimated at \$15,000 in the first year.

As noted above, the City will reimburse the landlord for 50 percent of tenant improvements up to \$39,500. The tenant improvements include replacement of flooring and elevator updates, as shown in Table 2 below.

¹ As of October 2, 2018, the fair market rent for the property was \$49.00 per square foot per year according to the appraisal.

² Per City Administrative Code Section 23.27, if the consideration to be paid by the City for the lease as base rent is more than \$60 per square foot per year, the Director of Property, on behalf of the department concerned shall obtain an Appraisal Review for such appraisal. Because the fair market rent for the 729 Filbert Street property was \$49.00 per square foot per year according to the appraisal, an Appraisal Review was not required.

Table 2: Tenant Improvements

Tenant Improvement	Cost
Carpet Removal and Vinyl Plank Flooring Installation	\$38,290
Material Cost	19,564
Elevator Updates	18,500
<u>Garbage and Debris Hauling</u>	<u>2,500</u>
Total	\$78,854

As shown in Table 3 below, over the five-year term of the lease, the total rent to be paid by the Department of Public Health is \$2,935,304, based on maximum annual increases of 5 percent, and the total cost for utilities and janitorial services is estimated at \$79,637. In addition to the \$39,500 for tenant improvements, the total cost for the new lease would be \$3,054,441.

Table 3: Total Costs by Year under Proposed Lease

	Rent	Janitorial and Utilities*	Tenant Improvements	Total
Feb 2019 - Jan 2020	\$531,216	\$ 15,000	\$39,500	\$585,716
Feb 2020 - Jan 2021	557,777	15,450		573,227
Feb 2021 - Jan 2022	585,666	15,914		601,579
Feb 2022 - Jan 2023	614,949	16,391		631,340
Feb 2023 - Jan 2024	645,696	16,883		662,579
Total	\$2,935,304	\$79,637	\$39,500	\$3,054,441

*Assumes annual increase of three percent

This total cost would be paid from the City's General Fund, subject to Board of Supervisors appropriation approval in the Department of Public Health's annual budget.

As noted above, the adjustment of rent on the exercise of the option to extend the lease will continue to be based on the CPI, with a minimum increase of 2 percent and maximum increase of 5 percent.

Current Lease Payment

The Department budgeted \$568,350 in FY 2018-19 for 729 Filbert Street rent and other expenses associated with the lease. As shown in Table 4 below, actual FY 2018-19 rent and expenses are estimated to be \$453,165, or \$115,185 less than budgeted. Therefore the Board of Supervisors should request the Controller to designate \$115,185 as surplus to the Department's budget, to be returned to the General Fund at the end of FY 2018-19.

Table 4: Difference Between Budget for 729 Filbert and Current Spend Rate for FY 2018-19

Rent Paid July 2018 through February 2019 (holdover rental rate of \$27,699 per month)	\$221,593
Proposed rent March 2019 through June 2019 (proposed rental rate of \$44,268 per month)	177,072
Subtotal, Rent FY 2018-19	398,665
Utilities and Janitorial	15,000
Tenant Improvements	39,500
Total	453,165
Budgeted amount FY 2018-19	568,350
Difference	\$115,185

POLICY CONSIDERATION

As mentioned previously, the lease is currently in holdover status after it expired on June 30, 2018. According to Mr. Suess, in early 2018, the City approached William J. Piedmonte to discuss a new lease term. Due to multiple disagreements and staff turnover, final negotiations did not conclude until after the expiration of the lease.

In the past year, the Department of Public Health has asked the Board of Supervisors to approve new agreements for three properties whose leases had expired (File 18-0928, File 18-0377, and 19-0072³). According to Mr. Suess, the Real Estate Division has reorganized the longer term planning with the Department of Public Health in order to begin lease negotiations at an earlier time.

RECOMMENDATIONS

1. Request the Controller's Office to designate \$115,185 funds from the FY 2018-19 Department of Public Health budget to be surplus and therefore should be returned to the General Fund Balance at the end of FY 2018-19.
2. Approve the proposed resolution as amended.

³ This item is currently pending approval.

<p>Item 10 File 19-0192</p>	<p>Department: Department of Elections (DOE)</p>
<p>EXECUTIVE SUMMARY</p>	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution would retroactively approve a voting system contract between the Department of Elections and Dominion for a term of four years and three months, from January 2019 through March 2023, and an amount not to exceed \$8,460,000. The contract provides for two one-year options to extend through March 2025, for a total not to exceed \$12,660,000. According to the Department of Elections, the contract is retroactive because the Department and Dominion completed negotiations in January 2019 and the resolution to approve the contract is dated February 2019. However, Dominion’s services will not begin until closer to the November 2019 election. The Department has not incurred any expenses under the contract. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • The Department of Elections selected Dominion following a competitive a Request for Proposals (RFP) in February 2018 to lease a new voting system, including voting equipment and services, to collect, count, tabulate and report votes for all City elections. Dominion, which has been the City’s voting system provider since 2008, was the only qualified proposer that responded to the RFP. Three firms that offer complete voting systems meet the California Secretary of State’s voting system requirements. Of these firms, only two – Sequoia Voting Systems (acquired by Dominion in June 2010) and Election System & Software – offer rank choice voting. • The new system would accommodate ranked-choice voting, increasing the number of possible candidates voters may select from three to ten. The new system would capture images of each ballot that the Department will post on its website, allowing members of the public to view the ballots online and double check the official posted tallies. The digital images the new system creates of voted ballots will facilitate the City implementing Post-Election Risk Limited Audits. • The City is developing an open-source voting system for implementation at the end of the term of the contract. The two one-year options to extend provide flexibility in case the system is not completed in time within four years. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • The contract authorized by the proposed resolution would cost the City an amount not to exceed \$8,460,000 over the initial term of four years and three months. If the two one-year options are exercised, the cost would increase by \$4,200,000, for a total not to exceed \$12,660,000. Sufficient funding is provided in the Department of Elections FY 2018-19 budget. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • 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 February 2018, the Department of Elections issued a Request for Proposals (RFP) to lease a new voting system, including voting equipment and services, to collect, count, tabulate, and report votes for all City elections. Dominion Voting Systems, Inc. (Dominion), which has been the voting system provider since 2008, was the only qualified proposer that responded to the RFP. According to Mr. John Arntz, Department of Elections Director, Dominion has provided high quality service throughout its tenure as voting systems provider. The Department of Elections and Dominion have negotiated and agreed on a contract for the new system.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would retroactively approve a voting system contract between the Department of Elections and Dominion for a term of four years and three months, from January 2019 through March 2023, and an amount not to exceed \$8,460,000. The contract provides for two one-year options to extend through March 2025, for a total not to exceed \$12,660,000. Under the contract, Dominion would provide the lease of a voting system, a license to use the voting system software, maintenance, and support services.

According to Mr. Arntz, the contract is retroactive because the Department and Dominion completed negotiations in January 2019 and the resolution to approve the contract is dated February 2019. However, Dominion's services will not begin until closer to the November 2019 election. The Department of Elections has not incurred any expenses under the contract.

The voting system would be able to accommodate ranked-choice voting. Voters would be able to select up to 10 candidates per contest, compared with three selections allowed under the previous voting system. To promote transparency in elections, the new system would capture images of all ballots with the system's interpretation of each vote marking. Auditors and members of the public would be able to review ballot images posted online and double check the posted vote tallies. The digital images the new system creates of voted ballots will facilitate the City implementing Post-Election Risk Limited Audits.

Sole Respondent to RFP

As noted above, Dominion was the only qualified proposer to the RFP. According to Mr. Arntz, the Department notified all voting system vendors whose systems are the Secretary of State has approved for use in California. According to Mr. Arntz, three firms that offer complete

voting systems meet the California Secretary of State’s voting system requirements.¹ Of these firms, only two – Sequoia Voting Systems (Sequoia) and Election System & Software – offer rank choice voting. Sequoia was acquired by Dominion in June 2010.²

The Department of Elections is working with the Department of Technology to develop an open source voting system. The City seeks to complete the system by the time the Dominion contract expires in March 2023. According to Mr. Arntz, the two option years in the contract provide flexibility in case the open source system is not ready by that time.

FISCAL IMPACT

The contract approved by the proposed resolution would cost the City an amount not to exceed \$8,460,000 over the initial four year and three month term. If the two option years are exercised, the department would incur an additional cost of \$4,200,000, for a total not to exceed \$12,660,000. The annual payments to Dominion are shown in Table 1 below.

Table 1: Annual Payments from Department of Elections to Dominion

Year	Amount
Year 1 – 2019	\$2,160,000
Year 2 – 2020	2,100,000
Year 3 – 2021	2,100,000
Year 4 – 2022	2,100,000
<i>Subtotal – Initial Four-Year Term</i>	<i>\$8,460,000</i>
Option Year 1 – 2023	\$2,100,000
Option Year 2 – 2024	2,100,000
<i>Subtotal – Two Option Years</i>	<i>\$4,200,000</i>
Total	\$12,660,000

The contract budget is fixed in each of the initial four years, although the number of elections varies in each year: November 2019, March 2020, November 2020, March 2022, and November 2022. According to Mr. Arntz, the contract is funded by the General Fund and is included in the Department of Elections FY 2018-19 budget.

RECOMMENDATION

Approve the proposed resolution.

¹ The Secretary of State’s Office of Voting Systems Technology Assessment examines, tests, and certifies voting systems. All direct recording electronic voting machines must have an accessible voter-verified paper audit trail. The vendors certified by the Secretary of State are: Dominion, Election Systems & Software, and, Hart InterCivic). According to the Secretary of State’s website, Sequoia Voting Systems (which is owned by Dominion) and Election System & Software offer ranked-choice voting.

² The Department of Elections originally entered into a contract with Sequoia in 2007. The contract was transferred to Dominion in 2010 when Dominion acquired Sequoia. The contract between the Department of Elections and Dominion expired in December 2018.