SACHI A. HAMAI
Chief Executive Officer

# County of Los Angeles
# CHIEF EXECUTIVE OFFICE

Kenneth Hahn Hall of Administration
500 West Temple Street, Room 713, Los Angeles, California 90012
(213) 974-1101
http://ceo.lacounty.gov

*"To Enrich Lives Through Effective And Caring Service"*

Board of Supervisors
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First District
MARK RIDLEY-THOMAS
Second District
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Third District
DON KNABE
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MICHAEL D. ANTONOVICH
Fifth District

March 29, 2016

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors:

**AUTHORIZATION TO ACCEPT CALIFORNIA PAY FOR SUCCESS INITIATIVE AWARD (ALL SUPERVISORIAL DISTRICTS) (3 VOTES)**

**SUBJECT**

Request approval to accept the California Pay for Success Initiative Award which will support Los Angeles County's effort in construction of the Just in Reach project.

**IT IS RECOMMENDED THAT THE BOARD:**

1. Approve the acceptance of up to $125,841 for a California Pay for Success (CA PFS) Initiative Award from the Nonprofit Finance Fund and James Irvine Foundation which includes: 1) $95,841 that would be paid directly to Third Sector Capital Partners for technical assistance in the development of a PFS financial model; and 2) $30,000 that would be paid directly to an external evaluator to develop a preliminary plan during the pre-launch phase.

2. Delegate authority to the Chief Executive Officer (CEO), or her designee, to sign all documents necessary to continue/proceed with implementation of the award for the California Pay for Success (CA PFS) Initiative, and sign all documents as necessary for the CEO to receive the grant funds, subject to prior approval by County Counsel.

3. Delegate authority to the CEO, or her designee, to accept future awards and/or amendments to the CA PFS project plan to: 1) extend the term of the grant award through the end of the project period to the extent that the grant award period differs from the project period; 2) reflect revisions to the award's terms and conditions as required by the grantor or other non-material and/or ministerial revisions requested by either party; and 3) allow for the rollover of unspent grant funds and/or

redirection of funds as necessary to meet the project plan, subject to review and approval as to form by County Counsel, and prior notification to your Board.

4. Delegate authority to the CEO, or her designee, to accept up to $100,000 from Phase I of the CA PFS Initiative Award for the CEO/Service Integration Branch to conduct data analysis and establish a performance baseline for the target population.

## PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The purpose of the above recommendations is to authorize the CEO to accept funding from the CA PFS Initiative Award to support the development of the County's first PFS project that your Board selected on August 11, 2015. At that time, your Board directed the CEO to select an evaluator, project manager, and service provider to implement the Just in Reach project. Additionally, the Board directed the CEO to apply for State and/or federal funding and identify other funding partners to support the project. Since October 2015, the CEO has been working with a team comprised of County Counsel, the Department of Health Services, the Sheriff's Department, Corporation for Supportive Housing, and Third Sector Capital Partners to initiate project construction. Moreover, in February 2016, the team submitted two proposals for grant funding to the Bureau of State and Community Corrections and the United States Department of Housing and Urban Development.

Approval of this request will allow: 1) Third Sector Capital Partners to receive payment of $95,841 for their continued support in the development of the County's PFS financing model; and 2) an evaluator to receive $30,000 to initiate the development of an evaluation plan for this project.

### Implementation of Strategic Plan Goals

The recommended actions support the Countywide Strategic Plan Goals: Goal 1: Operational Effectiveness; Goal 2: Fiscal Sustainability; and Goal 3: Integrated Services Delivery.

## FISCAL IMPACT/FINANCING

The recommended actions will allow the CEO to accept future CA PFS Initiative grant awards more expeditiously. Two weeks advance notice will be provided to your Board for grants and awards that require matching county funds. The CEO will seek separate Board approval if an Appropriation Adjustment is required. There is no impact on the County general fund.

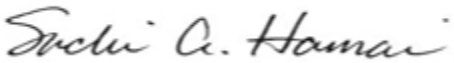
## FACTS AND PROVISIONS/LEGAL REQUIREMENTS

In February 2014, the Nonprofit Finance Fund (NFF) announced a $5 million funding opportunity to catalyze innovative approaches for improved social services throughout California. The County of Los Angeles was selected by NFF as one of six leaders from the government or social service sector who are working to create, structure and close PFS agreements in their communities. The CA PFS Initiative is an ongoing project in which funding is disbursed in phases. On June 17, 2014, your Board accepted up to $300,000 in funding from the NFF and the James Irvine Foundation for Phase I of the CA PFS Initiative. Through $200,000 of this funding, Third Sector Capital Partners provided technical assistance to: support development of the County's PFS Blueprint; evaluate proposals from departments; and make recommendations to your Board about the most viable project to be implemented under the PFS model.

**IMPACT ON CURRENT SERVICES (OR PROJECTS)**

Approval of the recommended actions will enable the County CEO to accept funding in support of the development of a PFS financial model for the Just in Reach project. The model will be used to engage private and philanthropic funders, negotiate terms for a payment structure, and identify the amount of success payment that the County will pay funders, if the project achieves pre-determined outcomes.

Respectfully submitted,



SACHI A. HAMAI

Chief Executive Officer

SAH:JJ:FAD
VD:yjf

Enclosures

c: Executive Office, Board of Supervisors
County Counsel
Health Agency
Sheriff's Department

Nonprofit Finance Fund

# California Pay For Success Initiative

March 3, 2016

Office of Sachi A. Hamai, Los Angeles County Chief Executive Office
Primary Contact: Cheri Thomas, Senior Manager, Service Integration Branch, Chief Executive Office
222 South Hill Street, #5
Los Angeles, California 90012

Third Sector Capital Partners
Primary Contact: Caroline Whistler, Partner
500 Washington Street, Suite 340
San Francisco, California 94111

Dear Ms. Thomas,

It is my pleasure to inform you that the California Pay for Success Initiative has approved an award for up to $125,841 to support Los Angeles County, the "Awardee," in exploring the feasibility of Pay for Success contracts.

This award is subject to the terms outlined below. After you have reviewed these terms, please have an appropriate officer countersign the award letter and send a PDF of the executed copy to Jasson Crockett (jcrockett@nff.org).

We are delighted to support your work and look forward to working with you.

Sincerely,

Jessica LaBarbera

Jessica LaBarbera
California Pay For Success Initiative Manager
Vice President, Nonprofit Finance Fund

## Key Terms of CA PFS Initiative Award

| | |
|---|---|
| Up to Award Amount: | Up to $125,841*<br>* Up to $95,841 of total award will be awarded directly to Third Sector Capital Partners in support of their advisory contribution to the work outlined below.<br>Up to $30,000 of total award will be awarded to an external evaluator (to be selected) for the development of PFS evaluability report. |
| Time Period: | August 7, 2015 – December 31, 2016 |
| Key Project Goal(s): | (1) Select a PFS project and determine County resource requirements; (2) select a project evaluator and project manager; and (3) complete advanced final feasibility assessment. |
| Technical Assistance Provider(s): | Third Sector Capital Partners |
| Other Award Recipients: | A project manager and evaluator, to be selected as outlined in project goals included in Project Budget (see Appendix I). |
| Estimated Award Disbursement Schedule: | Award disbursements will be made based on the completion of each milestone and/or deliverable as indicated in the table below. |

**Note:** Los Angeles County Chief Executive Office-Service Integration Branch will continue to have access to up to $100,000 awarded in Phase I of the CA PFS Initiative, separate from the up to award amounts noted above and to be disbursed upon completion of mutually agreed upon milestones, to be identified in coordination with project stakeholders.

| Milestone and/or Deliverable | Amount for LA County Service Integration Branch | Amount for Third Sector Capital Partners | Amount for Evaluator (TBD) | Total Disbursement Amount | Estimated Disbursement Date |
|---|---|---|---|---|---|
| **GOAL 1: Select Project & Determine County Resources – Total award up to $5,959** | | | | | |
| BOS Select Project | | $5,959 | | $5,959 | September 1, 2015 |
| Resource Requirements for Project Determined and Appropriated | | | | | |
| Project Phase Work commences | | | | | |
| **GOAL 2: Select Evaluator & Project Manager – Total award up to $22,502** | | | | | |
| Procurement Issued for Evaluator & Project Manager | | $22,502 | | $22,502 | December 8, 2015 |
| Evaluator Selected & On-Boarded | | | | | |
| Project Manager Selected & On-Boarded | | | | | |
| **GOAL 3: Complete Advanced Final Feasibility Assessment – Total award up to $97,380** | | | | | |
| Finalized Target Population Analysis | | $67,380 | | $67,380 | February 1, 2016 |
| Eligibility, Referral, & Intervention Pathway Mapped | | | | | February 1, 2016 |
| Initial Economic Model & Housing Inventory Completed | | | | | February 1, 2016 |
| Prepare AB1837 Application | | | | | February 1, 2016 |
| Develop HUD DOJ Application | | | | | February 11, 2016 |
| Design overall evaluation plan & methodology; | | | $30,000 | $30,000 | Date and specific milestones TBD in coordination with TSCP and evaluator |
| Develop initial data collection plan pre-launch | | | | | |
| **Total Phase II Funding** | **$0** | **$95,841** | **$30,000** | **$125,841** | |
| **Phase I Available Funding** | | | | | |
| Collaboration with Evaluator on data collection and review | $100,000 | | | $100,000 | Date and specific milestones TBD in coordination with TSCP and LA County |
| Data inputs for PFS financing model | | | | | |
| **Total Phase I Available Funding** | **$100,000** | **$0** | **$0** | **$100,000** | |

## Commitments of Awardee (LA County PFS Blueprint Committee):

1. Awardee will participate in periodic status updates with California Pay for Success Initiative Manager to ensure engagement is on track to be completed on-time and will satisfactorily meet objectives, ***including monthly check in calls.***
2. Awardee will communicate in a timely and respectful manner with Technical Assistance Provider (s) and California Pay for Success Initiative Manager.
3. Awardee will participate and engage in a peer learning community comprised of other leaders being supported and technical assistance providers and other experts engaged. ***This cohort is expected to meet in-person on October 15, 2015 and once virtually and once in-person in 2016.***
4. Awardee will respond to all reasonable requests for information from Technical Assistance Provider and California Pay for Success Initiative Manager.
5. Awardee will commit appropriate staff, management, and board member time to timely completion of the engagement.
6. Participation in the California Pay for Success Initiative does not preclude Awardee from applying for or receiving other sources of funding to support Pay for Success exploration or efforts.
7. Information gathered from Awardee by the Technical Assistance Provider (s) or the California Pay for Success Initiative Manager may not be used publicly or with any party outside of those listed in this engagement letter without prior written consent.
8. Awardees will review any Technical Assistance Provider invoices submitted to the California Pay for Success Initiative.
9. At the end of the engagement, the Awardee owns the rights to the final deliverable completed by the Technical Assistance Provider with the understanding that both the Technical Assistance Provider and the California Pay for Success Initiative Manager will have access to the information contained in said deliverable.

## Commitments of the Technical Assistance Provider (Third Sector Capital Partners):

1. Technical Assistance Provider (s) will communicate in a timely and respectful manner with Awardee and California Pay for Success Initiative Manager, ***including monthly check in calls.***
2. Technical Assistance Provider(s) will participate in periodic status updates with California Pay for Success Initiative Manager to ensure engagement is on track to be completed on time and will satisfactorily meet objectives.
3. Technical Assistance Provider will participate and engage in a peer learning community comprised of other leaders being supported and technical assistance providers and other experts engaged. ***This cohort is expected to meet in-person on October 15, 2015 and once virtually and once in-person in 2016.***
4. Technical Assistance Provider will make reasonable requests for information from Awardee pertinent to the successful completion of the engagement.
5. Technical Assistance Provider will adhere to the agreed upon scope of work and bring any material changes to the engagement to the attention of the Awardee and California Pay for Success Initiative Manager.
6. All information gathered from Awardee by the Technical Assistance Provider or the California Pay for Success Initiative Manager may not be used publicly or with any party outside of those listed in this engagement letter in direct connection to the participating Awardees without prior written consent.
7. At the end of the engagement, the Awardee owns the rights to the final deliverable provided by the Technical Assistance provider with the understanding that both the Technical Assistance Provider and the California Pay for Success Initiative Manager will have access to the information contained in said deliverable.

## Communications:

Should the California Pay for Success Initiative desire to include reference to information pertaining to this engagement in public communications and/or marketing materials, the California Pay for Success Initiative will preview said materials with the Awardees prior to public release.

## Other Provisions:

1. At the end of the engagement both the Technical Assistance Provider and the California Pay for Success Initiative can retain the information contained in the engagement deliverables and use them in any way not otherwise restricted by this Award Letter or any Confidentiality or Nondisclosure Agreement that may be attached to this Award Letter.
2. Failure by any party to this Award Letter to enforce any obligation or claim a breach of this Award Letter will not be construed as a future waiver of any right, power or obligation under this Award Letter.

3. If any provision of this Award Letter is declared invalid by a court of competent jurisdiction, all remaining provisions shall remain in full force and effect.
4. This Award Letter may not be modified except by an agreement in writing signed by an authorized representative of each of the parties to this Award Letter and the California Pay for Success Initiative Manager.
5. The laws of the State of California shall govern this Award Letter.

**Appendix:**

I. Confirmation of Extension of Phase I Funding to Phase II
II. CA PFS Initiative Phase II Application and Budget

The term of this Award Letter shall begin **upon signature of all parties** and will end **December 31, 2016,** unless extended by mutual agreement between the Awardee, Technical Assistance Provider, and California Pay for Success Initiative. Either Awardees or the Technical Assistance Provider may terminate this Agreement with or without cause upon fifteen (15) days written notice to the other parties with a copy to the California Pay for Success Initiative Manager. Nonprofits will be liable for payment to the Technical Assistance Provider for any unpaid work performed through date of notice, subject to the procedures for payment specified in this Award Letter.

Signed,

_____ _____
Accepted and Agreed for Los Angeles County Date

_____
Name, Title, Organization

_____ _____
Accepted and Agreed for Third Sector Capital Partners Date

_____
Name, Title, Organization

_____ March 3, 2016
Accepted and Agreed for Nonprofit Finance Fund Date
Kristin Giantris, California Pay for Success Initiative, Nonprofit Finance Fund

## Appendix I: Confirmation of Extension of Phase I Funding

This note is to serve as confirmation that up to $100,000 awarded in Phase I of the California Pay for Success Initiative to the LA County Service Integration Branch will be available through December 31, 2016, to be disbursed against milestones specified in the above disbursement table, in alignment with the project's continued progress. Nonprofit Finance Fund has received approval to utilize Phase I funding in Phase II of the CA PFS Initiative from James Irvine Foundation.

## Appendix II: CA PFS Initiative Phase II Application and Budget

| Summary: All Goals & Costs | |
|---|---|
| Total Funds Requested | $257,442 |

| Goal 1: Select Project(s) and determine County resource requirement: | |
|---|---|
| Target Start: | 3-Aug-15 |
| Target Completion: | 1-Sep-15 |
| Milestone A: | Board of Supervisors selects project(s) based on July 17, 2015 recommendation - August 3, 2015 |
| Milestone B: | Resource requirements for project (through May 31, 2016) determined and appropriated - September 1, 2015 |
| Milestone C: | Project phase work commences - September 1, 2015 |
| Milestone D | |
| Milestone E: | |

| Goal 1 Budget | | | | |
|---|---|---|---|---|
| **Personnel (Incl. Salary & Benefits)** | **Organization** | **Detail** | | **Total** |
| | Third Sector Capital Partners | 33% Director, 67% Associate | $ | 3,779 |
| | Los Angeles County | | $ | - |
| **Total All Personnel** | | | $ | 3,779 |
| **Travel** | **Organization** | **Detail** | | **Total** |
| County Engagement | Third Sector Capital Partners | 2 people: Per Person, $300 flight, $200 taxi, $45 food | $ | 2,180 |
| **Total All Travel** | | | $ | 2,180 |
| **Consultants and Contractors** | **Organization** | **Detail** | | **Total** |
| **Total Consultants & Contractors** | | | $ | - |
| **Evaluation** | **Organization** | **Detail** | | **Total** |
| **Total Evaluation** | | | $ | - |
| **TOTAL Goal 1:** | | | $ | 5,959 |

## Goal 2: Select Evaluator and Project Manager

| | |
|---|---|
| Target Start: | 3-Aug-15 |
| Target Completion: | 8-Dec-15 |
| Milestone A: | Procurement issued for Evaluator and Project Manager |
| Milestone B: | Evaluator Selected & On-boarded |
| Milestone C: | Project Manager Selected & On-boarded |
| Milestone D | |
| Milestone E: | |

## Goal 2 Budget

| Personnel (Incl. Salary & Benefits) | Organization | Detail | | Total |
|---|---|---|---|---|
| | Third Sector Capital Partners | 29% Director, 29% Associate, 43% Analyst | $ | 18,142 |
| | Los Angeles County | | | |
| **Total All Personnel** | | | $ | 18,142 |

| Travel | Organization | Detail | | Total |
|---|---|---|---|---|
| County Engagement | Third Sector Capital Partners | 2 people: Per Person, $300 flight, $200 taxi, $45 food | $ | 4,360 |
| **Total All Travel** | | | $ | 4,360 |

| Consultants and Contractors | Organization | Detail | | Total |
|---|---|---|---|---|
| **Total Consultants & Contractors** | | | $ | - |

| Evaluation | Organization | Detail | | Total |
|---|---|---|---|---|
| **Total Evaluation** | | | $ | - |
| **TOTAL Goal 2:** | | | $ | 22,502 |

| Goal 3: Complete Advanced Final Feasibility Assessment | |
|---|---|
| Target Start: | 1-Sep-15 |
| Target Completion: | 1-Feb-16 |
| Milestone A: | Finalized Target Populaiton Analysis |
| Milestone B: | Eligibility, Referral, & Intervention Pathway Mapped |
| Milestone C: | Initial Economic Model & Housing Inventory Completed |
| Milestone D | Prepare AB 1837 Application (Where Applicable) |
| Milestone E: | |

| Goal 3 Budget | | | | |
|---|---|---|---|---|
| **Personnel (Incl. Salary & Benefits)** | **Organization** | **Detail** | | **Total** |
| | Third Sector Capital Partners | 19% Director, 33% Associate, 48% Analyst | $ | 62,293 |
| | Los Angeles County | | | |
| **Total All Personnel** | | | $ | 62,293 |
| | | | | |
| **Travel** | **Organization** | **Detail** | | **Total** |
| County Engagement | Third Sector Capital Partners | 2 people: Per Person, $300 flight, $200 taxi, $45 food | $ | 5,087 |
| **Total All Travel** | | | $ | 5,087 |
| | | | | |
| **Consultants and Contractors** | **Organization** | **Detail** | | **Total** |
| **Total Consultants & Contractors** | | | $ | - |
| | | | | |
| **Evaluation** | **Organization** | **Detail** | | **Total** |
| Develop evaluation plan | Evaluator TBD | Development of PFS project evaluability report | $ | 30,000 |
| **Total Evaluation** | | | $ | 30,000 |
| **TOTAL Goal 3:** | | | $ | 97,380 |