



Department of Benefits
and Family Support

Department of Disability
and Aging Services

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MEMORANDUM

TO: DISABILITY AND AGING SERVICES COMMISSION

THROUGH: KELLY DEARMAN, EXECUTIVE DIRECTOR

FROM: DAN KAPLAN, DEPUTY DIRECTOR for
ADMINISTRATION AND FINANCE
ESPERANZA ZAPIEN, DIRECTOR OF CONTRACTS

DATE: JUNE 5, 2024

SUBJECT: Cost of Doing Business (CODB) Adjustments

Before the current budget cycle, departments created grant agreements without including inflationary adjustments. Each year, CODB adjustments were set as part of the budget process. Following the approval of the budget, agencies adjusted grant agreements to reflect approved CODB adjustments.



London Breed
Mayor

Kelly Dearman
Executive Director

In October 2023, the Board of Supervisors adopted an ordinance requiring the Controller to prepare an initial base budget including anticipated cost increases in grants to nonprofit organizations to reflect inflation; and to adopt a City policy that departments enter into multi-year grants when the need for a grant program extended beyond a single year.

In April 2024, the Controller’s Office issued a policy on multi-year contracting which included the following CODB adjustments for upcoming fiscal years:

- FY 24-25 3%
- FY 25-26 3%
- FY 26-27 2%
- FY 27-28 2%

The Controller’s Office included funding to support these rate increases in the City’s base budget and advised departments with existing, active multi-year agreements with General Fund sources to initiate any necessary amendments or modifications to reflect these changes. Departments were also advised to use the inflationary rates for new agreements beginning July 1, 2024.

Recent grant agreements submitted to this Commission with a start date of July 1, 2024, have included these inflation/Cost of Doing Business rates. This includes the grant agreements before you today.

However, it should be noted that neither the October 2023 Ordinance, nor the Controller's April 2024 guidance, bind the Mayor or Board of Supervisors in their budget process. All agreements continue to be subject to funding availability.

On June 1, 2024, the Mayor issued her proposed budget. This budget reflects a 2.5% CODB in FY 2024-25 and 0% in FY 2025-26.

If the CODB amounts included in the approved budget are different from those appearing in the grant memos before you today, the Department will adjust grant amounts to conform to the approved budget.

As you know, many of the grant agreements issued by DAS/HSA are for ongoing services. We are bringing agreements to this commission now in order to facilitate the smooth delivery of services.