CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET AND LEGISLATIVE ANALYST

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TO: Budget and Finance Committee

FROM: Budget and Legislative Analyst

SUBJECT: December 2, 2020 Budget and Finance Committee Meeting

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EXECUTIVE SUMMAR Y

Legislative Objectives

- The proposed resolution would fix prevailing wage rates for employees of businesses having City contracts that (1) perform public works and improvement projects, (2) perform janitorial or window cleaning services, (3) work in public off-street parking lots, garages, or storage facilities for vehicles on property owned or leased by the City, (4) engage in theatrical or technical services related to the presentation of shows on property owned or leased by the City, (5) haul solid waste, (6) perform moving services at facilities owned or leased by the City, and (7) perform exhibit, display or trade show work at special events in the City, (8) work in broadcast services on City property, (9) drive, load, or unload commercial vehicles on City property in connection with shows or special events, (10) perform security guard services, and (11) perform motor bus services.

Key Points

- The proposed resolution would establish the following changes to prevailing wage basic hourly rates: (1) construction employees would receive wage rate increases that vary by classification, from an increase of $0.30 per hour to an increase of $4.76 per hour; (2) janitorial and window cleaning employees would receive no wage rate increase; (3) garage and parking lot employees would receive a wage rate increase depending on classification ranging from $1.19 to $2.00 per hour; (4) theatrical employees would receive a wage rate increase depending on classification ranging from $1.19 to $2.36 per hour; (5) solid waste haulers would receive a wage rate increase depending on classification ranging from $1.15 to $1.51 per hour; (6) employees performing moving services would receive a wage rate increase depending on classification ranging from $0.99 to $1.58 per hour; (7) employees performing trade show work would receive a wage rate increase depending on classification ranging from $1.00 to $1.10 per hour; (8) broadcast employees would receive no wage rate increase; (9) loaders and unloaders would receive no wage rate increase; (10) security guards would receive a wage rate increase of $0.40 per hour; and (11) motor bus drivers would receive a wage rate increase depending on classification ranging from $3.15 to $4.88 per hour.

Fiscal Impact

- Potential increased costs to the City depend on future City contractor bids and the extent to which City contractors increase the bids submitted to the City to pay for the costs of the increased prevailing wages rates. Such potential increased costs to the City cannot be estimated at this time.

Recommendation

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

MANDATE STATEMENT

Charter Section A7.204 requires contractors that have public works or construction contracts with the City to pay employees the highest general prevailing rate of wages for similar work in private employment. The Charter allows the Board of Supervisors to exempt payment of the prevailing wage for wages paid under public works or construction contracts between the City and non-profit organizations that provide workforce development services.

Administrative Code Sections 6.22(E)(3) and 21C.7(c)(1) require the Board of Supervisors to annually set prevailing wage rates for employees of businesses having City contracts. Table 1 below identifies the (a) specific Administrative Code Sections, (b) the dates each Administrative Code Section was last amended by the Board of Supervisors, and (c) the types of City contracts, leases, and/or operating agreements in which the businesses are required to pay prevailing wages.

Table 1: List of City Contractors Required to pay the Annual Prevailing Wage

Administrative Code	Date of Most Recent Amendment	Type of Contract
Section 6.22 (E)	May 19, 2011	Public works or construction
Section 21.C.1	January 7, 2011	Motor bus services
Section 21C.2	May 28, 2014	Janitorial and window cleaning services
Section 21C.3	May 28, 2014	Public off-street parking lots, garages and vehicle storage facilities
Section 21C.4	February 2, 2012	Theatrical performances
Section 21C.5	February 2, 2012	Solid waste hauling services
Section 21C.6	February 2, 2012	Moving services
Section 21C.8	June 19, 2014	Trade show and special event work
Section 21C.9	February 10, 2016	Broadcast service workers on City property
Section 21C.10	October 14, 2016	Loading, unloading and driving commercial vehicles on City property
Section 21C.11	October 28, 2016	Security guard services in City contracts and for events on City property

BACKGROUND

Businesses that have contracts with the City, lease City property, or have permits for or other access to temporary use of City property must pay prevailing wage rates to employees. “Prevailing wages” are usually based on rates specified in collective bargaining agreements for comparable classifications in the geographic area. Businesses having contracts, leases, or permits with the City must pay the prevailing wage rate, even if the employees of the specific business are not covered by a collective bargaining agreement.

Each year, the Board of Supervisors is required to establish the prevailing wage rates for workers engaged in construction, janitorial, parking, theatrical, motor bus, solid waste hauling, moving, trade show, security guard, and broadcast services, and for loading, unloading and driving commercial vehicles on City property.

Administrative Coded Section 6.22, covering public works classifications, defines prevailing wage as the per diem wage rate, and rate for overtime and holidays. Section 21C defines the prevailing wage rate for other classifications as the base hourly wage rate and the hourly rate for fringe benefits.

To assist the Board of Supervisors in determining the prevailing wage rates, the Civil Service Commission is required to furnish the Board of Supervisors, on or before the first Monday of November of each year, relevant prevailing wage rate data. The Civil Service Commission submitted the report to the Board of Supervisors on October 26, 2020.

Administrative Code Sections 6.22(E) and 21C.7 state that the Board of Supervisors is not limited to the data submitted by the Civil Service Commission to determine the prevailing wage rates for public works construction, but may consider other information on the subject as the Board of Supervisors deems appropriate. According to Administrative Code Section 6.22(E), if the Board of Supervisors does not adopt the prevailing wage rates for public works classifications, the wage rates established by the California Department of Industrial Relations for the year will be adopted.

The Civil Service Commission's relevant prevailing wage rate data provided to the Board of Supervisors is based on a survey by the City's Office of Labor Standards Enforcement and includes collective bargaining agreements that have recently been negotiated.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would fix prevailing wage rates for employees of private businesses having the following contracts, leases, or operating agreements with the City or perform services on City property:

- Public works and improvement project contracts,
- Janitorial services contracts,
- Public off-street parking lots, garages, or storage facilities for vehicles on property owned or leased by the City,
- Theatrical or technical services related for shows on property owned or leased by the City,
- Hauling of solid waste generated by the City in the course of City operations,
- Moving services under City contracts at facilities owned or leased by the City,
- Exhibit, display or trade work show services at a special event on City-owned property,
- Broadcast services on City property,
- Loading, unloading, and driving of commercial vehicles on City property in connection with shows or special events,
- Security guard services, and
- Motor bus services.

The Administrative Code requires that the Civil Service Commission provide prevailing wage data to the Board of Supervisors that includes both the basic hourly wage rate and the hourly rate of each fringe benefit, including medical and retirement benefits.

- Prevailing wage rates for various crafts and labor classifications under public works projects are established by the California Department of Industrial Relations, usually based on collective bargaining agreements that cover the employees performing the relevant craft or type of work in San Francisco.
- Prevailing wage rates for contracts for other services and classifications covered by the Administrative Code, as recommended by the Civil Service Commission, are based on the collective bargaining agreements that cover work performed in San Francisco between employers and the respective labor unions.

Attachment I to this report provides an alphabetical list of all crafts covered by the City's prevailing wage rate requirements.

FISCAL IMPACT

Attachment II to this report, prepared by the Budget and Legislative Analyst, summarizes (a) the types of contracts, leases, or operating agreements required to pay prevailing wages, (b) the respective collective bargaining agreements and labor unions, (c) the amount of the hourly wage rate increases in 2021 as compared to 2020, (d) the amount of the hourly fringe benefit rate increases in 2021 as compared to 2020, and (e) the proposed prevailing hourly wage rates.

Potential impact on the costs of future contractor bids

Under the proposed resolution, private businesses that have contracts with the City, and perform public works construction, janitorial services, parking, theatrical, moving, solid waste hauling services, trade show work, broadcasting services, loading and unloading, security guard services, and motor bus services in San Francisco, would be required to pay their employees at least the prevailing wage rates as shown in Attachment II of the report. Increases in the prevailing wage rates could result in increased costs of future City contracts. However, any increased contract costs to the City as a result of the proposed prevailing wage rates are dependent on future City contractors' bids and the extent to which such higher wage rates result in higher bids submitted by City contractors. Therefore, such potential increased costs to the City cannot be estimated at this time.

RECOMMENDATION

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

List of the Crafts Covered by Prevailing Wage Requirements

Asbestos Removal Worker (Laborer)
Asbestos Worker, Heat and Frost Insulator
Boilermaker-Blacksmith
Broadcast Services Workers
Brick Tender
Bricklayer, Blocklayer
Building/Construction Inspector
Carpenter and Related Trades
Carpet, Linoleum
Cement Mason
Dredger (Operating Engineer)
Drywall Installer (Carpenter)
Electrical Utility Lineman
Electrician
Elevator Constructor
Field Surveyor
Furniture Movers and Related Classifications
Glazier
Iron Worker
Janitorial Services Worker
Janitorial Window Cleaner Workers
Laborer
Landscape Maintenance Laborer
Light Fixture Maintenance
Loaders and Unloaders
Marble Finisher
Marble Mason
Metal Roofing Systems Installer
Modular Furniture Installer (Carpenter)
Motor Bus Driver
Moving Services
Operating Engineer
Operating Engineer (Building Construction)
Operating Engineer (Heavy and Highway Work)
Painter
Parking and Highway Improvement Painter (Painter)
Parking Lot and Garage Workers
Pile Driver (Carpenter)
Pile Driver (Operating Engineer - Building Construction)
Pile Driver (Operating Engineer - Heavy and Highway Work)
Plaster Tender
Plasterer
Plumber
Roofer
Security Guards
Sheet Metal Worker (HVAC)
Slurry Seal Worker
Solid Waste Hauling Workers
Stator Rewinder
Steel Erector and Fabricator (Operating Engineer - Heavy & Highway Work)
Steel Erector and Fabricator (Operating Engineer - Building Construction)
Teamster
Telecommunications Technician
Telephone Installation Worker
Terrazzo Finisher
Terrazzo Worker
Theatrical Workers
Tile Finisher
Tile Setter
Trade Show and Special Event Workers
Traffic Control/Lane Closure (Laborer)
Tree Maintenance (Laborer)
Tree Trimmer (High Voltage Line Clearance)
Tree Trimmer (Line Clearance)
Tunnel Worker (Laborer)
Tunnel/Underground (Operating Engineer)
Water Well Driller

Type of Contract, Lease, or Operating Agreement	Collective Bargaining Agreement and/or Labor Union	Hourly Wage Rate Increase/ Decrease in 2021 compared to 2020	Hourly Fringe Benefits Rate Increase/ Decrease in 2021 compared to 2020	Proposed Prevailing Wage Rates (Hourly Wage Rate + Hourly Fringe Benefit Rate)
Public Works and Construction	California Department of Industrial Relations	Varies by classification, ranging from an increase of $0.30 per hour for certain water well drillers and pump installers to an increase of $4.76 per hour for terrazzo workers.	Varies by classification, ranging from a decrease of $0.04 per hour for certain pipefitters to an increase of $2.25 for certain inside wiremen and cable splicers.	Varies by classification: -The low wage rate increases from $16.50 to $17.50 per hour for water well driller helpers. -The high wage increases from $117.53 to $123.72 per hour for cable splicers.
Janitorial Services Contract	Collective bargaining agreement between the San Francisco Maintenance Contractors Association and the Service Employees International Union, Building Services Employees Union, Local 1877, Division 87.	No changes.	Varies by classification, from no Increase to an increase of $0.34 per hour.	Varies by classification: -The low wage remains at $27.25 per hour. -The high wage increases to $34.12 per hour.
Window Services Contract	Collective bargaining agreement between the San Francisco Window Cleaning Contractors Association and Window Cleaners Union – Service Employees International Union Local 1877, AFL-CIO	No changes.	An increase of $0.36 per hour.	Varies by classification: -The low wage increases from $39.12 per hour to $39.48 per hour. -The high wage increases from $40.66 per hour to $41.02 per hour.
Public Off-Street Garage Employees	San Francisco Master Parking Agreement between the Signatory Parking Operators and Teamsters Automotive and Allied Workers, Local 665.	Varies by classification, from an increase of $1.19 per hour to an increase of $2.00 per hour.	Varies by classification, from an increase of $0.74 per hour to an increase of $9.06 per hour.	Varies by classification: -The low wage increases from $19.02 per hour to $30.08 per hour.[1] -The high wage increases from $36.89 per hour to $38.82 per hour.

[1] The large increase for the low wage of Public Off-Street Garage Employees is due to the elimination of two trainee classifications.

Type of Contract, Lease, or Operating Agreement	Collective Bargaining Agreement and/or Labor Union	Hourly Wage Rate Increase/ Decrease in 2021 compared to 2020	Hourly Fringe Benefits Rate Increase/ Decrease in 2021 compared to 2020	Proposed Prevailing Wage Rates (Hourly Wage Rate + Hourly Fringe Benefit Rate)
Theatrical Services	2016 Project Collective Bargaining Agreement - International Alliance of Theatrical Stage Employees, Local 16, and Moving Picture Technicians, Artists and Allied Crafts, and Canada Local 16	Varies by classification, from an increase of $1.19 per hour to an increase of $2.36 per hour.	Varies by classification, from an increase of $0.49 per hour to an increase of $0.99 per hour.	Varies by classification: -The low wage increases from $56.44 per hour to $58.12 per hour. -The high wage increases from $111.64 per hour to $114.98 per hour.
Solid Waste Hauling	Collective Bargaining Agreement between Recology Sunset & Recology Golden Gate and Sanitary Truck Drivers and Helpers Union Local 350, IBT	Varies by classification, from an increase of $1.15 per hour to an increase of $1.51 per hour.	An increase of $1.35 per hour. (Does not include vacation benefits which vary based on length of employment)	Varies by classification: ·The low wage rate increases from $67.57 to $70.07 per hour. -The high wage rate increases $82.48 to $85.43 per hour.
Moving Services	Collective Bargaining Agreement between the Northern California employers and the Northern California Regional Council of Carpenters and the Carpenters 46 Northern California Counties Conference Board.	Varies by classification, from an increase of $0.99 per hour to an increase of $1.58 per hour.	An Increase of $0.30 per hour.	Varies by classification: ·The low wage rate increases from $34.63 to $35.92 per hour. ·The high wage rate increases from $34.89 to $36.77 per hour
Trade Shows	Collective Bargaining Agreement, between the Convention Services Employer and Allied Trades District Council 36 on behalf of Sign Display and Allied Crafts Local Union 510	Varies by classification from an increase of $1.00 per hour to an increase of $1.10 per hour.	An increase of $0.92 per hour.	Varies by classification: ·The low wage increases from $69.04 to $70.96 per hour. ·The high wage increases from $73.66 to $75.68 per hour.
Broadcast service workers	Agreement between MIRA Mobile Television Inc. and KELLEYCORE d/b/a SAMMCO, and the International Alliance of Theatrical Stage Employees, Moving Picture Technicians, Artists, and Allied Crafts, AFL-	No changes.	No changes.	Varies by classification: -The low wage remains at $28.80 per hour. -The high wage remains at $104.97

	CIO, CLC, and Local 119/ Bay Area Freelance Ass.			per hour.
Type of Contract, Lease, or Operating Agreement	**Collective Bargaining Agreement and/or Labor Union**	**Hourly Wage Rate Increase/ Decrease in 2021 compared to 2020**	**Hourly Fringe Benefits Rate Increase/ Decrease in 2021 compared to 2020**	**Proposed Prevailing Wage Rates (Hourly Wage Rate + Hourly Fringe Benefit Rate)**
Loaders and Unloaders	Collective Bargaining Agreement between Freeman Exposition Inc., GES/Global Experience Specialists, Curtin Convention & Exposition Services, Inc., and all other signatory employers within the greater San Francisco Bay Area and Teamsters Local 2785, Local 287 and Local 70	No changes.	No changes.	Varies by classification: -The low wage remains at $64.30 per hour. -The high wage remains at $65.43 per hour.
Security Guard Services	Collective Bargaining Agreement between Security Employers and Services Employees International Union, United Services Workers West	An increase of $0.40 per hour.	Varies by classification, from a decrease of $0.49 per hour to a decrease of $0.17 per hour.	Varies by classification: -The low wage decreases from $20.41 per hour to $20.36 per hour. -The high wage decreases from $21.45 per hour to $21.37 per hour.
Motor Bus Services	Collective Bargaining Agreement between Bauer's Intelligent Transportation, Inc. and Teamsters Local Union No. 665	Varies by classification, from an increase of $3.15 per hour to an increase of $4.88 per hour.	Varies by classification, from an increase of $3.29 per hour to an increase of $3.39 per hour.	Varies by classification: -The low wage increases from $25.44 per hour to $33.71 per hour. -The high wage increases from $33.90 per hour to $40.92 per hour.

Item 7 **File 20-1210**	**Department:** Port of San Francisco (Port)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would authorize a new lease between the Port and Andre-Boudin Bakeries, Inc. (Boudin) for the Chowder Hut Restaurant. The new lease would be for an initial ten-year term with an option to extend the lease for another five years, for a total term of fifteen years. The proposed resolution would also find that a competitive bidding process to award this lease is impractical.

Key Points

- Boudin had a lease with the Port that expired on December 31, 2019 and has been on holdover basis since that time.
- The proposed new lease retains percentage rent rate of 9 percent of sales and requires the Boudin to invest $800,000 in tenant improvements within 24 months. Boudin plans to build a patio enclosure that will allow for year-around outdoor dining, which is expected to increase revenues.
- In response to COVID-19, the Port has implemented a rent forgiveness program for its percentage rent tenants, which allows for base rent forgiveness through April 2021. Tenants approved for rent forgiveness must still pay their percentage rent on eligible revenues.

Fiscal Impact

- Under the proposed lease, Boudin pays the greater of the base rent or percentage rent. The base rent is $19,087 a month minus a rent credit of $4,000 per month in exchange for Boudin maintaining public bathrooms on the premises. As noted above, the percentage rent is 9 percent of sales.
- After accounting for the rent credit and the Port's rent forgiveness program, the proposed lease would generate $1,750,092 over the initial ten-year term. If percentage rent is higher than base rent during the term, the rent to the Port would be higher.

Policy Consideration

- The Port's 2011 Retail Leasing Policy allows the Port to renew existing leases if (1) tenants are in good standing, (2) the tenant is the most suitable economic tenant, and (3) the value of capital improvement serves a public purpose.
- Analysis commissioned by the Port found that the capital improvements would increase sales and therefore percentage rent to the Port. The consultant also determined that competitive process would provide a lower lease value to the Port, primarily because the proposed lease has above-market percentage rent and because of the time lost to a competitive bidding process.

Recommendation

- Approve the proposed lease.

MANDATE STATEMENT

City Charter Section 9.118(c) states that any lease that has a term of ten years or more, including options to extend, or that has anticipated revenues of $1 million or more is subject to Board of Supervisors approval.

Administrative Code Section 2.6-1 states that leases subject to Board of Supervisors approval are subject to competitive solicitations unless doing so is impractical or impossible.

BACKGROUND

In January 2010, the Port Commission approved a seven-year lease between the Port and Andre-Boudin Bakeries, Inc. (Boudin) for the premises located at 2890 Taylor Street, where Boudin operates the Chowder Hut Restaurant. The leased space consists of approximately 5,400 square feet of space used for a restaurant, indoor/outdoor dining and a public restroom. The current lease, which was later amended to extend the term, expired on December 31, 2019 and the tenant is currently operating on a month to month holdover basis.[1]

In September 2020, the Port Commission approved a new Chowder Hut lease for an additional 10 years, with an option to extend the lease for another five years.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would authorize a new lease between the Port and Boudin for the Chowder Hut Restaurant. The new lease would be for an initial ten-year term with an option to extend the lease for another five years, for a total term of fifteen years.

Table 1 below summarizes the key provisions of the proposed lease.

[1] According to the Port, staff intended to finalize the new lease prior to expiration of the existing lease but could not due to unplanned staff absences followed by the onset of the COVID-19 pandemic.

Table 1: Summary of Lease Provisions

Tenant	Andre-Boudin Bakeries. Inc. (Boudin)
Term	10 years
Options to Extend	One option for five years
Premises	"Chowder Hut Restaurant" at 2890 Taylor Street; 5,400 square feet
Public Restrooms	Tenant responsible for cleaning and maintaining public restrooms on the premises. Requires providing janitorial services seven days a week and reimbursing Port's costs, up to $25,000, for repairing or replacing restroom fixtures. $4,000 monthly credit to tenant for providing these services. Port responsible for providing utilities.
Total Rent	Higher of Base or Percentage Rent calculated on a monthly basis
Base Rent	$19,087/month (before $4,000/month credit for public bathroom maintenance)
Base Rent Adjustments	5th year of lease and upon exercising the option to extend, greater of: 70% of average annual total rent for previous three years or inflation adjusted Base Rent.
Percentage Rent	9% of gross sales for food, beverage and retail sales.
Required Capital Improvements	Tenant required to invest at least $800,000 to construct a patio enclosure for the outdoor seating area within 24 months of lease commencement.
Transfer Participation	12% of net proceeds to Port if restaurant is sold or mortgaged.
COVID 19 Rent Relief	Eligible for rent forgiveness for up to 14 months under the Port's Rent Forgiveness Program.

Source: Proposed Lease

Public Restrooms

The proposed lease also continues to require Boudin to clean and maintain the public restrooms on the premises seven days a week. Port staff estimates the value of these services to be $4,000 per month and provides for a rent credit in this amount. Additionally, the tenant will reimburse the Port up to $25,000 for costs accumulated towards the installation, repair or replacements of fixtures in the restrooms.

Required Capital Improvements

According to the Port, the length of the lease term allows Boudin time to amortize the required minimum capital investment of $800,000. The capital investment must be completed within 24 months of the commencement of the lease and result in a patio enclosure that will allow for year-around use and increased revenues. According to an analysis commissioned by the Port, the patio enclosure will allow for outdoor dining year-round that could increase restaurant annual sales by 4.3 percent to 9 percent.

Base Rent and Percentage Rent

Under the terms of the lease, Boudin pays the greater of the base rent or percentage rent. The base rent, $19,087 a month, is 70 percent of the average annual total rent paid to the Port in FY 2017-18, FY 2018-19 and FY 2019-20. The percentage rent is 9 percent of gross sales for food, beverages and retail sales. According to Mr. Jay Edwards, Senior Property Manager at the Port, the percentage rent for most other Port food and drinking establishments is between 6 percent and 7.5 percent.

FISCAL IMPACT

The proposed lease calls for the tenant to pay the greater of base rent of $19,087 per month or a percentage rent of 9 percent of its total gross sales. After accounting for the $4,000 per month rent credit for the public bathroom maintenance, Boudin would pay at least $1,810,440 in annual rent over the initial ten-year term of the lease.[2] If Boudin receives the maximum rent forgiveness available under the Port's Rent Forgiveness Program through April 2021, no base rent would be due during the first four months of 2021, and the minimum annual rent payable over the initial ten-year period would be $1,750,092.[3] However, Boudin would still need to pay rent based on percentage of sales, which would offset all or a portion of the base rent that could be forgiven during early 2021.

According to the Controller's Office FY 2020-21 Three-Month Budget Status Report dated November 10, 2020, the Port's FY 2020-21 operating expenditures are expected to remain within budget, which includes revenue impacts from the Port's rent forgiveness program.

[2] Base rent = $19,087 - $4,000 bathroom rent credit = $15,087 rent per month. Multiplied by ten-year initial lease period = $1,810,440. Calculation does not account for base rent adjustment after year five of the lease or for percentage rent.

[3] Under the Port's COVID-19 Rent Relief Program, percentage rent tenants may apply to have their base rent forgiven for up to fourteen months from March 1, 2020 through the earlier of (a) April 30, 2021 or (b) when a tenant's percentage rents equal or exceed the base rent otherwise payable under the lease for 3 consecutive months. Assuming the proposed lease is effective January 1, 2021, the tenant could be eligible for up to four months of rent forgiveness, or $60,348 ($76,348 base rent less $16,000 rent credit)

POLICY CONSIDERATION

Port Retail Leasing Policy

Port leases that require Board of Supervisors approval must abide by the competitive bidding policy in the Administrative Code Section 2.6-1**,** unless a competitive bidding process is impractical or impossible. According to the Port's 2011 Retail Leasing Policy, the Port may bypass the competitive solicitation process and use a Direct Negotiation Exception to renew or extend a lease with an existing tenant. In such cases, the Port Commission must determine:

1. The tenant is in compliance with the Tenant in Good Standing Policy
2. The tenant is the most suitable economic tenant based on reasonably projected sales and revenues to the Port.
3. The value of the capital improvements serves a public purpose

The Port Commission determined that the tenant was in good standing and hired Seifel Consulting Inc. to determine if the tenant met criteria numbers 2 and 3.

Determination of Most Suitable Economic Tenant

In comparing sales in 2018 with comparable restaurants in the area, Seifel's analysis found that the Chowder Hut's sales compared favorably on a per seat and per square footage basis. Furthermore, Seifel analyzed projected sales for an alternate scenario whereby the current lease was terminated and the Port issued a request for bids for a new lessee. At the request of the Port, Seifel analyzed the proposed lease taking into account the effects of the COVID pandemic and concluded that the proposed lease's net present value was $1.2 million higher than the net present value of a new lease in the alternate scenario primarily because of the time lost to the competitive bidding process and because the proposed lease has an above market percentage rent rate.

Value of Capital Improvements

As noted above, comparing the seasonality of sales between Chowder Hut and a nearby restaurant that has seating that is largely enclosed, Seifel's analysis found that the Chowder Hut's sales could be expected to increase by 4.3 percent to 9 percent once the capital improvements that created enclosed seating were completed. The Port determined that the capital improvements in the proposed lease serve a public purpose by increasing the rent Boudin would pay to the Port.

Approval of the proposed resolution would find that a competitive bidding process is impractical for the premises under the proposed lease.

RECOMMENDATION

Approve the proposed resolution.

Items 9 and 10 **Files 20-1292 & 20-1302**	**Department:** Port

EXECUTIVE SUMMARY

Legislative Objectives

- File 20-1292: is a resolution that would authorize the Port to issue Development Special Tax Bonds in an amount not to exceed $43.3 million and approve related documents.
- File 20-1302: is a resolution that would approve the revised Pledge Agreement for the proposed bonds, allowing for incremental property revenue generated within the Mission Rock Project Area to be used in combination with Mission Rock special tax revenues to pay for bond debt service.

Key Points

- Phase 1 of the Mission Rock Development Project includes housing, office space, retail, creation of China Basin Park, and horizontal infrastructure, such as streets and utilities. The development agreement between the Port and Seawall Lot 337 Associate, LLC requires the developer to build horizontal infrastructure and the Port to reimburse those costs. Phase 1 horizontal infrastructure construction is expected to take two years.
- The Board of Supervisors previously approved Project Area I (Mission Rock) within the Port's Infrastructure Financing District, which allowed for incremental property taxes generated within that area to be used for infrastructure costs. In addition, the Board has approved the Mission Rock Special Tax District and levy of special taxes within that area.
- The proposed bonds would be repaid by a combination of special taxes and tax increment revenue. Ground lease tenants will receive a credit on their special taxes based on the prior year's tax increment revenue.

Fiscal Impact

- The proposed bonds are expected to generate $44.8 million in bond proceeds, have a thirty-year term, and true interest cost of 4.68 percent. Total debt service is expected to be $88,579,518 or approximately $2,994,800, on average, per year.
- The proposed bonds are expected to be issued in the first quarter of 2021.
- Based on information provided by the Port, the proposed Special Tax Bonds are in compliance with the City's Amended and Restated Local Goals and Policies for Community Facilities Districts and Special Tax Districts.

Recommendation

- Approve the proposed resolutions.

MANDATE STATEMENT

Section 53395.8(c)(3) of the California Government Code designates the Board of Supervisors as the legislative body for the Port Infrastructure Financing District.

Section 43.10.9 of the Administrative Code incorporates the 1982 Mello-Roos Community Facilities Act, which designates the Board of Supervisors the legislative body for Community Facilities Districts within San Francisco.

BACKGROUND

Mission Rock Development Project

The Mission Rock development project area comprises two pieces of Port property, Seawall Lot 337 and Pier 48. In February 2018, the Board of Supervisors approved a Disposition and Development Agreement (DDA) between the Port and Seawall Lot 337 Associates, LLC, a joint venture consisting of the San Francisco Giants and Tishman Speyer (File 18-0092). The DDA requires the developer to build horizontal and vertical improvements within the Mission Rock Project Area and the Port to reimburse the developer for certain infrastructure costs. Phase 1 will include 537 housing units, 550,000 square feet of office space, 65,000 of ground floor retail, China Basin Park, a 5.5 acre public park, and related infrastructure and is expected to be complete in 2022. The area is currently a parking lot.

Phase 1 of the development area is depicted in Exhibit 1 below.

Exhibit 1: Phase 1 of the Mission Rock Development Project

Source: Port

Financing Plan

To finance Phase 1 horizontal infrastructure costs, detailed below, the Port intends to use tax-increment financing and special taxes, as detailed below.

Infrastructure Financing District

The Board of Supervisors formed the Port Infrastructure Financing District 2 (Port IFD) in March 2016 (File 15-1119). The Port IFD includes eight project areas which are eligible to receive property tax increment revenues, each of which is subject to Board of Supervisors' approval. In February 2018, the Board of Supervisors established Project Area I (Mission Rock) and Sub-

Project Areas I-1 though I-13 within the Port's Infrastructure Financing District 2 (File 17-1314), approved the Infrastructure Financing Plan for that Project Area (File 17-1314), and approved the issuance of up to $1.378 billion tax increment bonds to finance construction of infrastructure within each Project Sub-Area (File 17-1315).

Special Tax District

The 1982 Mello-Roos Community Facilities Act allows for the formation of special tax districts to fund public infrastructure improvements. In April 2020, the Board of Supervisors approved a resolution forming Special Tax District No. 2020-1 (Mission Rock Facilities and Services) (File 20-0120) and in May 2020, the Board approved special taxes to be levied in that special tax district to fund infrastructure improvements (File 20-0125) and the sale and issuance of up to $3.7 billion in special tax bonds for infrastructure improvements (File 20-0124).

Entitlement and Phase 1 Horizontal Infrastructure

Table 1 below shows the estimated sources of funds that will be used to fund construction of horizontal infrastructure within Phase 1 of the Mission Rock Development Project. Sources include prepayments on ground leases, special taxes, and incremental property tax revenue.

Table 1: Mission Rock Phase 1 Horizontal Infrastructure ($millions)

Sources	Entitlement	Phase I Infrastructure	Total
Ground Lease Pre-payments	$42.2	$0	$42.2
Special Tax Bonds - Unimproved Land	4.0	31.2	35.2
Special Tax Bonds - Completed Buildings	0	140.8	140.8
Tax Increment (IFD)	0	47.2	47.2
Total Sources	**$46.2**	**$219.3**	**$265.4**
Uses			
Horizontal Infrastructure Costs *	$29.3	$145.4	$174.8
Developer Return **	16.9	73.8	90.7
Total Uses	**$46.2**	**$219.3**	**$265.5**

Source: Port

Note: Differences due to rounding

* The Budget and Legislative Analyst's report to the February 13, 2018 Budget and Finance Committee noted that the developer had incurred $27.4 million in entitlement costs with total estimated entitlement costs of $29 million. According to the staff report to the September 9, 2019 Port Commission meeting, the final audited entitlement costs are $29.3 million.

** The Development and Disposition Agreement provided for the developer to fund horizontal infrastructure with developer equity, subject to a return of the higher of (1) 18 percent per year[1], or (2) 1.5 times peak equity. The developer contributed $29.3 million in equity for entitlement costs, for which equity contribution and the return on equity is funded through the prepayment of project ground leases. According to the September 9, 2019 Port

[1] The original term sheet between the Port and the developer provided for a 20 percent return on equity, which was reduced to 18 percent in the final DDA approved by the Board of Supervisors.

Commission, the developer's total equity contribution is $145.4 million in Phase 1 and the 18 percent annual return totals $73.8 million. According to the financial pro forma prepared by Tishman Speyer for the Port, the estimated return to the developer of $73.8 million is based on repayment of the developer's equity contribution over time.

$70 Million Nominal Cost Increase Since 2018

As shown above, the total cost of horizontal infrastructure improvements in Phase 1 is $174.8 million, which is $70 million more than the estimated cost of the horizontal infrastructure reported by the Port to the Board of Supervisors in February 2018. According to the Port, the cost escalation is due to the heated construction cost escalation environment, increased costs related China Basin Park, and from an increase in soft costs, from an estimated 29 percent of hard costs to an estimated 38 percent of hard costs, which includes spending to date, costs for City and consultant review of the project, and project permitting.[2]

Horizontal Infrastructure

Horizontal infrastructure includes entitlements, demolition, raising the site to protect against sea level rise, hazardous soil removal, wet and dry utilities, earthwork and retaining walls, roadways and street utilities, as well as public open space. Phase 1 horizontal infrastructure construction is expected to take two years.

DETAILS OF PROPOSED LEGISLATION

File 20-1292: The proposed resolution would supplement Resolution 196-20 and authorize the Port to issue Development Special Tax Bonds in an amount not to exceed $43.3 million, approve the related documents: Official Statement, Fiscal Agent Agreement, Bond Purchase Agreement, and Continuing Disclosure Certificate, and authorize the Mayor, the Controller, and the Director of the Office of Public Finance, and other City officers to modify and execute those contracts. The proposed resolution would authorize a negotiated sale for the proposed bonds.

File 20-1292 would also find that the proposed bonds and related appraisal are consistent with Board of Supervisors Resolution 414-13, which approved the City's Amended and Restated Local Goals and Policies for Community Facilities Districts and Special Tax Districts (File 13-0971).

File 20-1302: The proposed resolution would approve the revised Pledge Agreement for the proposed bonds, continue to approve the tax levy on the secured roll of ad valorem taxes on possessory interests in Project Area I (Resolution 200-20) that will be used to repay the proposed bonds, authorize City officers to take necessary actions and execute agreements to execute the revised Pledge Agreement.

[2] According to an October 21, 2019 presentation to the Capital Planning Committee, the City's Annual Infrastructure Construction Cost Inflation Estimate was 5.75% in 2018 and 6.0% in 2019. Accounting for this inflation, the Port determined that the real cost increase is $49.1 million (as compared to the nominal cost increase of $70 million). Phase 1 costs for parks and open space increased from $16.8 million to $27.4 million.

Revised Pledge Agreement

The proposed Pledge Agreement between the City and the Fiscal Agent (see below) revises the previously approved Pledge Agreement for the Port's Infrastructure District 2 (File 17-1315) to specify repayment of the proposed bonds. Like the original pledge agreement, the proposed Pledge Agreement states that property tax increment generated within the Mission Rock Project Area may be used in combination with Mission Rock Special Tax revenues to pay for bond debt service.

Under the DDA's Financing Plan, although the proposed bonds will be secured by the Mission Rock Development Special Tax revenue, ground lease tenants will receive a credit on their Development Special Taxes based on the prior year's tax increment revenue. According to the Port, this reduction in taxes enhances the value of the land, which is owned by the Port and leased proceeds of which were used to finance a portion of the horizontal infrastructure entitlement costs, as shown above in Table 1.

Fiscal Agent Agreement

The proposed Fiscal Agreement documents the bond attributes, including the maturity and interest rate, the use of Mission Rock Development Special Taxes and Mission Rock tax increments to repay the proposed bonds, and allowable uses of bond proceeds and reserves. The Fiscal Agreement would be between the City and a yet-to-be-determined fiscal agent, which would be responsible for holding and disbursing bond proceeds consistent with the Fiscal Agreement and Pledge Agreement. The Port will select a Fiscal Agent through a competitive process undertaken by the Port's municipal advisor, PFM.

Bond Purchase Agreement

The Port intends to issue the proposed bonds as a negotiated, rather than a competitive sale. According to the Port, this is necessary because the Mission Rock Project Area is still in the early stages of development and bonds would likely not be rated as investment grade and therefore the best price for the bonds will be achieved through a negotiated sale.

The Bond Purchase Agreement is between the City and Stifel, Nicolaus & Company, Incorporated, the underwriter for the proposed bonds. According to the Port, Stifel, Nicolaus & Company, Incorporated was selected as the underwriter through a competitive solicitation from the Office of Public Finance's pool of qualified underwriters qualified.

Preliminary Official Statement & Continuing Disclosure Statement

The Preliminary Official Statement describes the legal structure of the bonds as well as sources of revenue and major risks related to repayment for the benefit of prospective investors. The Preliminary Official Statement will be finalized after it is approved by the Board of Supervisors and Mayor and prior to the sale of the bonds.

The proposed resolution allows the Port and the Office of Public Finance to issue an annual Continuing Disclosure Statement, which provides financial information relevant for existing and prospective bond investors.

FISCAL IMPACT

Table 2 below shows the sources and uses of the proposed bonds. The Port intends to issue up to $43.3 million of Development Special Tax Bonds and to obtain a premium of $1.5 million, which is subject to market conditions at the time of sale.

Table 2: Bond Sources and Uses

Sources	Amount
Par Value	$43,300,000
Premium	1,542,087
Total Sources	**$44,842,087**
Uses	
Delivery Expenses & Reserves	
Debt Service Reserve	$3,743,500
Costs of Issuance	875,000
Underwriter's Discount	433,000
Subtotal, Delivery Expenses & Reserves	$5,051,500
Horizontal Improvements	
Entitlements	$3,429,304
Demolition & Hazardous Waste Removal	7,287,698
Utilities	7,366,116
Earthwork & Retaining Walls	12,183,808
Roadways	4,238,979
Streetscape	4,449,271
Parks & Public Spaces	835,412
Subtotal, Horizontal Improvements	$39,790,588
Total Uses	**$44,842,087**

Source: Port, PFM, and Stifel per Good Faith Estimate

The proposed resolution in File 20-1292 limits underwriter's discount to 1.5% of the bonds' par value. Based on the values in Table 2 above, the estimated underwriter's discount is one percent of the bonds' par value. The debt service reserve amount is based on 125 percent of the average annual debt service and will depend on market conditions at the time of sale. Costs of issuance include legal and consultant fees. The horizontal improvements are described above.

Debt Service

The proposed bonds will have a thirty-year term and true interest cost of 4.68 percent. Total debt service is expected to be $88,579,518 or approximately $2,994,800, on average, per year. Under the proposed Pledge Agreement, the bonds would be repaid with Development Special Tax revenue collected within the Mission Rock Special Tax District. The Port expects the bonds will be issued in the first quarter of 2021.

Compliance with City Special Tax Bond Policy

Under Section 4 of the City's Amended and Restated Local Goals and Policies for Community Facilities Districts and Special Tax Districts, the appraised value of the taxable property within the Special Tax District must be at least three times the value of the par value of the proposed bonds. Under Section 6 of those same policies, the special tax formulas for CFDs shall provide for minimum special tax levels that satisfy the following payment obligations of a CFD: (i) 110 percent of gross debt service for all CFD bonded indebtedness; (ii) all administrative expenses of the City related to the CFD, and (iii) amounts equal to the differences between expected earnings on any escrow fund and the interest payments due on Bonds to the CFD .

The appraised value as of October 28, 2020 of the leasehold interests within the Mission Rock Special Tax Area is $130,000,000 and the proposed par value of the bonds is $43,300,000, which is approximately one-third the appraised value of the Special Tax Area. According to the Port, the maximum taxing capacity of the Mission Rock Special Tax for FY 2020-21 is $14.2 million, which is 474 percent greater than the expected annual debt service of $2.9 million. Based on information provided by the Port, the proposed Special Tax Bonds are in compliance with the City's Amended and Restated Local Goals and Policies for Community Facilities Districts and Special Tax Districts.

RECOMMENDATION

Approve the proposed resolutions.

Item 12 **File 20-1244**	**Department:** Department of Public Health (DPH)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would (1) approve the first amendment to the agreement between Hyde Street Community Services and the Department of Public Health for behavioral health services to increase the agreement amount by $17,793,096, from $9,474,439 for an amount not to exceed $27,267,535; and (2) extend the term by five and one-half years, from January 1, 2021 through June 30, 2026.

Key Points

- Hyde Street Community Services provides case management, mental health, medication support, and crisis intervention services to clients in the Tenderloin and neighboring areas. The contractor was originally selected from two competitive solicitations completed in 2017

Fiscal Impact

- The proposed resolution would increase the not-to-exceed amount of the contract with Hyde Street Community Services by $17,793,096. Costs would be funded primarily by State and Federal funding sources and approximately 25.4 percent would be funded by the General Fund.
- Actual and budgeted expenditures through FY 2019-20 and proposed expenditures through FY 2025-26 total $27,030,997, which is $236,538 less than the proposed contract amount of $27,267,535. Therefore, the proposed resolution should be amended to reduce the not-to-exceed amount by $236,538, from $27,267,535 to $27,030,997.

Recommendations

- Amend the proposed resolution to reduce the requested not-to-exceed amount by $236,538, from $27,267,535 to $27,030,997.
- Approve the proposed 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) selected Hyde Street Community Services to provide mental health outpatient and intensive case management services as a result of two competitive solicitations conducted in 2017. In 2018, the Department of Public Health (DPH) awarded a new contract to Hyde Street Community Services to provide these services for two- and one-half years, July 1, 2018 through December 31, 2020, for an amount not to exceed $9,474,439. Because the contract was less than $10 million and less than 10 years, the contract did not require Board of Supervisors' approval.

The scores for the Request for Proposals/Qualifications are shown in Table 1 below. Hyde Street Community Services scored the sixth highest out of 14 proposers on the RFP 8-2017, Mental Health Outpatient Programs for Adult/Older Adult System of Care competitive solicitation, and the lowest out of one other proposer on the RFP 11-2017 Mental Health Intensive Case Management (ICM) Modality Services (Full Service Partnership and Non Full Service Partnership Programming). According to Ms. Michelle Ruggels, DPH Business Office Director, multiple contractors were selected for City funding from those solicitations, including the top scoring entity and Hyde Street Community Services.

Table 1: Proposals and Scores for Request for Proposals/Qualifications

Proposer	Score[1]
RFP 8-2017 Mental Health Outpatient Programs for Adult/Older Adult System of Care	
San Francisco AIDS Foundation	210.25
RAMS	209.80
UCSF Alliance Health Project	204.50
Instituto Familiar de la Raza	204.00
Swords to Plowshares	203.25
Hyde Street Community Services	199.00
Episcopal Community Services of San Francisco	193.80
St. James Infirmary	190.75
Bayview Hunters Point Foundation	187.60
Jewish Family and Children's Services	185.40
Community Awareness & Treatment Services, Inc.	182.80
HealthRIGHT 360	175.00
Westside Community Services, Inc.	162.75
BAART Community Healthcare	154.00
RFP 11-2017 Mental Health Intensive Case Management (ICM) Modality Services (Full Service Partnership and Non Full Service Partnership Programming)	
Family Services Agency of San Francisco	221.67
Hyde Street Community Services	188.00

Source: Department of Public Health

According to Ms. Ruggels, DPH may issue solicitations that specify that multiple funding awards will be issued within the same category and sub-category of services, and then select multiple contractors to deliver these services. Ms. Ruggels states this practice is most commonly utilized for services delivered by non-profit organizations to ensure that DPH is able to meet the cultural, linguistic and service needs of behavioral health clients served throughout San Francisco's diverse neighborhoods. Ms. Ruggels states that in some cases, all responders to an RFP are selected in the categories for which proposals were submitted, and sometimes not all responders are selected. DPH may award multiple top scoring qualified applicants of a specific sub-category depending on the needs of the community and the needs of the project. All responders must meet minimum requirements to be reviewed and scored by a review panel.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would (1) approve the first amendment to the agreement between Hyde Street Community Services and the Department of Public Health for behavioral health services to increase the agreement amount by $17,793,096, from $9,474,439 for an amount not

[1] Total score possible for RFP 8-2017 is 220, and 255 for RFP 11-2017.

to exceed $27,267,535; and (2) extend the term by five and one-half years, from January 1, 2021 through June 30, 2026. The proposed amendment would allow for a total contract term of eight years from July 1, 2018 through June 30, 2026, which is consistent with the original RFPs, which provided for a contract term of up to 10 years.

Services Provided

Under the proposed contract amendment, Hyde Street Community Services will provide the following services:

- **Case Management Brokerage:** Services that assist a beneficiary to access needed medical, educational, social, prevocational, vocational, rehabilitative, other community services, including treatment planning and monitoring of client's progress.
- **Mental Health Services:** Individual or group therapies and interventions to provide reduction of mental disability and improvement or maintenance of functioning consistent with the goals of learning, development, independent living and enhanced self-sufficiency, and that are not provided as a component of adult residential services, crisis residential treatment services, crisis intervention, crisis stabilization, day rehabilitation or day treatment. Service activities may include but are not limited to assessment, plan development, therapy, rehabilitation, and collateral service activities.
- **Medication Support Services:** Prescribing, administering, dispensing and monitoring of psychiatric or biological medications necessary to alleviate the symptoms of mental illness; may include evaluation of the need for medication, evaluating of clinical effectiveness and side effects, obtaining informed consent, medication education and plan development.
- **Crisis Intervention Services:** Emergency (unplanned) services, provided as an immediate therapeutic response, which includes a face-to-face contact when an individual exhibits acute psychiatric symptoms to alleviate problems, which, if untreated, present an imminent threat to the individual or others.

Performance Monitoring

According to the May 2020 Program Monitoring Report, Hyde Street Community Services achieved an overall program rating of "3", which means "acceptable/meets standards." The contractor is scored in the following four categories: program performance, program deliverables, program compliance, and client satisfaction. The contractor achieved a rating of "acceptable/meets standards" in three of the four categories except for program compliance, which was rated "unacceptable." According to the Program Monitoring Report, the program is struggling to achieve documentation compliance with several objectives, including following up with clients after psychiatric discharge. Department policy is for the contractor to submit a plan of action to address documented deficiencies. According to Mr. Edwin Batongbacal, Director of Behavioral Health Services, Adult/Older Adult Services, the contractor is moving towards the plan of action goal of enrolling 40 percent of clients into vocational programs or other meaningful activities to reduce isolation. The contractor has thus far moved from 0 percent to 14 percent and 24 percent enrollment within their two programs.

FISCAL IMPACT

The proposed resolution would increase the not-to-exceed amount of the contract by \$17,793,096, for a total not to exceed \$27,267,535. According to Ms. Ruggels, the increased contract amount is necessary to allow for the continued provision and payment of existing services, as authorized under the original RFP, at a flat rate through the authorized term. There are no changes in the scope of work or level of services for the proposed contract amendment.

Table 2 below summarizes the sources and uses of the proposed contract spending.

Table 2. Sources and Uses of Funds for Proposed Hyde Street Community Services Contract

Sources of Funds	FY 2018-19 (Actual)	FY 2019-20 (Budget)[2]	FY 2020-21 (Proposed)	FY 2021-22 (Proposed)	FY 2022-23 (Proposed)	FY 2023-24 (Proposed)	FY 2024-25 (Proposed)	FY 2025-26 (Proposed)	Total
Medi-Cal (Federal)[3]	$1,255,742	$1,255,742	$1,255,742	$1,255,742	$1,255,742	$1,255,742	$1,255,742	$1,255,742	$10,045,936
1991 Mental Health Realignment (State)	737,130	737,130	737,130	737,130	737,130	737,130	737,130	737,130	5,897,040
General Fund (Local)	779,316	864,222	864,222	864,222	864,222	864,222	864,222	864,222	6,828,870
Medicare (Federal)	58,024	58,024	58,024	58,024	58,024	58,024	58,024	58,024	464,192
SAMHSA Grant (Federal)	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	40,000
MHSA Adult Match (State)[4]	273,274	273,274	273,274	273,274	273,274	273,274	273,274	273,274	2,186,192
MHSA Adult Non Match (State)	208,488	208,488	208,488	208,488	208,488	208,488	208,488	208,488	1,667,904
Subtotal	***$3,316,974***	***$3,401,880***	***$3,401,880***	***$3,401,880***	***$3,401,880***	***$3,401,880***	***$3,401,880***	***$3,401,880***	***$27,130,134***
Expended in Interim Contract[5]	(1,859,668)								(1,859,668)
Unspent Balance	(688,825)[6]								(688,825)
Contingency (12%)[7]			408,226	408,226	408,226	408,226	408,226	408,226	2,449,356
Total Sources	**$768,481**	**$3,401,880**	**$3,810,106**	**$3,810,106**	**$3,810,106**	**$3,810,106**	**$3,810,106**	**$3,810,106**	**$27,030,997**

Uses of Funds	FY 2018-19 (Actual)	FY 2019-20 (Budget)	FY 2020-21 (Proposed)	FY 2021-22 (Proposed)	FY 2022-23 (Proposed)	FY 2023-24 (Proposed)	FY 2024-25 (Proposed)	FY 2025-26 (Proposed)	Total
Mental Health Outpatient Services	$560,991	$2,484,023	$2,484,023	$2,484,023	$2,484,023	$2,484,023	$2,484,023	$2,484,023	$17,949,152
Adult FSP – Intensive Case Management	207,490	917,857	917,857	917,857	917,857	917,857	917,857	917,857	6,632,489
Subtotal	***$768,481***	***$3,401,880***	***$ 3,401,880***	***$ 3,401,880***	***$3,401,880***	***$3,401,880***	***$3,401,880***	***$3,401,880***	***$24,581,641***
Contingency (12%)			408,226	408,226	408,226	408,226	408,226	408,226	$2,449,356
Total Uses	**$768,481**	**$3,401,880**	**$3,810,106**	**$3,810,106**	**$3,810,106**	**$3,810,106**	**$3,810,106**	**$3,810,106**	**$27,030,997**

Sources: Department of Public Health and Appendix B to Proposed First Modification

[2] In FY 2019-20, a Cost of Doing Business (CODB) of 2.5% was allocated. CODB amounts are not projected to be allocated in subsequent years. In addition, Ms. Ruggels states that the FY 2019-20 Cost Report has not yet been completed, and therefore, the actual expenditures are not available. Ms. Ruggels also states that the department does not propose any changes to the budgeted amount, pending the completion of the Cost Report to ensure there is sufficient funding available to reimburse the vendor.

[3] Medi-Cal is federal funding that provides a 50% reimbursement to every eligible dollar spent.

[4] This is state funding used as a match to draw down the federal Medi-Cal 50% reimbursement

Actual and budgeted expenditures through FY 2019-20 and proposed expenditures through FY 2025-26 total $27,030,997, which is $236,538 less than the proposed contract amount of $27,267,535. Therefore, the proposed resolution should be amended to reduce the not-to-exceed amount by $236,538, from $27,267,535 to $27,030,997.

RECOMMENDATIONS

1. Amend the proposed resolution to reduce the requested not-to-exceed amount by $236,538, from $27,267,535 to $27,030,997.
2. Approve the proposed resolution, as amended.

[5] According to Ms. Ruggels, DPH underwent a transition phase in FY 2017-18, in which existing Behavioral Health Services (BHS) services were subject to multiple solicitations to continue contracted services. To prevent a gap between the expiration of the existing contract and its ongoing services, as well as the continuation of these services under a new contract, many vendors received an interim contract for the period beginning January 1, 2018 through completion of the new contract. At the same time, new and ongoing contracts were effective retroactive to July 1, 2018, thereby replacing the interim contract. If an existing vendor was awarded the services via the applicable solicitation, then this vendor would have had both an interim contract and a new contract with at least a six month overlap period typically between July 1, 2018 and December 31, 2018 of the FY 2018-19 term. In some instances, including for the current Hyde Street Community Services contract, the vendor was paid during this period utilizing the authority of the interim contract. Consequently, $1,859,668 of the current Hyde Street Community Services contract was paid out of the interim contract, which had a term of January 1, 2018 through December 31, 2018.

[6] This is the amount unspent in FY 2018-19 and therefore reduced from the budget.

[7] Per Health Commission Resolution 14-1, 12% is the standard contract contingency included in SFDPH contracts.