



DATE: June 28, 2022
TO: Mayor and City Council
FROM: Acting Assistant City Manager
SUBJECT: Community Agency Funding Process Review

RECOMMENDATION

That the Council: 1. reviews and comments on this report; and 2. affirms the Community Services Commission's Community Agency Funding modification recommendations.

SUMMARY

Annually, the City receives applications from community agencies requesting funding through the competitive Community Agency Funding (CAF) process. The Community Services Commission (CSC) serves as an advisory body to the Hayward City Council and is responsible for reviewing the applications, interviewing applicants, and making recommendations to the Council for how a portion of the City's General Fund and the City's Community Development Block Grant (CDBG) entitlement award should be allocated. As part of the CAF process, the CSC Chair appoints three Application Review Committees (ARCs) to conduct applicant interviews and make preliminary recommendations for full CSC consideration.

The amount of funding requested from community agencies through the CAF process has steadily increased with FY 2023 representing the largest disparity between agencies' funding requests and the amount of available funding. The CSC has expressed concern about how challenging the process has become to decide which agencies to fund. As a result, the CSC has requested support and direction from the Council to clarify Council's funding priorities and to receive feedback on the CAF process. On October 26, 2021¹, Council authorized the Mayor to appoint three members of Council to form a sub-group to work with a committee of the Community Services Commission to review and discuss the CAF process.

The joint subcommittee met on three occasions to discuss the CAF process and provide recommendations to the CSC for further consideration. The CSC has reviewed and discussed the joint subcommittee's recommendations and is providing the following recommendations for Council consideration:

¹ October 26, 2021, Staff Report and Attachments:
<https://hayward.legistar.com/LegislationDetail.aspx?ID=5192084&GUID=A2A6DA3D-E012-4AA3-BD19-F634B3A66DAD&Options=&Search=>

Recommended Services Funding Caps:

- Utilize a cap for Services funding
 - \$100,000 for housing and homelessness, and
 - \$50,000 for other services

Recommended Funding Allocation for New and Innovative Programs:

- Include a priority for funding 20-30% of applications for new and innovative programs

Recommended Funding for Safety Net Programs:

- No single agency should receive guaranteed funding
- Staff will identify programs that support safety net services during the CAF process

Recommended Arts and Music Funding Guidelines:

- New Agencies may receive up to \$30,000 in financial support for one year
- Signature Agencies, up to \$25,000 for programs that have been funded 1-5 year(s).
- Classic Agencies, (+5 years) up to \$20,000 in grant funding, not to exceed 60% of the total estimated program budget

Recommended Audit Requirements:

- Increase audit requirement threshold to \$20,000
- Require agencies requesting less than \$20,000 to provide a financial letter of good standing in place of partnering with a fiscal administrator

BACKGROUND

Each year, the City receives applications from community agencies requesting funding through the competitive CAF process. The CSC serves as an advisory body to the Council. The CSC makes recommendations to Council regarding the distribution of Infrastructure and Economic Development (CDBG), Public/Social Services (CDBG/General Fund), and Arts and Music (General Fund) program funding through the annual CAF process. The CSC reviews all eligible applications, and the CSC Chairperson appoints three ARCs by funding category (Infrastructure/Economic Development, Public/Social Services, and Arts and Music) to conduct applicant interviews prior to drafting funding recommendations for Council review and approval.

At the April 6, 2021² work session, Council discussed the Fiscal Year 2022 CAF recommendations and acknowledged the growing gap in funding requested compared to funding available. As part of that discussion, Council addressed the long-term impacts of the COVID-19 pandemic and emphasized the need to continue funding services that address issues deepened by the pandemic, such as housing instability, mental health, isolation, economic recovery, and food security. Council also expressed interest in continuing to

² April 6, 2021, Staff Report and Attachments:

<https://hayward.legistar.com/LegislationDetail.aspx?ID=4900848&GUID=0756954E-CDD8-42B5-A710-8E4297DE0140&Options=&Search=>

examine the funding process and criteria in order to focus future funding in a manner that allows for innovation, promotes equity, and serves all people in Hayward.

Similarly to prior years, the amount of FY 2023 funding requested for both General Fund and CDBG allocations exceeded available funding. The increase in requested funds, even with the additional ARPA funding, resulted in a highly competitive funding allocation process for the FY 2023 cycle.

The increase in requested funds without an increase in available funds resulted in an even more competitive funding allocation process during the FY 2023 funding process. There have been previous CAF review processes both internal to the CSC and with Council. The CSC has also expressed concern about how challenging the process has become to decide which agencies to fund. As a result, the CSC has requested support and direction from Council to clarify Council's funding priorities and to receive feedback on the CAF process.

DISCUSSION

The increasing disparity between agencies' funding requests and the amount of available funding coupled with the ongoing impacts of the COVID-19 pandemic has raised the need for further discussions around the CAF process and priorities. Specifically, during the May 2021³ and July 2021⁴ CSC meetings, commissioners outlined the following questions for Council feedback:

- Are there priority categories that Council would like to see funding allocated towards as part of the CAF process? For example, are food insecurity and homelessness still key areas of focus?
- Is the CAF process through the CSC a piece of the broader City Goals (such as Let's House Hayward and the City's Strategic Roadmap)?
- Are programs that serve a large number of Hayward residents, but are able to secure funding from other sources, a priority over programs that have fewer funders, but meet a specific need not met by other providers?
- Similarly, do Hayward-based organizations have priority over organizations from other areas that may provide a unique service?
- Are there services that must be part of every funding allocation due to Council priority, political will, historical success, etc.?
- Should CAF be a sustainable funding source for agencies, or should CAF be funding for new programs in the community?

³ May 19, 2021, Staff Report and Attachments:

<https://hayward.legistar.com/MeetingDetail.aspx?ID=861278&GUID=9EBDE9B2-2B3C-4793-9930-72EDA7F71813&Options=info&Search=>

⁴ July 21, 2021, Staff Report and Attachments:

<https://hayward.legistar.com/LegislationDetail.aspx?ID=5033739&GUID=2D6BF062-974E-4E32-BAC6-0FE7E3AAD1AE&Options=&Search=>

- What impact does the CSC’s deliberative funding process and recommendations have on Council’s decision on funding allocations?
- Does Council desire to review of the CAF priorities with the CSC annually?

At the July 2021 meeting, the CSC appointed five Commissioners to convene a CSC CAF Review Committee (Committee) to discuss options for potential revisions to the CAF process. Additionally, the CSC has requested support and direction from Council to discuss the questions outlined above, clarify Council’s funding priorities, and receive further feedback on the CAF process.

On October 26, 2021, Council authorized the Mayor to appoint three members of Council to form a sub-group to work with a committee of the Community Services Commission to review and discuss the community agency funding process.

The CAF Process Review Joint Subcommittee

The joint subcommittee consisted of three Councilmembers (Councilmember Lamnin, Councilmember Márquez, and Councilmember Salinas) and four Community Services Commissioners (Commissioner Arrizon, Commissioner Bruckner, Commissioner Garg, and Commissioner Moore), with Commissioner Berry as ex officio. The Councilmembers and Commissioners served as representatives of their colleagues for purposes of providing feedback on the Community Agency Funding process. The subcommittee convened on three occasions to discuss the current CAF process and the CSC’s questions with the purpose of preparing recommendations for the full CSC review and subsequent Council review and approval.

CSC’s Services Funding Recommendations for Council Consideration

As part of the CAF process, the Services ARC consider applications for funding that benefit low-moderate income Hayward residents through programs to provide food security, health services, homelessness and anti-displacement services, job training, legal services, and youth and education services. Over the last several years, 87% of the services awards were \$50,000 or less. Furthermore, with the exception of the Hayward Public Library’s Family Education Program, all of the services grant awards greater than \$50,000 were categorized as Housing and Homelessness related projects. In an effort to provide additional guidance to applicants and to more widely distribute funding, the CSC is recommending utilizing a services funding cap of \$100,000 for housing and homelessness related programs and \$50,000 for all other services. This proposed cap would be communicated in the FY 2024 application and during the mandatory bidders conference to provide additional direction to potential applicants, which has been an expressed desire of previously funded agencies to better prioritize resources during the grant application season.

At the June 15, 2022⁵ CSC meeting, there was discussion around exceptions to these caps. It was noted that there could be situations where an applicant exceeds the cap should the Services ARC determine that the proposed service or program warrant additional funding.

⁵ June 15, 2022, Staff Report and Attachments:
<https://hayward.legistar.com/MeetingDetail.aspx?ID=927862&GUID=BF6BBED6-E690-4197-A761-9D2BF2FCA8C9&Options=info&Search=>

Should Council affirm the proposed funding caps, any exceptions to this guideline in future CAF recommendations will be noted and justification provided as part of the recommendations to Council.

Furthermore, the CSC is recommending prioritizing funding for new and innovative programs, as defined as not previously being funded through the CAF process. This aligns with the CSC's desire to encourage new applicants which has resulted in recommending a wide range of new programs in the last few funding cycles. This also addresses the potential concern that a services cap could inadvertently benefit applicants who have historically been funded through the CAF and better understand the City's requirements, potentially leading certain agencies to request funding that exceeds the proposed caps. In order to ensure that both long term City partners and innovative programs are considered and funded, the CSC is recommending a guideline to include a priority for funding 20-30% of applications for new and innovative programs as part of each CAF recommendation.

Additionally, as part of the joint subcommittee discussions, staff identified historically funded agencies that provide safety net services to the Hayward community. While there was strong support for funding safety net programming, the joint subcommittee and the full CSC had no interest in guaranteeing funding to any single agency. Rather, the CSC is recommending that staff identify programs that support safety net services during the CAF process to better inform the Services ARC deliberations. Funding recommendations of any given agency will continue to be based on an agency's capacity, efficacy, ability to provide quality services, capability to leverage of other funds, and the community's need for the service.

Revised Application Review Committee for Arts, Music, and Cultural Events

In order to streamline the City's engagement with the Arts, Music and Cultural Events providers, for the FY 2024 funding process, it is planned that the CSC's ARC for Arts and Music will also review Cultural Events applications. While the funding for Arts and Music will remain separate from Cultural Events, the same ARC will review and interview applicants of both application categories. The subcommittee reviewed the Special Event Support and Grant Program established by Council⁶ to determine if the program guidelines could inform new Arts and Music guidelines.

A summary of the Special Events Funding Guidelines is provided below.

Special Events Funding Guidelines:
• New Events may receive up to \$10,000 in financial support for one year
• Signature Events , \$5,000 for events that have taken place 1-5 year(s). Upon completion of the 5th consecutive year of an event, the event will then be classified as a Classic Event
• Classic events , (+5 years) up to \$7,500 in grant funds to support growing the event into a larger, regional event
• Money granted to either a new or existing event cannot be more than 20% of the total estimated budget for the event

⁶ December 17, 2019, Staff Report and Attachments:
<https://hayward.legistar.com/LegislationDetail.aspx?ID=4281863&GUID=F67B2968-D186-4128-96D1-87C842FAAB61&Options=&Search=>

The CSC is recommending Arts and Music Funding Guidelines structured to mirror Council approved event guidelines as shown below.

Proposed Arts and Music Funding Guidelines:
<ul style="list-style-type: none">• New Agencies may receive up to \$30,000 in financial support for one year
<ul style="list-style-type: none">• Signature Agencies, up to \$25,000 for programs that have been funded 1-5 year(s). Upon completion of the 5th year of program funding, the agency will then be classified as a Classic Agency
<ul style="list-style-type: none">• Classic Agencies, (+5 years) up to \$20,000 in grant funding, not to exceed 60% of the total estimated program budget

Should Council affirm the proposed Arts and Music Funding Guidelines, staff will work with the CSC to evaluate both the Special Events and Arts and Music Funding Guidelines at the conclusion of the FY 2024 CAF process.

Audit Discussion

The CSC desires to continue to refine CAF requirements to increase the accessibility of funding through the CAF process. Current funding policies require each agency awarded over \$15,000 in funding to provide a completed independent fiscal audit. Agencies that do not have a current audit as described above who wish to apply for more than \$15,000 are eligible to apply for City funding only in partnership with another agency that can meet this standard serving as fiscal administrator. The fiscal administrator must apply for the funding, and if granted, the fiscal administrator may utilize up to 10% of the grant for its own expenses.

Historically, fiscal partners are often only paired with Arts and Music applicants. In recent years, at the CSC's request, Council approved raising the audit requirement threshold from the previous \$10,000 to now \$15,000 funding award limit to lessen the burden that a fiscal audit could have on an agency. Staff is exploring alternatives to further remove barriers to accessing funding while maintaining prudent fiscal policy in the use of public funds.

One potential option may include working with an auditor to obtain a financial letter of good standing for applicants that apply for less than \$20,000. The estimated cost for this type of letter is \$500 - \$1000. While this would not produce a complete fiscal audit, it provides financial assurances to the City at a fraction of the cost of a traditional fiscal audit by an independent auditor. Only a small number of currently funded agencies would be impacted by this proposed change as most agencies who exceed the audit threshold already provide independent fiscal audits. Should staff be able to identify means to offer such services at a lower cost to applicants, the CSC is recommending that the audit requirement threshold be increased to \$20,000 and require agencies requesting less than \$20,000 to provide a financial letter of good standing in place of partnering with a fiscal administrator.

Upcoming CSC Subcommittee Discussion

The CSC subcommittee will continue discussions in the summer to refine the NOFA process, application review and interview process in order to more thoroughly evaluate programs and to improve applicant and commissioner experience. The CSC subcommittee will discuss the implementation of a scoring rubric that factors in historic funding weighing criteria and more

recently identified priorities such as an increased integration of an equity lens and preference for Hayward based organizations.

ECONOMIC IMPACT

The resulting allocation of funding towards CDBG and the General Fund's Social Services programs have a collective positive economic impact on the community, as they will increase food security; provide vital support services to help individuals and families maintain and obtain housing, such as legal aid, fair housing services, shelter, and home rehabilitation; and infuse capital and provide training for local small business.

FISCAL IMPACT

There is no fiscal impact associated with this report.

STRATEGIC ROADMAP

CAF allocation recommendations have supported several of the City's Strategic Roadmap priority areas, including Preserve, Protect, & Produce Housing; Grow the Economy; and Support Quality of Life.

PUBLIC CONTACT

Members of the public are invited to review the materials presented and recordings of the subcommittee meetings which are available on the [City's website](#). No public comments were made at the CSC meeting of June 15, 2022. Interested parties can make public comment at the Council meeting of June 28, 2022.

NEXT STEPS

Should Council affirm the CSC's CAF modification recommendations, staff will work to implement the changes for the FY 2024 CAF cycle. Staff will continue to meet with the CSC subcommittee in the summer to address the outstanding items and will continue to provide additional support on the City's Strategic Roadmap in advance of ARC meetings to help identify how priorities from that plan can inform the CSC's deliberation process. Separately, staff will continue to engage Council in identifying alternative sources of permanent funding, including exploration of using Community Foundation funding.

Prepared by: Carol Lee, Management Analyst

Recommended by: Monica Davis, Community Services Manager
Dustin Claussen, Acting Assistant City Manager

Approved by:

A handwritten signature in black ink, appearing to read 'McAdoo', with a long horizontal stroke extending to the right.

Kelly McAdoo, City Manager