

**MODIFICATION NO. 1 TO AGREEMENT
BETWEEN THE COUNTY OF SAN MATEO AND PALCARE, INC.
RELATING TO CHILDCARE FACILITIES AND SERVICES**

THIS MODIFICATION NO. 1 TO THE AGREEMENT, hereinafter called the "Modification", is made as of April 1, 2015, by and between the COUNTY OF SAN MATEO, hereinafter called "County," and PALCARE, INC., hereinafter called "Palcare", a non-profit corporation organized under California law.

WITNESSETH:

WHEREAS, Palcare and the County have previously entered into the Agreement (as defined below) to obtain second priority enrollment at Palcare for the children of County Employees, and to specify the terms on which the County will act as fiscal intermediary between the City and County of San Francisco's Airport Commission and Palcare in order to facilitate the Commission's support of extended and flexible-hour childcare-services for Airport-based employees, many of whom live in the County; and

WHEREAS, the County and the Commission have executed a Modification No. 1 to the City Agreement (the "City Modification No.1") providing for an expansion of the tuition scholarships paid by the Commission under the City Agreement to partially subsidize childcare services for the children of a greater number of employees who work at the Airport, and to increase the maximum annual funding amount for the City Agreement; and

WHEREAS, Palcare and the County desire to modify the Agreement on the terms and conditions set forth herein to conform the Agreement to the amendment of the City Agreement by the City Modification No. 1;

NOW, THEREFORE, IT IS HEREBY AGREED BY THE PARTIES HERETO AS FOLLOWS:

1. **Definitions.** The following definitions shall apply to this Modification:
 - a. **Agreement.** The term "Agreement" shall mean the Agreement dated as of July 1, 2013, between the County and Palcare Relating to Childcare Facilities and Services
 - b. **Other Terms.** Terms used and not defined in this Modification shall have the meanings assigned to such terms in the Agreement.
2. **Amendment of Recitals.** Recital F of the Agreement is hereby amended in its entirety to read as follows:
 - F. The Commission desires to continue providing assistance to all Airport-based employees for another five years to June 30, 2018, as provided herein. This assistance is being provided under the terms of the Agreement Between the County of San Mateo and the Airport Commission of the City and County of San Francisco Relating to Childcare Facilities and Services, dated as of July 1, 2013, between the City and the County, as amended by Modification No. 1 effective as of April 1, 2015 (the "City Agreement"). The Commission's assistance is intended to:

- make childcare services more available by giving children of Airport-based employees priority of enrollment and on the waiting list, and to provide childcare services with extended hours to meet the needs of Airport-based families;
- make childcare services more flexible by allowing Airport-based employees to select childcare schedules that match their work schedules and can be changed monthly; and,
- make childcare services more affordable by paying certain annual registration fees and providing partial tuition scholarships for Airport-based employees.

3. **Amendment of Section 1. Definitions.** The definition of "Family Contribution Amount" in Section 1. Definitions of the Agreement is hereby amended to read as follows:

"Family Contribution Amount" means, for any month, the monthly amount a family is required to pay, calculated as follows:

- (a) for a family enrolled under Palcare's Center-Based Subsidized Child Development Contract with the DOE whose monthly income falls within the then-current Family Fee Schedule (i.e., such family is eligible for a DOE subsidy), the lesser of:
 - (i) the family contribution amount that such family must pay for childcare services for such month, which is determined by Palcare from the applicable "Part-Time Fee" or "Full-Time Fee" amounts on the Family Fee Schedule, it being understood that such monthly amounts are a "per family per month" charge, regardless of the number of such family's children actually enrolled at Palcare, and
 - (ii) 15% of such family's monthly income multiplied by the number of such family's children enrolled at Palcare during such month.
- (b) for a family whose monthly income falls outside the then-current Family Fee Schedule (i.e., such family is not eligible for a DOE subsidy), 15% of such family's monthly income multiplied by the number of such family's children enrolled at Palcare during such month.

For purposes of this definition, the same monthly income figure for a family shall be used for the Family Fee Schedule (in subsection (a)(i) above) and the 15% calculations under subsections (a)(ii) and (b) above.

4. **Amendment of Section 2. Funding.** Paragraphs A and C of Section 2. Funding of the Agreement are hereby amended to read as follows.

2. **Funding**

- A. **Annual Funding Amount.** The Commission will pay to the County under the City Agreement for payment to Palcare under this Agreement up to the maximum Quarterly Payment Amounts and maximum Annual Funding Amounts set forth below to subsidize Airport-based Employee childcare costs at Palcare for verifiable subsidy costs incurred during the applicable fiscal quarter and year, as described in paragraphs B. through E. below.

<u>Fiscal Year</u>	<u>Maximum Quarterly Payment Amount</u>	<u>Maximum Annual Funding Amount</u>
2013-14	\$100,000	\$372,500
2014-15	100,000*	454,375
	175,000**	

2015-16	175,000	700,000
2016-17	175,000***	700,000***
2017-18	175,000***	700,000***

* First three quarters of fiscal year 2014-15.

** Last quarter of fiscal year 2014-15.

*** Subject to adjustment as provided below.

For fiscal years starting July 1, 2016, the Annual Funding Amount may be adjusted at the sole discretion of the Commission, as follows: the adjusted Annual Funding Amount shall be equal to the Annual Funding Amount in the prior fiscal year adjusted by the percentage increase in the Index (which annual percentage increase shall not be less than zero (0%) or greater than seven percent (7%) for any given year), rounded to the nearest dollar, unless the parties agree to a different Annual Funding Amount by amendment to this Agreement. If the Commission determines in its sole discretion to adjust the Annual Funding Amount as provided above, the corresponding maximum Quarterly Payment Amounts shall be adjusted in the same manner.

[...]

- C. Airport Scholarship Program Subsidy. In order to make childcare services more affordable for Airport-based Employees, for each month during the term of this Agreement, the Commission will pay to the County under the City Agreement for payment to Palcare under this Agreement a portion of the regular childcare tuition for the children of each Airport-based Employee enrolled at Palcare, as follows: the Commission subsidy will equal (a) the regular Palcare tuition for all such family's children for such month, less (b) the amount of any DOE subsidy received by Palcare for such family for such month (if any), less (c) the applicable Family Contribution Amount (as defined in Section 1) for such month that such family is required to pay.

The Commission's subsidy amount for any given month is summarized by the following formula with respect to each Airport-based Employee:

$$\text{Commission Subsidy} = \text{Total Regular Tuition} - \text{DOE Subsidy (if any)} - \text{Family Contribution Amount}$$

If the Family Contribution Amount exceeds the Total Regular Tuition amount, then the Commission subsidy is zero.

[...]

5. **Amendment of Section 3. Payments to County.** Section 3. Payments to County of the Agreement is hereby amended in its entirety to read as follows:

3. Payments to County

Palcare will provide the Commission and the County within 30 days of the end of each quarter ending on September 30, December 31, March 31 and June 30, documentation of the actual costs billed each month in such quarter in accordance with this Agreement. Each quarter, the Commission will pay the County the Quarterly Payment Amounts required under the City Agreement for payment to Palcare under this Agreement, based upon quarterly invoices submitted by Palcare to the County not to exceed the maximum Quarterly Payment Amounts set forth in Section 2.A, as adjusted from time to time.

The quarterly invoices shall clearly show the total amount due, as well as a detailed breakdown of how such amount was determined. Specifically, the invoices shall include the following schedules for each month in the quarter under consideration:

<u>Schedule</u>	<u>Required Information</u>
1. Flexible Scheduling Fee for families that do not qualify for DOE or Airport Scholarship Program Subsidy.	<ul style="list-style-type: none"> - The regular monthly tuition for Airport families; - A list of Airport families and the corresponding tuition fees; - Total fees for all the families; and - The resulting 20% payable by the Airport as outlined in Section 2.A.
2a. Airport Scholarship Subsidy for qualifying families that also receive DOE subsidies.	<ul style="list-style-type: none"> - The monthly total regular tuition, the DOE subsidy, and the Family Contribution Amount for each qualifying family; - The total amounts; - Corresponding subsidy payable by the Airport (calculated in accordance with the formula in Section 2.C above); and - Relevant supporting documentation (separate DOE schedule showing the DOE subsidy amounts for each family).
2b. Airport Scholarship Subsidy for qualifying families that do not receive DOE subsidies.	<ul style="list-style-type: none"> - The monthly total regular tuition, and the Family Contribution Amount for each qualifying family; - The total amounts; and - The corresponding subsidy payable by the Airport (calculated in accordance with the formula in Section 2.C above).
2c. Flexible Scheduling Fee for families that qualify for the Airport Scholarship Program Subsidy.	<ul style="list-style-type: none"> - The monthly total regular tuition for each family and the corresponding total; and - The resulting 20% payable by the Airport as outlined in Section 2.A above. - Alternatively, the information for this schedule may be shown in Schedules 2a and 2b, as long as these Flexible Scheduling Fees are clearly presented separate from the Airport Scholarship Subsidies.
3. Annual Registration Fees.	<ul style="list-style-type: none"> - The Registration Fees charged each month to Airport families; - The names of the children associated with such fees; and - The total for all the children of Airport-based employees.
4. Priority Enrollment Fees.	<ul style="list-style-type: none"> - The total full-time equivalent spaces occupied by Airport-based families each month; - The total number of Airport-based children on the waiting list each month; and - The monthly amount payable by the Airport, calculated on a pro-rata basis as outlined in Section 2.E above.
5. Summary.	<ul style="list-style-type: none"> - The monthly total amounts in all the schedules indicated above; - The overall monthly totals; and - The grand total payable by the Airport for the quarter.

Under the City Agreement, the Commission reserves the right to request additional supporting documentation for the invoices and associated schedules, and to adjust the amounts due if documentation of costs does not substantiate the amounts billed. Palcare agrees to provide such additional supporting documentation.

6. **Amendment of Section 4. Limitation on Payments.** Section 4. Limitation on Payments of the Agreement is hereby amended in its entirety to read as follows:

4. Limitation on Payments

Quarterly payments from the Commission under the City Agreement shall be specified by the County based upon the Commission's advice as to the appropriate sum; provided, however, that payment shall not exceed the applicable maximum Quarterly Payment Amounts and Annual Funding Amounts set forth in Section 2.A, as adjusted from time to time. County shall not in any way be liable for any disputed amount.

7. **Effective Date.** This Modification shall be effective on April 1, 2015.
8. **8. Legal Effect.** Except as expressly changed by this Modification, all of the terms and conditions of the Agreement shall remain unchanged and in full force and effect.

IN WITNESS WHEREOF, the parties hereto, by their duly authorized representatives,
have affixed their hands:

COUNTY OF SAN MATEO

By: _____
President, Board of Supervisors, San Mateo County

Date: _____

ATTEST:

By: _____
Clerk of Said Board

PALCARE, INC.

BY: Lisa Kuesebach
Executive Director