



City of Sunnyvale

Agenda Item-No Attachments (PDF)

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REPORT TO COUNCIL

SUBJECT

Determine Priority Needs for Human Services for Fiscal Years 2015-16 and 2016-17 and Supplemental Funding Amount for Fiscal Year 2015-16

BACKGROUND

The City provides grants to eligible human services agencies on a competitive basis pursuant to Council Policy 5.1.3: Human Services, originally adopted in 1981, and amended in 1999 and 2006. Eligible human service agencies are those providing assistance programs for lower-income clients (those with a household income of less than 80% of area median income), such as food, legal services, health care, literacy classes, child care, and so on. Most of the clients served by these programs are seniors, people with disabilities, very low income families with children, and homeless people. Historically the City has used a portion of its annual Community Development Block Grant (CDBG) from the federal government to fund these grants, although in more recent years, City General funds have also been used.

Applications for the human services grants are solicited every other year, following hearings held by the Housing and Human Services Commission (HHSC) and Council to determine the City's current "priority human service needs." Grants are awarded conditionally for a two-year period, with the second-year grants conditioned on several factors, such as successful completion of the grant activity in the first year, compliance with applicable CDBG regulations, and availability of funding for the second year.

The priority needs are those identified through this hearing process as most deserving of the City's funds designated for human services. The total amount of funding requested usually exceeds the amount available by a factor of 2 or more, so it is helpful to let applicants know what the priorities are, so they may determine if their programs are likely to succeed in getting a grant through the City's funding opportunity. Programs that address needs other than the identified priority needs are not excluded from this funding opportunity, although proposals addressing one or more of the priority needs will be awarded more points in the "need" category than those addressing non-priority needs.

After the priority needs have been recommended by the HHSC and approved by Council, staff will issue a request for proposals (RFP) for human services programs serving the priority needs, and will begin reviewing proposals in early 2015. After proposals are reviewed by staff for eligibility, the HHSC will hold several public hearings to evaluate proposals and recommend grant awards to Council. Council will consider the recommended grant amounts and make its final funding decisions in May 2015.

In addition to determining the priority needs, Council has also established a policy of determining the

amount of General funds to be provided for human services grants to supplement the CDBG funds. This is known as supplemental funding, and this process is described further in the Discussion section of this report.

Staff has also included a recommendation for possible modification of the minimum CDBG grant amount as recommended by HUD in its recent monitoring letter, for consideration and potential application to the upcoming two-year cycle. This is described briefly in the Discussion section.

EXISTING POLICY

Human Services Policy 5.1.3

The City will biennially, prior to adoption of the two-year Resource Allocation Plan, review prevailing conditions of human needs within the City and give appropriate attention to Human Services Policies in the City. The Housing and Human Services Commission, following one or more public hearings, will recommend to City Council priority human service needs for the next two years. Following a public hearing, City Council will adopt a two-year priority of human service needs.

2010-2015 HUD Consolidated Plan

Goal C, Objective 1: Support provision of essential human services, particularly for special needs populations.

ENVIRONMENTAL REVIEW

N/A

DISCUSSION

Part 1. Determining Priority Needs

The use of CDBG funds, which comprise about two-thirds of the funding for human services grants at this time, must be consistent with the City's 2010-2015 Consolidated Plan (ConPlan), a five-year strategic plan that the U.S. Department of Housing and Urban Development (HUD) requires the City to prepare as a condition of receiving the CDBG grant. The ConPlan includes the following list of priority needs for human services and prioritized client types, as follows:

Priority Client Types

Very low-income, extremely low-income, and/or special needs households (seniors, disabled, homeless people, children, youth, victims of domestic violence, etc.).

Priority Needs

- A. Basic needs (such as food, shelter, transportation, health & mental health care, employment assistance/training, child care, etc.).
- B. After school or intervention programs to provide youth with positive alternatives to drugs, violence, and/or gangs (i.e., recreational, mentoring, educational, and career-building activities).
- C. Mental health, addiction and substance abuse counseling, particularly for youth and those exiting institutions.
- D. Other specialized supportive services as may be requested by the community, such as foreclosure assistance, legal assistance for seniors and others, and other specialized human services, such as those currently supported by the City, or those that may address a new or

unmet priority need.

At the last priority needs hearing, held on November 13, 2012, Council considered RTC 12-259, which provided several graphs depicting the amount of human services funding by client type and by priority need category in prior years. At that time, Council directed staff to set funding targets for each priority need category, to be used as a general guideline for future allocation decisions, consistent with the distribution provided in that report, which was as follows:

- Basic Needs: 61 percent;
- Youth Intervention Programs: 3 percent;
- Counseling/Substance Abuse Treatment: 14 percent; and
- Other Supportive Services: 22 percent.

The first purpose of the current hearing is to determine whether this list of priority needs should continue to be implemented for the next two-year funding cycle, or if it should be modified or updated in any way prior to solicitation of proposals. The funding targets noted above could also be modified at this time, if desired.

HUD recognizes that the priority needs may change periodically during the 5-year term of the ConPlan, therefore the biennial hearing allows an opportunity for the public and local officials to make adjustments to the list of priorities if needed to reflect evolving local circumstances. Staff recommends holding a public hearing to determine if any modifications to the list may be needed. Any additions to the current list of priority needs will also be included in the 2015-2020 ConPlan update, which will be developed in early 2015 for adoption in May 2015, concurrently with the 2015 Action Plan hearings.

Part 2. Determining Supplemental Funding Amount

For many years, Sunnyvale has provided funding for the human services grants using CDBG and General funds (supplemental funds). Approximately one-third of the funding for the grants has come from the City's General fund in recent years, following Council direction in prior years to include a planned expenditure of \$100,000 annually for human services grants for each of the next twenty years in the City's twenty-year Resource Allocation Plan. Council confirms this appropriation annually when adopting the City budget each June, and has an opportunity to affirm or modify the amount planned for the coming year during the biennial priority needs hearings. For context, a table with the amount of supplemental and CDBG funds provided for this program in the past five fiscal years is provided in **Attachment 1**.

The second purpose of this hearing is to recommend a supplemental funding amount for the coming year, in accordance with this practice.

Part 3 (Optional). Increase Minimum CDBG Grant Limit

The City has been making relatively small grants with its CDBG public services dollars for many years, including grants of well under \$10,000 in years before 2012. Two years ago, Council approved increasing the minimum grant limit to \$10,000 in response to staff and HUD recommendations in order to maximize cost-effectiveness. CDBG funds have always required a significant level of administrative effort by both City and grantee staff, in order to comply with complex regulations and provide very detailed quarterly and annual expenditure and performance reports to

HUD. Recently, increased levels of scrutiny and auditing by HUD, in response to pressure from federal oversight agencies and Congress, have made use of CDBG funds for these small human services grants even more onerous and time-consuming for both grantee and city staff than in years past. For that reason, in its most recent monitoring letter, HUD reiterated its prior recommendation and urged the City to increase its minimum CDBG grant limit to at least fifteen or twenty thousand dollars per grant. Staff believes the appropriate limit would be a minimum of twenty-five thousand dollars, given the high level of reporting and administrative burden associated with each grant.

The last time Council considered raising the minimum grant limit, grantees were resistant, as it meant fewer agencies could get funded. However, the City also needs to be aware of the compliance risks to the City's entire CDBG program and administrative burden it incurs with each additional CDBG grantee. The current proposal differs somewhat from the 2012 recommendation, as staff is only recommending this change for CDBG-funded grants, whereas in 2012 the limit was raised for all human services grants, regardless of funding source.

The minimum grant amount for human services grants funded by the General Fund would not necessarily have to be raised, since the General Fund-funded grants do not incur such a high administrative burden. Staff is not recommending any changes to the maximum grant limit for either funding type (currently 25 percent of the total funding available for human services).

An alternative to increasing the minimum grant amount could be to use a portion of the CDBG public services funds for increased or new City services, such as increased levels of senior care management and/or tenant landlord counseling, and use only a portion of the CDBG public services funds for the largest one or two human services grants, and provide additional supplemental funds to offset the difference to the human services grant program. This policy option would require a deeper review of implications to the General Fund (within the 20 year plan and competing priorities context) and, overall, whether this is a service area that the City would like to invest at a greater level and related policy issues.

FISCAL IMPACT

The recommended alternatives are consistent with the current Adopted Budget and 20-year Resource Allocation Plan, and therefore would have no fiscal impact on the General fund. The recommended actions are for planning purposes only, to allow staff to solicit funding proposals and complete the required annual Action Plan hearings, while formal appropriations for Fiscal Year 2015/16 will be presented in the FY 2015/16 Recommended Budget for Council consideration.

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall, at the Sunnyvale Senior Center, Community Center and Department of Public Safety; and by making the agenda and report available at the Sunnyvale Public Library, the Office of the City Clerk and on the City's website.

Four members of the public, each representing human services agencies, spoke at the HHSC hearing on this item on October 22. They each thanked the City for its past support and explained why their programs continue to meet priority needs in the community.

Following the hearing, the HHSC voted to recommend Alternatives 1 and 4 as recommended by staff,

and a modified version of Alternative 3, which was a recommendation that Council determine a supplemental funding amount of \$115,000 for FY 2015-16, and base future adjustments to the supplemental funding amount on annual change in the Consumer Price Index (CPI). The vote was 5-0, with two commissioners absent. Minutes of the meeting are provided in **Attachment 2**.

ALTERNATIVES

1. Approve the list of priority needs as shown above, excerpted from the ConPlan.
2. Approve the list of priority needs shown above, with modifications.
3. Determine a supplemental funding amount of \$100,000 for human services grants for FY 2015-16.
4. Modify the Human Services Policy to increase the minimum grant limit, only for applicants seeking CDBG funds, to \$25,000, and retain the current maximum grant limit of 25% of total human services funding available. The minimum grant limit for applicants seeking General funds only would remain at \$10,000.

STAFF RECOMMENDATION

Alternatives 1, 3 and 4: 1) Approve the list of priority needs as shown above, excerpted from the ConPlan, 3) Determine a supplemental funding amount of \$100,000 for human services grants for FY 2015-16, and 4) Modify the Human Services Policy to increase the minimum grant limit, only for applicants seeking CDBG funds, to \$25,000, and retain the current maximum grant limit of 25% of total human services funding available. The minimum grant limit for applicants seeking General funds only would remain at \$10,000.

Alternative 1: The current list of priority needs is broad enough to encompass virtually all types of human services; therefore modification of the list does not appear to be necessary. However, if members of the public or the Council feel otherwise, modifications can be made at this time.

Alternative 3, determining the supplemental funding amount of \$100,000, is recommended because it is consistent with the City's past practice in accordance with prior Council direction and the 20-year Resource Allocation Plan.

Alternative 4 is recommended to reduce the amount of risk to the City of potential non-compliance by its CDBG sub-recipients and to reduce the significant administrative burden associated with CDBG funds, which is disproportionate to the relatively small size of most of the current human services grants.

COMMISSION RECOMMENDATION

The HHSC recommended Alternatives 1 and 4 as recommended by staff, and a modified version of Alternative 3, which was to recommend that Council determine a supplemental funding amount of \$115,000 for FY 2015-16, and base future adjustments to the supplemental funding amount on annual change in the Consumer Price Index (CPI).

Prepared by: Suzanne Isé, Housing Officer

Reviewed by: Hanson Hom, Director, Community Development

Reviewed by: Robert A. Walker, Assistant City Manager

Approved by: Deanna J. Santana, City Manager

ATTACHMENTS

1. Historical Human Services Funding Levels
2. Minutes of October 22, 2014, HHSC Meeting