



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: AGING AND ADULT SERVICES COMMISSION
 THROUGH: SHIREEN MCSPADDEN, EXECUTIVE DIRECTOR
 FROM: CINDY KAUFFMAN, DEPUTY DIRECTOR
 JOHN TSUTAKAWA, DIRECTOR OF CONTRACTS *JKI*

DATE: OCTOBER 2, 2019

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

GRANT TERM: 7/1/2019 – 6/30/2024

GRANT AMOUNT: \$3,273,832

ANNUAL AMOUNT:	<u>FY 19/20</u>	<u>FY20/21</u>	<u>FY 21/22</u>	<u>FY22/23</u>	<u>FY 23/24</u>
	\$1,792,142	\$929,293	\$320,193	\$141,668	\$90,536

Funding Source	<u>County</u>	<u>Dignity Fund</u>	<u>State</u>	<u>Federal</u>	<u>Total</u>
FUNDING:	\$1,113,103	\$2,160,729			\$3,273,832
PERCENTAGE:	34%	66%			100%

The Department of Aging and Adult Services (DAAS) requests authorization to modify the grant agreements with non-profit service providers for the period of July 1, 2019 through June 30, 2024, in an aggregate amount not to exceed \$3,273,832. 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. The fiscal years 21/22, 22/23, and 23/24 show the baselined amounts. Because the grants have different end dates, the annual amounts decrease in future years. When the grants are extended or re-procured, the CODB will be reflected in the extensions and new grants as they come before the commission in the future.

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. If there is disagreement, HSA will review the calculations and allowable costs with the CBOs. 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 and Dignity Fund.