



**DATE:** June 15, 2022  
**TO:** Community Services Commission  
**FROM:** Community Services Manager  
**SUBJECT:** Community Agency Funding Process Review

## **RECOMMENDATION**

That the Community Services Commission:

1. Reviews and comments on this report; and
2. Recommends the Community Agency Funding modification recommendations to Council for approval.

## **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, 2021<sup>1</sup>, 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 and Council for further consideration.

## **BACKGROUND**

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<sup>1</sup> October 26, 2021, Staff Report and Attachments:

<https://hayward.legistar.com/LegislationDetail.aspx?ID=5192084&GUID=A2A6DA3D-E012-4AA3-BD19-F634B3A66DAD&Options=&Search=>

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, 2021<sup>2</sup> 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 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 2021<sup>3</sup>

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<sup>2</sup> April 6, 2021, Staff Report and Attachments:

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

<sup>3</sup> May 19, 2021, Staff Report and Attachments:

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

and July 2021<sup>4</sup> 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?
- 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

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<sup>4</sup>July 21, 2021, Staff Report and Attachments:

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

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.

**Services Funding Recommendations for CSC Consideration:**

*For CSC review and consideration on June 15, 2022.*

Key Identified Improvements for Council's Consideration on June 28

- Utilize a cap for Services funding
  - \$100,000 for housing and homelessness, and
  - \$50,000 for other services
- Include a priority for 20-30% of applications to for new and innovative programs

**Upcoming CSC Subcommittee Discussion:**

*For CSC subcommittee to continue discussions in the summer*

Key Identified Improvements the Commission Subcommittee to refine in advance of FY 2024 CAF process

- Increase integration of equity lens in CAF process
- Refinement of NOFA process, application review, and interview process
  - Provide preference for Hayward based organizations during ARC deliberations
  - Identify appropriate scoring rubric

**Future Council Engagement:**

*For Council discussion on items that impact the CAF process moving forward, and staff implementation to inform CAF process.*

Key Identified Improvements for the Council to Provide Feedback on Later

- Identify alternative sources of permanent funding, including exploration of using Community Foundation funding

Key Identified Improvements for Staff to Implement

- Staff to provide additional support on City's Strategic Roadmap in advance of ARC meetings to help identify how priorities from that plan inform the CSC's deliberation process
- Ensuring well-rounded funding of safety net programming, though no single agency should receive guaranteed funding
  - Staff will identify programs that support safety net services during the CAF process

### **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 Council<sup>5</sup> to determine if the program guidelines could inform new Arts and Music guidelines.

#### Special Events Funding Guidelines Summary:

- **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

#### Proposed Arts and Music Guidelines:

<b>Category</b>	<b>Funding Cap</b>	<b>City Grant Allocation</b>
New Agencies	Up to \$30,000 in financial support for one year	Grant should not be more than 90% total estimated program budget
Signature Agencies (1-5 years)	Up to \$25,000	Grant should not be more than 60-75% total estimated program budget
Classic Agencies (+5 years)	Up to \$20,000	Grant should not be more than 50-60% total estimated program budget

Based on the CSC’s feedback, Council has agreed to increase the FY 2024 funding allocation towards Arts and Music programs, with the estimated available funding at \$132,000. This dedicated funding for Arts and Music programming is separate from special event funding and applicants in the Arts and Music category will not be competing against Cultural Events for funding.

### **Audit Discussion**

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.

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<sup>5</sup> December 17, 2019, Staff Report and Attachments:  
<https://hayward.legistar.com/LegislationDetail.aspx?ID=4281863&GUID=F67B2968-D186-4128-96D1-87C842FAAB61&Options=&Search=>

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. While staff recommends maintaining current funding requirements for all other categories, at the request of some members of the subcommittee, staff will explore alternatives for Arts and Music applicants in an effort 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 support for Arts and Music applicants that apply for more than \$20,000. While this would not produce a complete fiscal audit, it may satisfy the City's requirement to demonstrate fiscal responsibility 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 such proposed changes. In the most recent CAF cycle for FY 2023 funding, only three Arts and Music agencies partnered with a fiscal administrator. Staff is currently monitoring agencies and can reassess this proposal for the future.

### **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](#). Interested parties can make public comment at the CSC meeting of June 15, 2022, and the Council meeting of June 28, 2022.

## **NEXT STEPS**

The CSC's proposed CAF modifications are scheduled for Council review on June 28, 2022.

*Prepared by:* Carol Lee, Management Analyst

*Recommended by:* Monica Davis, Community Services Manager

Approved by:

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Dustin Claussen, Acting Assistant City Manager