



London Breed, Mayor

Department of Human Services  
 Department of Aging and Adult Services  
 Office of Early Care and Education

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 25, 2019

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

GRANT TERM: 7/1/2019 – 6/30/2023

GRANT AMOUNT: \$2,561,276

ANNUAL AMOUNT:

	<u>FY 19/20</u>	<u>FY20/21</u>	<u>FY 21/22</u>	<u>FY22/23</u>
	\$1,267,138	\$859,769	\$416,974	\$17,395

Funding Source

	<u>County</u>	<u>State</u>	<u>Federal</u>	<u>Total</u>
FUNDING:	\$2,561,276			\$2,561,276
PERCENTAGE:	100%			100%

The Department of Human Services (DAAS) requests authorization to modify the grant agreements with non-profit service providers for the period of July 1, 2019 through June 30, 2023, in an aggregate amount not to exceed \$2,561,276. The purpose of the Cost of Doing Business (CODB) increases is to help compensate the non-profit service providers for the increased costs associated with providing services on behalf of the department.

These CODB numbers reflect grants as they are currently contracted. Fiscal years 20/21, 21/22, and 22/23 show the baselined amounts. Because the grants have different end dates, the annual amounts decrease in future years.

**Background**

Periodically, the city provides a CODB increase for non-profits to address rising business costs such as staff salary, benefits, rent, utilities, insurance and other needs. At this time, a 3.0% CODB increase will be applied to the Fiscal Year (FY) 19/20 grant amounts. An additional compounded 2.5% CODB increase will be applied to the FY 20/21 grant amounts. The CODB will be applied as part of the baseline for additional years for the duration of the grants.

## **Eligible costs**

The CODB funds are 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 generally not be applied to

- Pass-through funds or capital funds.
- Completely new programs or add-backs that were made effective during FY 19/20. If the addbacks or new services are baselined, the CODB will be applied to subsequent years.

## **Grant modification process**

Contracts staff will be working with each provider to implement the CODB increase over the next several weeks. HSA will send a letter informing CBOs of the amounts determined for their grants. The service providers will adjust their budgets in CARBON and when approved can begin to submit for the costs.

## **Funding**

This CODB increase will be funded by County General Funds.