



Office of the City Manager

WORKSESSION  
September 18, 2012

To: Honorable Mayor and Members of the City Council

From:  Christine Daniel, City Manager

Submitted by: Jane Micallef, Director, Department of Health, Housing & Community Services

Subject: Community Agency Funding in FY 2014

### SUMMARY

In FY 2014, we expect a continued decline in the funds that support our community agency programs, and the City's General Fund will neither be able to support current level of funding to our existing portfolio of 102 programs at 53 agencies nor the City's capacity to monitor these contracts. That being said, approximately 18 of these programs are youth serving organizations that could be aligned with the 2020 Vision Initiative in order to provide increased impact on reduction of the achievement gap and staff plan to evaluate the proposals submitted by these organizations in light of the City Council's 2020 Vision program policies and priorities. This report follows up on the February 28, 2012 worksession and July 17, 2012 information report to describe changes staff will make and to solicit related guidance from the Council.

### CURRENT SITUATION AND ITS EFFECTS

In FY2001, the number of staff administering the community agency contracting program was approximately 6.4 FTE. At that time 51 agencies were funded. We now have approximately one-third of the staffing to support roughly the same funding portfolio. In order to address staff reductions, the Department plans to streamline the funding application form itself, and the process by which applications are reviewed.

First, staff plan to simplify the application for funding to focus on performance, type of service, and cost, which have historically been the most important factors used to formulate funding recommendations. In the last biennial application process, the application required community agencies to provide extensive information. Specifically, the thirty-question, twelve-page application (*Attachment 1*) included questions about board activities, fundraising efforts, innovative practices, income and demographics of program participants, hours of operation, staffing, and partnerships with other agencies. Agencies proposing certain types of services were also required to submit supplemental questionnaires, consisting of approximately ten additional questions relating to homeless services, fair housing, childcare/2020 Vision, and workforce development services.

The online application also included an evaluation tool to allow staff and Commissioners to review and rate the applications and supplemental questionnaires online in order to develop funding recommendations. Some Commissioners used the online evaluation tool to rate the applications, but many Commissioners were uncomfortable with the tool, could not take the time to complete the evaluation consistently, or had difficulty completing the tool where it fit awkwardly with the specific proposal at hand. As a result, no Commission used the tool consistently enough to use scoring as the basis for their funding recommendations to the City Council. Staff did complete the evaluation tool for all applications, and in most cases applications were scored by two staff members. While the detailed information collected in the applications was interesting and potentially relevant to developing funding recommendations, in the end, much of the information provided by community agencies did not make a substantial difference in shaping the funding recommendations.

The staff and Commission funding recommendation processes also examined the past performance of each organization based on data previously reported to the City. On July 17, 2012, Council received an information report on community agency outcomes that illustrated the range and extent of outcomes currently reported by Berkeley community agencies. The Department now uses well-developed outcome frameworks in the homeless and employment sectors, and is working to develop one for the 2020 Vision Initiative for Berkeley's children and youth. The homeless and employment outcomes are based on those used outside the City as well as by the City. As described in the information report, outcomes used outside these sectors are less developed but still informative.<sup>1</sup>

Considering the staff and Commissions' recommendations, the City Manager's rationale for funding was ultimately based on the following general principles:

1. No funding for new recurring projects;
2. Maintain funding for agencies performing well;
3. Recommend targeted cuts based on:
  - a. Evaluation scores (to the extent scores were available);
  - b. Contract performance;
  - c. Duplication of services;
  - d. Cost per participant or successful outcome; and
  - e. Whether the project provides an essential safety-net service.

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<sup>1</sup> The challenges the City has faced in implementing outcomes in funding allocation are not unique. Recently the Alameda County Grand Jury released a report that contained an analysis of County funding for community-based organizations. They concluded that the County is not effectively using evidence-based practices to evaluate the performance of CBOs funded via the Social Services and Health Care Services Agencies, that funding renewals are often seen as an entitlement, and that future funding decisions should be based on performance. The report also mentions that smaller contracts do not warrant the effort it takes to administer them.

4. Reduce administration and monitoring burden by decreasing the number of contracts;
5. Recommend proportional cuts where agencies are performing at similar levels.

This robust review process and the extensive staff and community participation involved seldom result in large funding changes from one allocation period to the next. The results of the allocation process show a clear community commitment to stable funding for programs; when comparing FY 2012 to FY 2008 funding, about half (48%) of all programs were within 10% of their allocation amount of four years earlier.

Based on past experience, performance, type of service, and cost are the most important considerations for Commissions and staff in formulating budget recommendations. Staff will revise the application form to be significantly shorter and focus on these issues. Since much of the information is in the online system now, it can be reproduced automatically—saving significant time for agencies to apply and for staff and commissions to review applications. With a greatly reduced amount of application information, the review will be less time-consuming for Commissions.

Second, staff plan to streamline the review process as a result of decreased staffing capacity. In the past, the biennial application process has begun with a public hearing before the four review commissions<sup>2</sup> in October. The process continued with two application workshops in November<sup>3</sup> for community agencies wishing to apply for City funds. During the months of January through March, Commissions and staff reviewed proposals and deliberated, and the process culminated in a series of public hearings before Council in April, May and June. The application process consumed significant time for seven staff members from three Departments who played primary roles in the process, including staffing commissions and reviewing proposals. Multiple other staff members were also involved in supporting roles related to contract monitoring, budget and administration. More than 31 Commission members were actively involved in the evaluation, holding weekly, two- to three-hour meetings for a period of about six weeks. Additional hours were spent tracking down additional information related to agency applications, making site visits and reading and scoring applications.

Over time, the process has expanded while staffing to support it has contracted. Staff recommends streamlining the process. To ensure continued compliance with federal and state funding requirements, a public hearing would be held in October, but instead of being held as a special meeting convened by multiple commissions, the hearing would be hosted by the Housing Advisory Commission, as it is in the off years of the application cycle. Other review Commissions could appoint representatives to attend.

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<sup>2</sup> Housing Advisory, Homeless, Human Welfare and Community Action, and Parks Commissions.

<sup>3</sup> The RFP includes an application for funding for improvements to public facilities. Staff issues an RFP for public facility improvements on an annual basis, and a workshop specifically for this portion of the RFP is held.

Commissions would use their January meetings to review a summary of the proposals submitted and hear a staff presentation about available funding. Commissions that find the regular meeting time inadequate could choose to establish a subcommittee that would meet in January. However, these subcommittee meetings would not be staffed, which will be a change from years past. Commissions would vote on funding recommendations based on subcommittee and staff input in February. The time freed up from the funding allocation process could be used instead to examine community needs, priorities, and higher level policy issues. Commissions could also choose to focus on policy issues exclusively, and opt out of the funding allocation review process.

Any staff time that becomes available due to a streamlined review process would be spent on ensuring compliance with federal funding requirements (which are increasing even as funding levels are decreasing), providing technical assistance and support to community agencies on a range of topics as needed, and monitoring activities to safeguard the use of public funds.

Third, staff plan to evaluate the proposals submitted by youth serving organizations in light of the City Council's policies and priorities with respect to the 2020 Vision program. Council has identified 2020 Vision as a priority for the City. Youth serving organizations that provide services such as tutoring, mentoring, counseling and childcare should be evaluated with respect to their alignment with 2020 Vision indicators and goals. Recommended changes to the evaluation project include:

- Revision of service measures and reporting outcomes to reflect 2020 Vision priorities and established best practices for youth serving programs;
- Assignment of the highest priority for funding allocations to programs that explicitly align with Council's 2020 Vision goals.
- Involvement of the potentially new Recreation and Youth Services Commission in the review and evaluation process.

Staff are seeking guidance from the Council on two policy issues:

- (1) Are there other topics which should be included in the application form or as research in the review process, to inform the Council's funding decisions?
- (2) Are there other ways in which this process can further support the Council's goals under the 2020 Vision?

### BACKGROUND

The February 28, 2012 Council worksession report detailed the impact of decreasing federal funds on community agency funding. The City has invested significantly in community services and the organizations that provide them over the years. To support these diverse organizations and ensure that the administration of funds meets federal and local standards, the City has also invested in staff capacity to allocate, administer,

and monitor these funds. However, multiple years of reductions in federal and local funds have resulted in cuts to both community agencies and City staff.

In FY 2013, the City received significant reductions in the amount of federal funds received for housing and community services—a 21% cut to Community Development Block Grant (CDBG) and an unprecedented 53% cut to HOME, which supports the Housing Trust Fund. These cuts came on top of the 15% cuts in these programs in FY2012. Because CDBG limits the amount of funds available for administration and services to a percentage of the grant, this meant another round of reductions to community based organizations providing services and to the City's administrative infrastructure. In calendar year 2012, the anticipated elimination of the Community Services Block Grant (CSBG) did not occur. The unbudgeted revenue buffered some of the CDBG reduction but a 1.72% across the board cut in community agency funding was required for FY2013.

Also as a result of decreasing funding, City staff to administer federal funds has now reached a bare bones level and further reductions in funding will take staffing below the minimum level necessary to ensure compliance with federal requirements unless changes are made to appropriately align oversight functions with available staffing. The City now has approximately a third of the staffing it had in 2001 to support roughly the same funding portfolio. This fiscal year, for example, the Housing & Community Services Department has 2.7 FTE administering the same number of contracts. Over the past decade, federal funding supported a robust monitoring infrastructure. As these funds have steadily decreased, General Funds have not been available to backfill these losses and retain staff.

The Health, Housing & Community Services Department has employed multiple strategies over the years to mitigate the impact of these reductions:

- Transferred the application process online in 2010 to reduce the amount of time required by community agencies, staff, and commissions to review the applications.
- Incorporated the Everyone Home plan outcomes and the 2020 Vision to inform the funding allocation process.
- Modified our monitoring process and monitoring tools to focus scarce resources on high risk agencies and significantly reduced the amount of oversight provided to other contracts.

The 2020 Vision Initiative has begun to see some modest successes, in particular with increasing rates of proficiency among third graders and attendance rates for high school students. Since 2010 several steps have already been taken to greater align the contracting and allocation process to support 2020 Vision, including:

- Incorporation of 2020 Vision related questions on the 2012 RFP;

- Development of a 2020 Vision scoring rubric to be used in the review of proposals submitted for the 2012 RFP;
- Research and identification of outcomes and measures based on best-practices for childcare, youth and out-of-school time programs, 2020 Vision stakeholders and current agencies with City contracts.
- Meeting with childcare and youth-serving organizations with existing City contracts to provide an overview of 2020 Vision and to solicit initial thoughts regarding potential changes to reporting outcomes

#### POSSIBLE FUTURE ACTION

The Health, Housing & Community Services Department administers contracts with other community agencies that are not currently part of the biennial RFP. Some of the contracts administered by the Mental Health Division and funded with Mental Health Services Act funds are with agencies that the City also funds with City General Funds. The Department is currently exploring whether to add these contracts to our online reporting and application process. This would be contingent upon various factors including any grant requirements from outside funding sources that would need to be met.

The Department will also explore the option of creating an over-the-counter application process for reviewing applications for funding for public facility improvement projects. This may allow more flexibility to timely respond to emerging facility needs.

#### FISCAL IMPACTS OF POSSIBLE FUTURE ACTION

The changes in the application form and review process described above are a response to fiscal impacts the City has already experienced: reductions in CDBG, HOME, and General Fund. Upcoming federal allocations are unknown but likely to be reduced compared to years past. This year, as in past years, the House and Senate Appropriates Committees and the Administration's negotiations of CDBG and HOME funds have been complex and involve other budget issues. In ESG, the President, Senate and House are recommending increases in funds, but the House recommended level is estimated to be insufficient to maintain level funding for all projects.

Given that this is an election year, it is impossible to predict where the federal budget will land. Automatic across-the-board cuts contained in the Budget Control Act would mean an estimated reduction of 9% for the City's HUD funds. Administration and Congressional budget proposals continue to target the Community Services Block Grant program. The President's proposal would cut the program by half and make it a competitive funding stream. A 9% reduction in CDBG funding would result in approximately \$37,000 less in CDBG funding for public services, and about \$42,000 less in funding for the administration of the program. A cut to CSBG funding would mean a loss of about \$79,000 in funding for administration.

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Attachments:

1: City of Berkeley Funding Application 2010