



Edwin M. Lee, Mayor

Department of Human Services
Department of Aging and Adult Services

Trent Rhorer, Executive Director

MEMORANDUM

TO: HUMAN SERVICES COMMISSION

THROUGH: TRENT RHORER, EXECUTIVE DIRECTOR

FROM: DANIEL KAPLAN, DEPUTY DIRECTOR
JOHN TSUTAKAWA, DIRECTOR OF CONTRACTS *J4)*

DATE: OCTOBER 20, 2017

SUBJECT: **COST OF DOING BUSINESS INCREASE FOR NON-PROFIT SERVICE PROVIDERS**

GRANT TERM: 7/1/17 – 6/30/19

GRANT AMOUNT: \$2,781,465

ANNUAL AMOUNT: FY 17/18 FY 18/19
\$919,493 \$1,861,972

Funding Source	<u>County</u>	<u>State</u>	<u>Federal</u>	<u>Total</u>
FUNDING:	\$2,781,465			\$2,781,465
PERCENTAGE:	100%			100%

The Department of Human Services (DHS) requests authorization to modify the grant agreements with non-profit service providers for the period of July 1, 2017 through June 30, 2019, in an aggregate amount not to exceed \$2,781,465. The purpose of the increase is to help compensate the non-profit service providers for the increased costs associated with providing services on behalf of the department.

Background

The City has approved a Cost of Doing Business (CODB) increase to non-profit organizations currently under contract with the City. A 2.5% cost of doing business increase will be applied to the Fiscal Year (FY) 17/18 grant amounts. A compounded 2.5% increase will then be applied to the FY 18/19 grant amounts. The CODB will be applied to all current grant agreements that were executed prior to FY 17/18, as well as new grant agreements for ongoing programs with incumbent providers that were executed during FY 17/18.

The CODB funds will be applied to the following costs contained in the budgets of each grant agreement:

- Salaries and associated benefits
- Operational costs excluding direct client assistance dollars, capital equipment, or capital improvement costs funded by the department.
- Indirect costs
- General funds and leveraged state and federal funds.

The CODB will not be applied to pass-through funds, new programs, or add-backs that were made effective during FY 17/18.

Contracts staff will be working with each provider in implementing this increase into the contract budgets over the next few weeks. The service providers will allocate the Cost of Doing Business increase subject to final approval by the Department.

Funding

This CODB increase will be funded entirely by County General Funds.