



Edwin M. Lee, Mayor

Trent Rhorer, Executive Director

MEMORANDUM

TO: HUMAN SERVICES COMMISSION

THROUGH: TRENT RHORER, EXECUTIVE DIRECTOR

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

DATE: OCTOBER 27, 2016

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

GRANT TERM: 7/1/16-6/30/17

GRANT AMOUNT: \$36,652

ANNUAL AMOUNT: FY 16/17
\$36,652

Funding Source	<u>County</u>	<u>State</u>	<u>Federal</u>	<u>Total</u>
FUNDING:	\$36,652			\$36,652
PERCENTAGE:	100%			100%

The Department requests authorization to modify the grant agreements with the non-profit service providers for the period of July 1, 2016 through June 30, 2017, in an aggregate amount not to exceed \$36,652. The purpose of the increase is to help compensate the non-profit service providers for the increased costs associated with providing the services on behalf of the department.

Background

During FY 15/16, the City 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 was applied on the FY 15/16 grant amount. A doubled amount of the FY 15/16 CODB was then added for FY 16/17 (\$4,430,012)*, and then annualized for all remaining grant years.

*The original CODB amount included increases for Housing and Homeless grants, which are no longer administered by the Human Services Agency. This CODB adjustment therefore does not pertain to Housing and Homeless grants.

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As part of the FY16/17 and FY17/18 budget, the Mayor's Office identified sufficient funding to apply the 2.5% increase for the FY16/17 CODB to both the 15/16 base as well as the previously excluded FY 15/16 CODB amount. This will result in a slight (.0625%) increase to the original FY 16/17 amount, and this increase will be annualized across all remaining years of each contract.

In addition, grant agreements with incumbent providers for existing programs that were executed during FY 16/17 will receive a 2.5% budget increase. These grants are considered eligible for a CODB increase but were not in place last fiscal year to receive one.

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 and one time or capital equipment or capital improvement costs funded by the department.
- The CODB will be applied to general funds and leverageable state and federal funds. It will not be applied to pass through funds.
- The Cost of Doing Business increase will not apply to new programs or Board add backs that are effective in FY 16/17.

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.