



DATE: December 4, 2018

CATEGORY: Unfinished Business

DEPT.: City Manager's Office

TITLE: **Nonprofit Funding Process**

RECOMMENDATION

Adopt a Resolution Amending City Council Policy A-8, Service Organization Funding Policy, to Reflect Current and Proposed City Funding Processes, to be read in title only, further reading waived (Attachment 1 to the Council report) and direct staff to provide information on City memberships as part of the budget process.

BACKGROUND

Staff provided the City Council with an overview of the City's process and funding for nonprofit agencies during an April 3, 2018 Study Session (Attachment 2 to the Council report). Staff explained that the City's primary process for funding nonprofit agencies is through the Community Development Block Grant (CDBG) public hearing process, which allocates both Federal funds and a set amount of General Fund support. The City has also funded agencies through the budget process when either a Councilmember or an agency made specific requests. The City Council expressed a desire to better understand and possibly improve the funding process for requests that originate outside of the CDBG process, which could involve developing a formal funding procedure. Council directed staff to return with suggestions and commented that a procedure should not entail a new Request for Proposals or a substantive application and review process.

Following the Study Session, staff reviewed existing City Council Policy A-8, the "Service Organization Funding Policy." Policy A-8 has an effective date of December 7, 1982 and was last amended on March 27, 2007. The policy currently outlines four separate funding processes for the City Council to consider funding requests of organizations that provide services to Mountain View residents:

1. Federal Pass-Through Funds (CDBG and HOME);
2. General Fund Support;
3. Joint Powers Authority; and
4. Departmental Contractual Support.

Since Policy A-8 was last amended in 2007, the City's funding practices have changed, as has the nature of funding requests from organizations to the City. Thus, staff recommends the policy be updated to reflect current City practices or any changes desired by Council.

This report outlines current City funding practices and recommended changes to Policy A-8. The proposed changes are designed to clarify the funding process and help the City to efficiently and effectively consider and respond to funding requests.

ANALYSIS

Existing Funding of Nonprofit Agencies

The Fiscal Year 2018-19 Adopted Budget includes a schedule of Funding of Nonprofit Agencies on Pages 7-4 and 7-5 (Attachment 3 to the Council report). The funding on the schedule is separated into two major categories: (1) requested through the CDBG process; and (2) other nonprofit agencies.

CDBG Public Hearing Process

The agencies funded through the CDBG public hearing process are further identified as either General Fund or CDBG-supported, with budgeted amounts of \$220,724 and \$95,907, respectively (the CDBG process also allocates a separate amount of Federal funding for capital projects). Grants made through the CDBG hearing process are required to provide decent housing and a suitable living environment, expand opportunities, and improve services for low-income persons.

Other Nonprofit Agencies – Not Funded through the CDBG Process

As noted in Attachment 3, the types of agencies and projects funded outside of the CDBG process vary and are funded for a total amount of \$482,776 in Fiscal Year 2018-19. The City funds some agencies, such as the Community Health Awareness Council, because it entered into a Joint Powers Agreement. Other agencies receive City funds because they provide services that benefit Mountain View residents which the City either does not directly provide or wants to provide on a larger scale. The Housing Trust of Silicon Valley and Project Sentinel are examples of such agencies. Another category of agencies receive City funds because they made a request to the City Council which the Council supported.

In addition to the nonprofit funding listed on Attachment 3, the Fiscal Year 2018-19 Adopted Budget includes one-time funding for the City to provide grants to benefit immigrant families and support the City Council goal to protect vulnerable populations, as approved by the City Council on November 27, 2018.

There are also services that are contracted directly with nonprofit agencies. Examples of these are Community Services Agency (CSA), where the City has contracted with CSA to provide specific services to assist the homeless, and Project Sentinel, that provides mediation services and has been providing the first point of contact and hearing officer services for the implementation of the Community Stabilization and Fair Rent Act (CSFRA). The City also provides funding to the Central Business Association through the funds collected via the Business Improvement Districts and funding to SV@Home to support Affordable Housing Week, which includes events, forums, and educational opportunities on key housing issues.

Citywide Memberships

The City is a member of a number of other organizations that are not specifically listed in the budget document. The Fiscal Year 2018-19 Adopted Budget includes over \$380,000 to pay for City memberships. Attachment 4 lists many of the organizations the City has memberships with. The memberships listed are for Citywide memberships, as opposed to professional association membership dues the City pays on behalf of individual staff members (for example, the City Manager's International City/County Manager's Association or the Parks Manager's membership to the National Association of Parks).

Some Citywide memberships are obligatory due to the City's commitment to certain essential activities. For example, the City's membership to the Bay Area Water Supply and Conservation Agency is vital as long as the City is a wholesale water customer of

the San Francisco Public Utilities Commission. Other Citywide memberships, such as the City's memberships to Friends of Caltrain and Joint Venture Silicon Valley, are more discretionary.

Most Citywide memberships are included in either the City's General Operating Fund or General Non-Operating Fund (limited-period). Staff ensures there is sufficient funding for the City's continued membership to organizations; however, the Adopted Budget document only shows Citywide memberships that are funded in the limited-period category, as well as those listed on the schedule of Funding of Nonprofit Agencies on Pages 7-4 and 7-5 (these memberships are listed on the schedule of Funding of Nonprofit Agencies because they were considered grants to the organizations when the City initially funded them).

Staff proposes to continue the practice of allocating funds for the City's membership organizations, and begin a practice of providing the City Council with a list of Citywide memberships as an attachment to the Narrative Budget and include those recommended for continuation in the budget document.

Proposed Policy A-8 Changes

The existing Policy A-8 includes four separate funding processes:

1. Federal Pass-Through Funds (CDBG and HOME);
2. General Fund Support;
3. Joint Powers Authority; and
4. Departmental Contractual Support.

Staff proposes to eliminate funding processes for Joint Powers Authority and Departmental Contractual Support from Policy A-8 because they are managed through other City policies and procedures. Staff also proposes to differentiate the funding process for General Fund Support as two categories: (1) Structured General Fund Grant Program; and (2) Ad-Hoc General Fund Support. The following funding processes are proposed in the amended Policy A-8:

1. Federal Pass-Through Funds (CDBG and HOME);
2. Structured General Fund Grant Program; and
3. Ad-Hoc General Fund Support.

Federal Pass-Through Funds

The amendments to Policy A-8 clarify the application requirements, specifying that the agency's proposed services must align with and further the goals of the City's Consolidated Plan and Annual Action Plan; and also clarifies the review and approval process by pointing out the two-part review—first by the Human Relations Commission or other recommending body designated by the City Council, and second by the City Council for final funding determinations.

Structured General Fund Grant Program

The Structured General Fund Grant Program process is identical to the Federal Pass-Through process, but is funded by City funds.

Ad-Hoc General Fund Support

The proposed Ad-Hoc General Fund Support process clarifies how the City would manage requests that are not eligible for Federal funds or the City's Structured General Fund Grant Program, both of which focus on housing and other needs of low-income residents. The City does not budget funds for such ad-hoc requests, so funding awards are subject to the availability of funding; consequently, the City would not proactively notice Ad-Hoc General Fund Support. This process differs depending on whether the request for funding is made before or after the budget process begins.

For consideration during the budget process, agencies must submit an application for funding to the City by November 1. Department staff most closely associated with the programmatic area of the request will analyze the request and make a recommendation on whether to fund it based on criteria that include:

- Whether the service to be provided addresses a significant community need in the City.
- Whether the proposed service duplicates existing services or augments existing services.
- Whether funding the organization is the most cost-effective way of providing services.
- Whether the requesting organization is the most appropriate agency to provide the service.
- Whether there is sufficient funding available.

This recommendation will be reviewed by the City's staff Budget Review Committee. The Narrative Budget will include an attachment with all funding requests the City received and the recommendation on funding for City Council consideration.

If an organization applies for funding after the budget deadline of November 1 or submits a request for a purpose requiring a more prompt funding decision, the requesting organization must submit an application form to the City Manager's Office. Requests will be evaluated by the City using the aforementioned criteria. If the request is made between November 1 and March 1 of the same fiscal year, staff will make a funding recommendation to the Council Procedures Committee (CPC), which will develop recommendations for presentation to the City Council during the budget process.

If there is an emergency request after March 1 that requires review within a short time frame, the City Manager may forward the request directly to the City Council. The City Council must approve all requests outside the budget process with a five-vote majority in order to be funded on a limited-period basis from the General Non-Operating Fund.

FISCAL IMPACT

There is no fiscal impact associated with amending Policy A-8.

ALTERNATIVES

The City Council may direct staff to do any or all of the following:

1. Develop an additional structured nonprofit funding process that involves review by a City Council-designated recommending body (or Council committee) prior to review by the Council.
2. For urgent funding requests received after November 1, use a Council committee other than the CPC as a review body.
3. Provide different direction regarding City memberships.
4. Provide other direction.

PUBLIC NOTICING – Agenda posting.

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- Attachments:
1. Resolution
 2. April 3, 2018 Study Session Memo
 3. Schedule of Funding of Nonprofit Agencies
 4. Citywide Memberships
 5. Policy A-8
 6. Proposed Amendments to Policy A-8