

To: Nonprofit Organizations Funded for Homeless Services in FY 2020-2021

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Subject: Contracting Strategy to Acknowledge Restrictions Based on Sources for FY 2020-2021

Funding and Regulatory Environment

The Sonoma County Community Development Commission (SCCDC) oversees the use of Federal, State, and Local dollars to fund the fifty-four (54) projects that currently make up the homeless services system of care in Sonoma County. Project types supported through the SCCDC are Rapid Re-Housing, Homelessness Prevention, Emergency Shelter, Street Outreach, and Permanent Supportive Housing, as well as some projects categorized as Other Homeless Services. In Fiscal Year 2020-2021, there are six (6) sources of funds used to fund projects, each of these containing a varying set of regulations regarding eligible costs and allowable strategies per project type.

Need to Develop Variance Request and Approval Process

During Project Monitoring activities in Fiscal Year 19-20, SCCDC staff noted concerns related to the variances between regulations as a challenge for providers who had budgets with multiple sources included in their Funding Agreements. Mixing sources in such a manner resulted in the need to adhere to the higher standards and thus eliminated some potential flexibility for projects.

Technical Assistance to Support Providers

While observations of conflicting regulatory environments are a challenge, in some cases, a lack of understanding of best practices has complicated these issues further. The SCCDC will offer technical assistance throughout the Fiscal Year 2020-2021 to implement Emergency Solutions Grant (ESG) regulations as the standard by which funded projects should operate. The inclusion of ESG-level program guidance is stated in Exhibit G of the Fiscal Year 2020-2021 Funding Agreements. The program guidance found in that Exhibit will provide information on regulations and eligible costs per project type. Also, Exhibit B – Budget, now contains information regarding expenses that are eligible per project type.

Ability to request Variances against ESG Standards

Any flexibility in approaches, as may be allowed by some funding sources, will be measured against the ESG standards. Providers wishing to request programmatic adjustments to the ESG standards should submit their request for review and approval by SCCDC staff. Approved modifications should not be one-off requests, and program policies and procedures should describe how the application of the adjustment across the program.

Fiscal Year 2020-2021 Contracting Strategy

To overcome challenges related to incorporating various funding sources in a single project budget, the SCCDC will observe the regulatory requirements of each source while reducing the impact of combined sources on providers. Resolution of issues related to multiple sources will use a strategy with a three-tiered criterion to determine which portions of Funding Agreements are to be executed first during Fiscal Year 2020-2021. While this approach may not impact many Funding Agreements, for some projects, the result for some will be that budgets that include more restrictive sources are executed incrementally, with succeeding Amendments for each portion of the grant as spend-down occurs. The determination of the order of execution of funding sources uses a hierarchy as follows:

1. Sources of funds which contain the most restrictive uses;
2. Sources of funds for which the deadline for final spending is most imminent, and;
3. Sources of funds with the least restriction.

The SCCDC understands that the ability to zero out a portion of the contract may require a budget amendment to do so. Line item adjustments of 10% or under can occur per request via email, while adjustments of greater than 10% will require signatures.

Administrative or indirect line items will be proportionally distributed between each subsequent Amendment for Funding Agreements, in budgets where those line items exist. Organizations whose projects did not contain an Administrative or Indirect line item in the Fiscal Year 2019-2020 will be ineligible to add an administrative or indirect line item in Fiscal Year 2020-2021. Providers should note that local funds are the only source that allows for the funding of administrative or indirect line items in homeless services Funding Agreements. However, presently, the SCCDC is unclear on the extent of the impact that the COVID-19 emergency will have on available local funds for homeless services Funding Agreements in FY 2020-2021, and that State and Federal dollars are not eligible to be used for administrative or indirect line items. As this could impact funding amounts for specific contracts, more information will be provided on this point as it becomes known.