



DPH BUSINESS OFFICE

Terms and Definitions of Contract Documents, and Required Forms for Processing (Feb. 2019)

Official Terms	Other Terms Used	Definitions	Required Forms/Procedures for Initiating Action*
Original Agreement	Contract Agreement Legal agreement Boilerplate OCA boilerplate City boilerplate City Terms and Conditions T's & C's City template City paper	<p>The Original Agreement is the legal agreement which is made by and between the City and County of San Francisco and the Contractor. Original agreements are made only as the result of a competitive solicitation (RFP/RFQ) or an approved Office of Contract Administration (OCA) sole source waiver.</p> <p>The Original Agreement contains the legal language required by the City, which is also referred to as “the boilerplate” or “City template,” and refers to everything in the Original Agreement up to and including the signature page.</p> <p>The Original Agreement boilerplate also states the entire time period or <i>Term</i> of the agreement and the total contract amount or <i>Compensation</i> amount (funding for all contract years). The term of the agreement may include more than one fiscal or funding year (typical length is five years). The contract term may not exceed the time period designated in the competitive solicitation or the approved sole source request. The Compensation total is also referred to as the Not To Exceed (NTE) amount. Expenditures (spending) made under the contract may not exceed the total Compensation/NTE amount, a requirement that is stated in all City agreements. The Original Agreement also includes appendices specific to each particular contract, including individual appendices for:</p> <ul style="list-style-type: none"> • Specific legal, policy, funding, or procedural requirements; • The Description of Services (also referred to as the narrative or Scope of Work/SOW) (Appendix A-1, A-2, A-3, etc.) • The Contract Budget pages (Appendix B-1, B-2, B-3, etc.) • Invoice templates • Proof of Insurance (insurance certificates, additional insured endorsements, and any approved waivers of insurance requirements) <p><u>Note:</u> The Compensation or Not to Exceed (NTE) total contract funding includes a placeholder value which is equal to 12% of the contract allocation. This placeholder is referred to as the “Contingency”. The Contingency allows DPH to accommodate potential funding increases, up to 12% of the contract allocation, without requiring a formal contract modification to add the potential increases, or a second approval by the Board of Supervisors or Health Commission.</p>	<ol style="list-style-type: none"> (1) Selection of a contractor through a competitive solicitation or approval of a sole source contract by the City Purchaser/Office of Contract Administration (Forms: RFP/RFQ selection letter or OCA sole source request form and justification memo) (2) Funding Notification (FN) issued Form to Initiate: <i>Request for Contract Funding Notification</i>, prepared by SOC Manager. * (3) Contract documents, including Appendices A and B, submitted by vendor to CDTA Manager * or Contract Analyst (if no CDTA Manager) (4) Standard Processing Path, including approval and signature by the vendor, City Attorney, Director of Health, and City Purchaser/OCA <p><u>Additional Potential Approval Requirements:</u></p> <ul style="list-style-type: none"> • The Health Commission reviews ongoing contracts if the annual funding exceeds \$500k, or if a brand new contract exceeds \$100k annually. • The Board of Supervisors approves all contracts where the NTE amount exceeds \$10 million, and/or the term exceeds 10 years. • The Civil Service Commission approves the contracting-out of services through approval of request for Personal Services Contract (PSC), which includes requirements for notification of labor unions whose members may be affected.

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Contract Amendment	Amendment Modification Formal Modification Mod. Formal Mod. Contract Mod. No-cost Extension Contract Extension	<p>A Contract Amendment literally amends—modifies and changes—the Original Agreement. Once it is fully executed (signed) and certified, all of the changes that the contract amendment describes are legally incorporated into the contract, and any changes or modifications made then supersede the Original Agreement or any previous contract amendments.</p> <p>Contract amendments are subject to the same City approval and certification process as the Original Agreement.</p> <p>A contract amendment is made when there are changes to the boilerplate (the section of the contract agreement before the signature page). Accordingly, it is typically utilized when the original term of the contract needs to be extended, or the <u>total</u> Compensation/Not to Exceed (NTE) amount is increased. Other changes may trigger a contract amendment, but these are the most common.</p> <p><u>Board of Supervisors Review Trigger:</u> If a contract has previously been approved by the Board of Supervisors, any contract amendment that adds more than \$500,000 to the originally approved NTE amount will trigger the requirement to return to the Board for approval. If a contract term extension results in a total contract term becoming more than 10 years, or if a proposed extension to a previously approved term exceeds the originally approved term, this must also be approved by the Board.</p> <p>These requirements relate to the expenditure budget, rather than revenues. Revenues are covered under different criteria. (Both are covered under SF Charter Sec. 9.118.)</p> <p><u>Health Commission Review Trigger:</u> If the amendment extends the previously approved term or NTE value, then the contract must return to the Health Commission if the funding is in excess of \$500k annually.</p>	<ul style="list-style-type: none"> • Agency-Initiated Change Request: Agency must submit <i>Contract Change Request</i> form to DPH Business Office-CDTA Manager.* • DPH Staff-Initiated Change Request: Staff must submit <i>Request for Contract Funding Notification</i> form to the DPH Business Office-Budget Unit after inserting information supplied by the Contracts Office.* • Funding Notification (FN) issued* • Vendor submits contract documents, including Appendices A and B to DPH Business Office-CDTA Manager* or to Contract Analyst if this contract isn't assigned to a CDTA Manager. • Standard Processing Path, including approval and signature by the vendor, City Attorney, Director of Health, and City Purchaser/OCA

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Request for Program Budget (RPB) (previously Internal Contract Revision (ICR))	Informal Modification Informal Contract Revision Informal Budget Mod. *Use Official Term!	<p>A Request for Program Budget (RPB) is a change to the contract that is <u>within</u> (does not exceed) the total Compensation/Not To Exceed (NTE) amount <u>and</u> the existing term contained in the contract agreement boilerplate.</p> <p>For instance, if a new annual contract budget includes an increase over the prior year, e.g. to add Cost of Doing Business funding, the contract may be revised through an Request for Program Budget (RPB) as long as the total Compensation/ NTE amount identified in the boiler plate has not been exceeded. As noted previously, the Compensation or NTE amount includes the placeholder value of the contingency, which is an additional 12% of the total allocation or award. As such, annual and unanticipated increases may be added to the total annual contract budget, as long as the Contingency value of 12% is not exceeded.</p> <p>RPB's do not require approval by the City Attorney or City Purchaser/Office of Contract Administration (OCA), but they do require the re-submission of the revised narrative and budget appendices to reflect the applicable changes.</p>	<ul style="list-style-type: none"> • Contractor/Vendor-Initiated Change Request: Agency must submit <i>Contract Change Request</i> form to DPH Business Office-CDTA Manager.* (not required for Cost of Doing Business Increases as these will be automatically included). • DPH Staff-Initiated Change Request: Staff must submit <i>Request for Contract Funding Notification</i> form to the DPH Business Office-Budget Unit <u>after</u> inserting information supplied by the Contracts Office.* • A revised Funding Notification (FN) letter is issued if needed (for mid-year change). A change in Units of Services (UOS)/ rate does not require a revised FN unless the funding amount or funding mix is impacted. • A new FN is issued to award an annual funding allocation if there is a change in funding levels from the prior year.* • Contractor/Vendor submits revised contract documents, including applicable Appendices A and B to DPH Business Office-CDTA Manager* or Contract Analyst if not assigned to a CDTA Manager.

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<p>Invoice Variance Request Form</p> <p>(may only be utilized one-time for final invoice of the year)</p>	<p>(replaces Contract Budget Revision Form)</p>	<p><u>Applies to Cost Reimbursement Invoices Only:</u> The contract’s Appendix F is its invoice templates, which are completed and submitted by the vendor for reimbursement, typically on a monthly basis. The invoices are based on the budget detail contained in Appendix B of the contract. The invoice, like the budget, is broken down into expense categories, e.g. Personnel, Operating, etc. Within each expense category there may be multiple line-items.</p> <p><u>Current Authorization:</u> a vendor is authorized to overspend an expense category by up to 10 percent, or \$10,000 whichever is less without formally revising the Appendix B or Appendix F, provided that there is an equivalent amount of underspending in a different expense category, so that the individual approved invoice budget is not exceeded. (This rule does not apply to all expense categories, and is only implemented if the funding source allows). Note: In cases where the expected overspending in an expense category exceeds 10%, but the total amount of the overspending is less than \$1,000, then the requirement to formally revise the Appendix B and Appendix F is also waived.</p> <p><u>Exceeding the Current Authorization:</u> During the year, if over spending in an expense category is expected beyond the 10 percent/\$10,000 dollar limit, and the amount exceeds \$1k, then the agency would follow the steps to initiate an Request for Program Budget (RPB) to reallocate funding.</p> <p><u>Invoice Variance Request:</u> At the end of the Fiscal Year when there may be insufficient time to process budget revision (i.e. internal budget revision) prior to the submission of the agency’s <u>final</u> invoice, an Invoice Variance Request Form with justification may be submitted by the vendor to request authorization to over spend in an existing expense category beyond the 10%/\$10,000 limit for an amount that exceeds \$1K, without requiring additional revisions to the Appendix B or F (assuming that there is an equal amount of underspending in a different expense category to offset the overspending). An approved Invoice Variance Request Form with the <u>final invoice</u> will become the basis for issuing a final invoice payment, reflecting the overspending without an ICR.</p>	<ul style="list-style-type: none"> Agency-Initiated Change Request: Agency must submit <i>Invoice Variance Request</i> form to DPH Business Office-CDTA Manager who will obtain the necessary approvals*. <p><u>Note:</u> An Invoice Variance Request form is almost exclusively initiated by the agency when it is desired to shift funding within pre-existing expense categories (See the full guidelines in the DPH Invoice Manual.) As noted, some exceptions may not be achieved through this process. These are also detailed in the guidelines, and below.</p> <p><u>Expense Categories Requiring Request for Program Budget (RPB) to reallocate funding, i.e. usage of Invoice Variance Request form not permissible:</u></p> <ul style="list-style-type: none"> New positions not previously contained in budget Fringe Benefit rate or % increase New line-items not previously contained in the budget Capital expense increases Subcontractor/consultant increases Indirect cost rate or % increases <p>See Criteria Table Below on page 8</p>

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Blanket Purchase Order (BPO) and Purchase Order (PO) release	Multi-Year Encumb. (MYE) (“slang”)	<p>If a contract has a term of more than 12 months, it may be referred to as a “multi-year” contract. At the very beginning of the multi-year contract term, a new, original agreement is created, and a Blanket Purchase Order (BPO) is created in the City’s accounting database (NFAMIS).</p> <p>The BPO covers the entire term of the contract and the total, Not-To-Exceed (NTE) compensation amount, shown in the contract boilerplate (not just for one funding cycle or one year). The BPO indicates DPH’s plan to spend the NTE amount during the contract term. However, the BPO does not actually set aside any money or make funding available for vendor payments. To restrict the use of the funding identified in the BPO, and to make funding available for vendor payments, funding must be “encumbered” first. To “encumber” money is to restrict its use and to make the restricted funding available for processing payments to the vendor for the provision of its contractual services. Formally, the process/term is to <i>set up a Purchase Order release</i> (PO release). PO releases are typically created for each City fiscal year, i.e. reflecting the annual contractual budget. When a PO release is processed, it reduces the amount of money available in the BPO.</p> <p>Once a PO release is processed, then contract invoices may be paid. Monthly invoice templates are prepared reflecting the Appendix B budget for the certified contract. Contractor payments are processed as vouchers. Each voucher reduces the amount available in the PO release for that fiscal year, resulting in less money being set aside for that specific purpose or encumbered for that fiscal year.</p> <p><u>Interim Process:</u> If there is a gap in time – typically occurring at the beginning of the City fiscal year – between (a) the beginning of a new City fiscal year or other funding cycle and (b) certification of modifications to the contract to implement annual allocations and updates, (e.g. to add CODB funding), contractor payments are able to continue by creating and processing a PO release for the new fiscal year,</p>	<p>The DPH Business Office Budget Unit prepares a schedule identifying the funding available for the agency’s annual PO release, which is the lower of the previous year’s budget and the current year’s funding available at the time of the PO release’s preparation.*</p> <p>For instance, if last fiscal year’s budget identified \$100k for a particular service in the contract and this fiscal year’s current, available funding is identified as \$125k, only \$100k may be processed through the PO release. The remaining \$25k will be encumbered when the new contract is certified.</p>

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		<p>against the BPO. However, the continuing payments are based on the funding level and units of service rates from the most recently approved Appendix B, typically from the prior year, pending the certification of an updated contract.</p> <p>The shorthand/legacy term sometimes used to refer to this is “doing a <i>Multi-Year Encumbrance or MYE</i>,” which refers to the ability to encumber money through a PO release when the contract term continues into the current fiscal year or funding cycle period, because the contract has a BPO against which a PO release may be processed.</p> <p>When an <i>MYE</i> is used to continue cash flow during this gap period, an agency continues to submit monthly invoices until the contract is updated through a modification. These invoices are based on the existing (not yet updated) Appendix B/Budget, but with dates reflecting the current fiscal year/funding cycle.</p> <p>(The modification to update the contract is based upon the most current Funding Notification, with invoices also updated to correspond to the updated contract and Appendix B/Budget.)</p> <p>Until the modification to update the contract is certified, the vendor will not be paid for any new funding added in the current fiscal year/funding cycle, or be able to utilize revised, typically higher, UOS rates.</p> <p>MYEs are only possible when the PO release amount and time period are within the total contract term and NTE amount of the current, certified contract agreement. (See Original Agreement for definitions).</p> <p>Note: If the contract also contains existing contract language allowing for an initial (advance) payment, payment of that advance also is only possible if it is within the period of time and amount covered by the total contract term and NTE amount.</p>	

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Initial Payment*	Advance	<p>Providing for an annual Initial Payment is an historical practice requested by most Behavioral Health Services (BHS) contractors. These agencies receive a payment at the beginning of each fiscal year equal to approximately 25% of eligible annualized funding within an encumbrance amount determined by the DPH Business Office - Budget Unit.</p> <p>Eligible funding is based on the current year full value of General Fund and Mental Health Services Act (MHSA) monies, reduced by any known reductions to occur in the next Fiscal Year. As Grant and work order funding are excluded from the Initial Payment because they may not be paid out in advance, this funding is not included in the calculation of an initial payment value.</p> <p>Contractors may receive initial payments at the beginning of the year, based upon eligible funding sources & sufficient fidelity/employee dishonesty bond insurance. A reduction to future invoice payments is made in equal monthly amounts by the DPH Accounts Payable Office in order to recover the initial payment during the period of October through March.</p>	<ol style="list-style-type: none"> (1) The DPH Business Office Budget Unit prepares an encumbrance worksheet identifying the baseline funding, by contractor, for the purpose of calculating an initial payment amount. The baseline amount is called the “Fiscal Year Encumbrance.” (2) The Contracts Office determines the amount of the initial payment and prepares the Initial Payment Claim. (3) The agency signs the Initial Payment Claim. (4) Fiscal processes the initial payment. (5) Fiscal recovers the initial payment in equal monthly amounts during October through March of the City fiscal year, or as stated in the contract. <p>(See: <u>Initial Payment- Expanded Description of Process (Behavioral Health Contracts)</u> below for more details on page 10)</p>

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Table: Invoice Variance Request Form: Applying the Rules

Invoice Expense Category	Scenario	Timing of Variance Occurrence	Requirement for Payment Approval/ Processing
Salaries	New position(s) not previously contained in the budget (an increase in FTE of an existing position is not considered a new position).	Before the end of fiscal year	Internal Contract Revision
Fringe Benefit	Rate or % increase	Before the end of fiscal year	Internal Contract Revision
Indirect	Rate or % increase	Before the end of fiscal year	Internal Contract Revision
Consultant/Subcontractor	Any increase	Before the end of fiscal year	Internal Contract Revision
Capital Expense	Any increase	Before the end of fiscal year	Internal Contract Revision
Occupancy, Materials & Supplies, General Operating, Staff Travel, Other, and Salaries (raise, or FTE increase of existing positions)	The increase does NOT exceed \$1K of the expense category.	Before the end of fiscal year	No action required; invoice will be processed
	(1)The increase exceeds \$1K of the expense category, and (2)the increase does NOT exceed the lesser of \$10K or the 10% of the expense category budget.	Before the end of fiscal year	No action required; invoice will be processed
	(1)The increase exceeds \$1K of expense category, and (2) the increase exceeds the lesser of \$10K or the 10% of the expense category budget	Before the end of fiscal year	Internal Contract Revision
	(1)The increase exceeds \$1K of expense category, and (2) the increase exceeds the lesser of \$10K or the 10% of the expense category budget	End of the fiscal year with the final invoice	Invoice Variance Request with justification

Notes:

1. An *Internal Contract Revision* is required for any **new line-item** not previously contained in the budget.
2. **The total expenses cannot exceed the total of the individual invoice budget.** This is applicable to all above scenarios, including adding a new line-item. Overspending of one expense category(ies) must be offset by underspending in a different expense category(ies).

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Summary of Forms (referenced above)

Forms	Who Completes	Available Where
Contract Change Request Form	Agency Staff complete to request a contract revision	www.sf.gov/cdta Procedures and Guidelines
Request for Contract Funding Notification	DPH Staff complete to request a change to the most recent Funding Notification letter.	Budget Unit: Budget Analyst
Invoice Variance Request Form (& Instructions and Flowchart)	Agency Staff complete to request a change to the funding allocation within expense categories in a cost reimbursement invoice.	www.sf.gov/cdta Procedures and Guidelines (instructions contained in Invoice Manual)
Invoice Manual	Reference Only: Instructions for invoice preparation and Request for Invoice Variance Request Form	www.sf.gov/cdta Procedures and Guidelines

Annual Renewal Processing: Examples

Typical Examples	Contract Amendment	Request for Program Budget (RPB)
<p>Example A: Request for Program Budget (RPB): Annual funding allocation and fiscal year are within the total Not to Exceed (NTE) amount and full Term identified in the Original Agreement or most recent Contract Amendment.</p> <p>Example: Adding annual CODB funding increase and corresponding rate changes.</p>	(not required)	X
<p>Example B: Contract Amendment: Annual funding allocation and/or fiscal year period exceed the NTE amount and Term identified in Original Agreement or the most recent Contract Amendment.</p> <p>Example: Continuing existing annual funding, and/or adding annual CODB funding</p> <p>If the contract term has ended and the contract has expired, there will be no cash available, pending the certification of a Contract Amendment.</p>	X	Not applicable

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Initial Payment- Expanded Description of Process (Behavioral Health Contracts)

- (1) The DPH Business Office Budget Unit submits an encumbrance worksheet to the 1380 Howard Contracts Unit each Spring in preparation for the next year's contract process. This worksheet contains a Fiscal Year Encumbrance amount for each existing contract. This amount is based on
 - (a) the current year full value of General Fund and Mental Health Services Act (MHSA) monies, reduced by any known reductions to occur in the next Fiscal Year;
 - (b) half of the value of recurring grants*; and
 - (c) the full value of the next year's work order funding value, if the work order has been signed by the Requesting (funding) Department.Note: While all three funding sources are included in the Fiscal Year Encumbrance total, neither the grants nor the work order value is included in the calculation by the Contracts Office of the initial payment amount, as these two funding sources are ineligible for an initial payment. The full value is included for determining the *Multi Year Encumbrance* amount.
- (2) The DPH Business Office Contracts Unit determines the 25% value of the initial payment. To do so, the Contracts Analyst verifies that:
 - (a) the contract boilerplate includes an appropriate requirement for fidelity bond, employee dishonesty, or similar coverage to eliminate any risk to the City for providing the initial payment;
 - (b) The Contractor provides appropriate proof of this coverage, ensuring that the dollar amount of coverage is adequate to cover the initial payment and the coverage is not due to soon expire; and
 - (c) The contract's Appendix B, Calculation of Charges includes appropriate the initial payment language.
- (3) If the amount of coverage is less than the calculated value of the Initial Payment, (or for an MYE, the amount shown on the Budget Unit's Fiscal Year Encumbrance schedule), the Contracts Unit will ask the Contractor to provide a new certificate of insurance with the full amount of the initial payment covered. If the new certificate is not provided in a timely manner to avoid payment delays, the Contracts Office will prepare the Initial Payment Claim with the amount of current coverage provided on the current insurance certificate. If the current coverage is due to expire soon, the Contracts Office will also ask for an updated certificate of insurance, and will not process the initial payment until it is received.
- (4) The Provider will sign the Initial Payment Invoice and return it to the Contracts Office if so desired.
- (5) The Contracts Office will submit the Initial Payment Claim to DPH Accounts Payable for approval with a copy of the contract boilerplate pages which show the contract Term and Compensation amount, the Appendix B-Calculation of Charges, the most recent contract budget, and a Contract Purchase Order request form (also called the "ADPICS" or "NFAMIS" form).
- (6) DPH Accounts Payable will set up the encumbrance (Purchase Order release) and process the initial payment.
- (7) DPH Accounts Payable will recover the full amount of the initial payment by equal monthly reductions to regular invoice payments during October through March of the City fiscal year, or as stated in the contract.

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