PUBLIC REQUEST TO ADDRESS
THE BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES, CALIFORNIA

Correspondence Received

MEMBERS OF THE BOARD

HILDA L. SOLIS
HOLLY J. MITCHELL
LINDSEY P. HORVATH
JANICE HAHN
KATHRYN BARGER

			The following individuals submitted comments on agenda item:	
Agenda #	**Relate To**	**Position**	**Name**	**Comments**
Set Matter 2.		**Favor**	Casandra J Torres Sheleby	Put on lists? And can you lookup what's been reported under my name to reference my emergency assistance t9 locate a perimeter within around myself of 50 miles/ 500
			Kristen Aster	
			V Citizen	
		Other	Angelica Frias	Letter Attached
			Monisha Parker	Dear Board of Supervisors, As a concerned resident of Los Angeles County, I am writing to express my profound dissatisfaction with the County's continued inaction in addressing the homelessness crisis. For far too long, residents have endured the deplorable conditions and suffering endured by those experiencing homelessness. Our streets are littered with individuals sleeping in tents, parks have become de facto homeless encampments, and public safety is compromised. The County's Reports on the County's Implementation of the People Experiencing Homelessness Missions have become a hollow exercise in self-congratulation. While these reports may provide a semblance of progress on paper, they fail to translate into tangible results for those who desperately need help. It is time for the Board of Supervisors to stop talking and start acting. The residents of Los Angeles County demand immediate and decisive action to end homelessness. This should include: Increased funding for homeless services: Expand funding for shelters, outreach programs, mental health support, and job training to provide comprehensive support for those in need. Expansion of affordable housing:Invest in the construction of affordable housing units to provide permanent and stable homes for individuals and families. Improved coordination among agencies: Streamline collaboration between County departments, law enforcement, and community organizations to ensure a coordinated approach to homelessness prevention and intervention. Mental health and substance abuse treatment: Provide accessible and affordable mental health and substance abuse treatment services to address

				the underlying causes of homelessness. Enforcement of anti-camping laws: Enforce ordinances prohibiting camping in public areas to maintain public health and safety standards. The time for complacency has passed. We cannot afford to allow more lives to be lost on our streets. I urge you to take immediate action to implement these measures and demonstrate your commitment to ending homelessness in Los Angeles County. If you truly care about the well-being of our residents, it is time for you to 'get off your ass and save people's lives.' The eyes of the County are upon you, and we demand accountability and results. Sincerely, Monisha Parker
		Item Total	**5**	
Grand Total			**5**	

As of: 6/18/2024 4:00:04 PM

Resetting LA City to Meet Urgent Community Needs

Nonprofit Action Recommendations for Mayor Bass

APRIL 2023

Nonprofit Finance Fund®

HR&A

COMMITTEE FOR GREATER LA

WITH SUPPORT FROM

MAYOR'S FUND FOR LOS ANGELES

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SoCal Grantmakers

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Introduction

Los Angeles City Mayor Karen Bass rightfully declared a state of emergency on homelessness as her first official act since being sworn into office. Solving the homelessness crisis requires strong nonprofit organizations working in partnership with government as they are on the frontlines of working with individuals experiencing homelessness.

Committee for Greater LA launched the Strengthening LA's Nonprofit Organizations project to develop a nonprofit-informed action agenda for the new Mayor that identifies the impactful steps she can take within her first year in office to reset how the City partners with nonprofits to solve the City's most urgent needs. This effort and the following report build upon the work of others who have long advocated for a more effective partnership between LA County and City government and the nonprofit sector.

In the last two years, nonprofit organizations were called upon to shoulder a significant amount of COVID-19 recovery efforts, particularly in communities where systemic racism has reduced access to resources. Nonprofits are relied on and valued as a source of trust, connection, and support. While city funding helped bolster nonprofits during the crises of the past few years, nonprofits continue to face burdensome bureaucratic challenges as they work on behalf of the City to address pressing issues – including increasing homelessness.

These bureaucratic challenges impact the lives of Angelenos that nonprofits are working with on critical issues like housing, education, and health. They are a barrier to those working on the frontlines of addressing homelessness. And they are systemically preventing the City from partnering with community-centered organizations that can effectively serve their local community needs.

> One example of the impact of bureaucratic red tape: A family approaches an LA city nonprofit for help buying food amid increased food insecurity due to inflation. The nonprofit, however, is low on cash, and doesn't know when it will receive payment for work it completed and invoiced the City for four months ago. The nonprofit can't determine if it is "safe" to ramp up support for families who need food, without having to worry about overdrawing accounts. The payment delay from the City is hurting people.

Addressing the urgent pain points facing local nonprofits presents an immediate, high-impact opportunity to improve the delivery of services to LA's unhoused residents. It would support the new administration's strong commitment to this pressing issue and help to rebuild trust with the community partners on whom this work relies.

Executive Summary

Committee for Great LA launched the Strengthening LA's Nonprofit Organizations project in fall 2022 to encourage the next Mayor of LA to reset how the City partners with nonprofits that deliver critical health, housing, employment and other services for millions of Angelenos. As part of the project, Nonprofit Finance Fund (NFF) interviewed over a dozen nonprofits with direct City contracts, former and current city administrators, and other subject matter experts in addition to analyzing 2022 State of the Nonprofit Sector data for LA City nonprofits to inform the recommendations in this report. Additionally, HR&A studied the regulatory, budgetary, programmatic, and appointment powers available to the Mayor and developed a playbook that recommends immediate steps the Mayor can take to address the nonprofit needs raised in this report. Below is a summary of recommended actions with detailed descriptions in the following pages.

IMMEDIATE ACTIONS RECOMMENDED

Reduce the burden on nonprofits:

- **Pay on time**. All departments and offices should process payments to nonprofits within 30 days. We are encouraged to hear this work has already begun under the leadership of Councilmember Bob Blumenfield and Councilmember Nithya Raman who introduced a motion that was approved by the City Council in March to begin to address this issue.
- **Cut the red tape**. Expedite and fully fund the reform efforts of the Chief Procurement Officer to expedite and streamline contracting processes and accelerate development of the newer RAMP system.
- **Cover the startup costs of the work**. Ensure that all nonprofit partners can be paid upfront through an easy to manage process and provide startup grants.

ADDITIONAL URGENT ACTIONS RECOMMENDED

- **Fund the full cost of nonprofit work**. Recognize the full cost of delivering essential services on the City's behalf by eliminating elective caps on administrative costs, providing multi-year and inflation-tied contracts, and increasing pass-through contract amounts to allow for services to be fully paid for.
- **Seek out and prioritize community-centered nonprofits led by people of color**. The City needs to take action to adjust compliance requirements and expand partnerships to include more community-centered nonprofits led by and serving people of color.
- **Co-design with nonprofits when planning City processes and programs**. Infuse the lived experience and expertise of community-centered nonprofits led by people of color into the planning of existing City programs, services, and processes.
- **Hold the City accountable to strengthening how it works with nonprofits**. Authorize a point of contact and establish a system of accountability to ensure that City departments are progressing in how they work with nonprofits.

"Let's step away from providing TA [Technical Assistance] for a broken system and just fix the system."

Intermediary nonprofit interviewee

Findings

Nonprofits Play A Critical Role In the LA City Economy and Workforce

Nonprofits are not only a key partner for the City to serve its citizens. They are also a major economic driver for the City of LA, responsible for 10% of Los Angeles' gross regional productivity. Research by HR&A demonstrates key economic impacts of LA nonprofits for the City and region. Strengthening the nonprofit sector impacts the people that nonprofits serve as well as those they employ.

Nonprofit jobs account for 23% of all city jobs (approximately 606,400 jobs).

- Demand for youth, housing, and social services has spiked over the past decade, leading to a 368% increase in the number of workers delivering these services (from 37,423 in 2011 to 175,288 in 2021).

For every two nonprofit jobs added to LA's workforce, the region's total number of jobs grows by three.

- This is because strong nonprofits purchase goods and services from other nonprofits and businesses, boosting the economy overall.

When nonprofit workers are financially insecure, a significant portion of LA's workforce is pushed closer to, and over the edge of, housing insecurity.

- In 40% of all nonprofit jobs – accounting for 8.9% of LA's total workforce – the average pay of $35,425 for nonprofit civic and social services workers isn't enough for two parents each earning that amount to raise a child in LA.

"Nonprofits need less administrative and compliance burdens from government funders."

Healthcare nonprofit survey respondent

NFF 2022 State of the Nonprofit Sector Survey

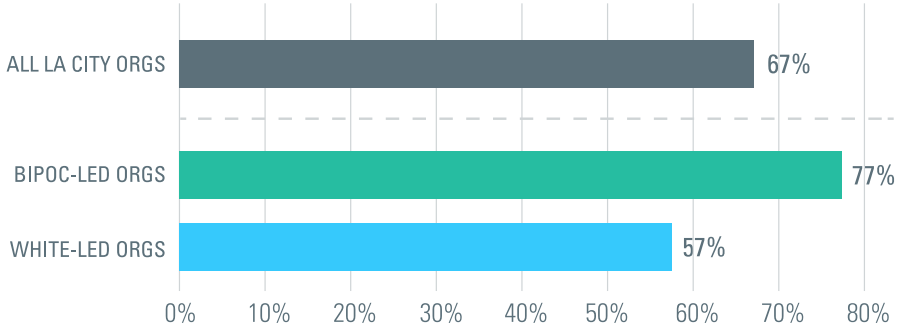
The State of the Nonprofit Sector Survey – NFF's ninth – collects data about US nonprofits' health and challenges and transforms it into an accessible, evidence-based illustration of nonprofits' ability to help the communities we all serve.

In a sector with such a large power imbalance between who controls the money and who uses it, there are always financial challenges and inequities. NFF gathered data to compare the experiences of BIPOC-led (Black, Indigenous, and person of color) organizations with those of white-led organizations. Despite the many commitments to racial equity and to diversity, equity, and inclusion, long-standing inequities persist in the nonprofit funding system that favor white-led organizations. In the ensuing results, the report frequently points out the disparity between BIPOC and white-led organizations.

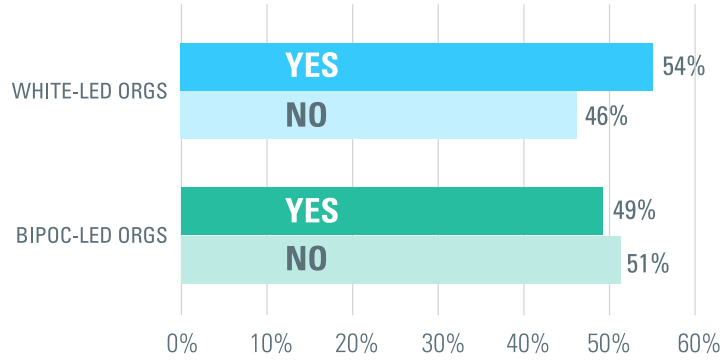
Survey respondents for LA City:

All LA City: N = 137
LA City BIPOC-led respondents: N = 73
LA City white-led respondents: N = 54

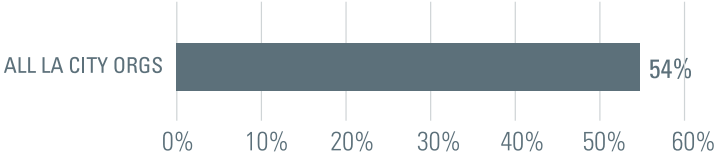
SAW SIGNIFICANT INCREASE (>10%) IN SERVICE DEMAND BETWEEN FY2019 & FY2021



ABLE TO MEET SERVICE DEMAND BETWEEN FY2019 & FY2021



EXPECT SIGNIFICANT INCREASE (>10%) IN SERVICE DEMAND IN FY2022



[2022 NFF SURVEY DATA]

Immediate Action Steps to Strengthen Nonprofit Impact in Communities

Nonprofits are not just vendors or contractors for the City. They are long-trusted community institutions, and city residents turn to them in times of need and vulnerability. Nonprofits connect with the most discriminated against and hardest-to-reach residents on behalf of the City.

Nonprofits have long endured barriers and challenges while helping the City accomplish its goals in communities with the most need. These challenges are well-known and they need to be addressed now so that the Mayor and her administration can accomplish their urgent goal of eliminating homelessness in the City of Los Angeles.

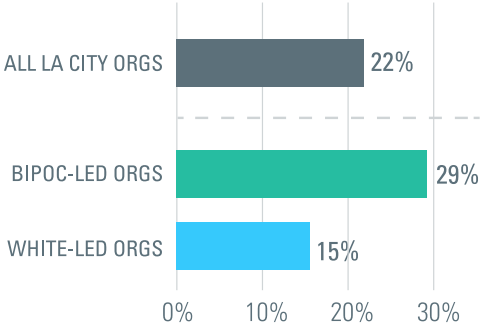
IMMEDIATE ACTIONS RECOMMENDED TO REDUCE THE BURDEN ON NONPROFITS

Pay invoices in a timely manner.

All departments should process payments to nonprofits and nonprofit grant administrators within 30 days and any current outstanding invoices should be expedited immediately. We are encouraged to hear that under the leadership of LA City Councilmember Bob Blumenfield and Councilmember Nithya Raman, the LA City Council approved a motion asking all departments to report within 90 days on the current process of paying city vendors, a best practice of the County of LA and other municipal governments, and advise what must happen to expedite this process and ensure that invoices are paid within 30-90 days maximum.

NFF's 2022 State of the Nonprofit Sector data shows that nonprofits – especially those led by and serving BIPOC communities – don't have much cash on hand. NFF survey data also found that government payments to LA nonprofits are generally more delayed than in the rest of the country, which creates a tenuous situation for nonprofits and prevents them from doing their most impactful work.

HAD 2 MONTHS OR LESS CASH ON HAND



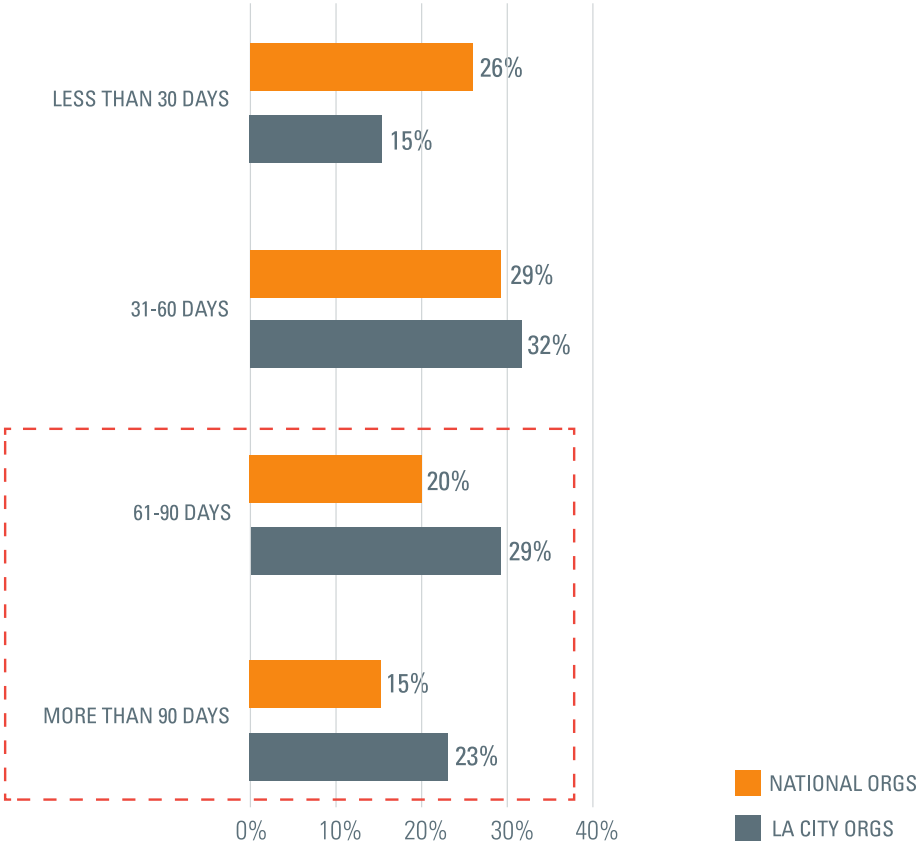
[2022 NFF SURVEY DATA]

- Learn from the Community Investment in Families Department that has committed to paying invoices within 15 days of submission and publicly shares their progress on this measure.
- Homeless services grant administrators, such as Los Angeles Homeless Services Authority (LAHSA), would directly benefit from this as the delays of City payments force them to delay their payments to nonprofit service providers. The City will alleviate the financial pressures that LAHSA grantees experience by paying their invoices within 30 days.
- Organizations highly value the mission and effectiveness of the Mayor's Office of Gang Reduction and Youth Development (GRYD) program; however, organizations face significant delays getting invoices paid (e.g., organizations experience 4-5 month delays in repayment). We recommend examining GRYD's financial processes to see how they can better align with other City departments.

Reduce the complexities in reviewing and processing invoices so that City staff can quickly move invoices to payment across all departments.

- A model to learn from is the Governor's Office of Business and Economic Development that manages the Community Reinvestment Grants Program. They use quarterly check-ins to monitor accountability to the grant and quickly review invoices to ensure they are in line with expectations.
- Simplify the administrative burden on organizations for submitting monthly invoices. Some departments require organizations to submit monthly invoices with all back-up documentation attached in-person. This process is not only time-consuming but also creates feelings of untrustworthiness.

HOW LONG IT TOOK TO RECEIVE GOVERNMENT PAYMENT



[2022 NFF SURVEY DATA]

Cut the red tape.

Reform redundant, burdensome, and unnecessary practices that take time away from serving the community.

Partnering with the City is burdensome for nonprofits. Nonprofits spend a significant amount of time during application, contracting, and reporting phases. For example, a local nonprofit organization that provides youth, homeless, and workforce services estimated that staff spend 50% of their time on complex manual reporting requirements, which is time that could be spent meeting the needs of community members. Key burdens experienced by nonprofits can be alleviated through the actions recommended below.

Expedite the efforts of the Chief Procurement Officer and prioritize simplifying the application, contracting, and reporting processes that are difficult for nonprofits. The newer RAMP system has improved the accessibility and modernization of the City RFP database, but it has not reduced the work of submitting duplicate documents to apply for or comply with different City contracts. For example, one organization can have 6 or 7 contracts with the City, all of which have different reporting requirements and due dates.

- The fiscal year 2024 budget should expedite the roll-out of the RAMP system and the Chief Procurement Officer should leverage the RAMP system to create one centralized and easy-to-use technology that integrates data across City departments. It should provide comprehensive centralized contracting, compliance, and auditing processes, so nonprofits aren't spending unnecessary time submitting the same information to multiple agencies or adapting their materials to meet customized requirements from different departments.
    - For example, New York City fully adopted the PASSPort system as an end-to-end digital procurement platform that reduces redundancies for organizations contracting with any department in the City. PASSPort also provides public transparency on city contracting procurement processes.
- Have an agency's procurement team do the heavy lifting of meeting the requirements of multiple funding sources so that nonprofits can have the ease of one contract and process to do the services they do best (as demonstrated by the Master Service Agreement process of the County Department of Health Services).
- Consider using a "lock-box method" similar to Denver's Office of Nonprofit Engagement where organizations submit all the required contracted documents once and will only be asked to update documents when they expire or when changes have occurred.
- The Chief Procurement Officer should develop a public statement on the values that nonprofits working with the City can expect when partnering with the City and citywide guidance that applies to all departments.
    - Model NYC's Citywide Procurement Reform effort that developed the "Values for a Provider Bill of Rights" (see appendix for reference).

Remove the requirement to close out a current contract before starting a new one if the organization is in compliance. Organizations are often waiting for City departments to wrap up final reports in order to close their contracts. This can cause gaps in funding between the old contract and a new contract upwards of two months. The nonprofit is left covering costs, including staff salaries, during these gaps.

Cover the startup costs of the work.

Nonprofits have the community relationships and trust that allow them to deliver impactful services, but many of the organizations closest to community do not have the flexible financial resources to invest in scaling up their programs. Similar to when for-profit businesses need to invest in the startup costs for new services, nonprofits need the same investment to be successful and sustainable.

Provide flexible startup grants to nonprofits that are taking on new City contracts. Nonprofits need flexible dollars to build up their administrative infrastructure, plan and prepare for managing new contracts, train staff to provide program services, purchase program supplies, and more.

Consistently provide upfront payments on contracts across all departments.

- The Chief Procurement Officer and the City Attorney should include nonprofit input as they explore how to simplify the process to pay nonprofits upfront. Currently, nonprofits that get cash advances experience significant administrative burdens from reconciling their contracts at the end of the year due to advances being treated similar to loans.
- Improve upon LAHSA's policy for pre-payments and ensure it is available to all nonprofits.
- The Chief Procurement Officer should add a check box to applications for nonprofit services that asks: "Do you want to be prepaid on your contract?" so that all organizations have an equal opportunity to seek advances and not just the ones who have the "know-how" or relationships to negotiate.

"It would be absolutely incredible if there could be a centralized database where we could upload a unified set of common grant proposal metrics and attachments at the beginning of our fiscal years, and have all the major foundations, government entities look at them, similar to a job search database or college application process."

Youth services nonprofit survey respondent

ADDITIONAL URGENT ACTIONS RECOMMENDED

Value nonprofits as a City partner.

During the pandemic, government agencies minimized cumbersome processes and overburdensome reporting, which allowed nonprofits to be nimble and responsive to community needs.

Throughout 2020, we also saw how nonprofits were able to be innovative, flexible, and strategic when trust-based philanthropy practices and unrestricted funding was provided to the sector – demonstrating the value of that support. Learnings from these practices need to be extended to how the City values nonprofits as a partner.

"We are partners in our mission to deliver services to our communities."

Social services nonprofit survey respondent

Fund the full cost.

Paying the full cost of nonprofits' work is vital if they are to pay living wages to staff, manage inflation, and more. The nonprofit sector has an important workforce that is critical to meeting the City's needs. The City needs nonprofit partners with qualified staff to make an impact on the City's most pressing needs such as homelessness.

When the City doesn't pay the actual cost to deliver contracted services, nonprofits are left to subsidize them. This forces nonprofits to divert resources toward raising unrestricted funds from private sources instead of providing great services. Here are some steps the City can take:

- **Conduct a full cost analysis of nonprofit partners** in order to understand whether the funding for contracted services covers the full cost of implementation and service delivery. The findings of this analysis should be made public and should should inform the Mayor's future budget proposals.
- **Accept costs that are required to run an effective organization**. For example, recruiting costs are necessary to find qualified staff who can make an impact on the City's most pressing needs, such as homelessness. Yet nonprofits often encounter discrepancies in what costs departments will reimburse, like recruitment.
    - Departments should institute practices that prevent discrepancies. As an example, CIFD's staff do an initial review of invoices before official submission to ensure as much draw down of funds as possible.
- **Eliminate elective caps on indirect/administrative costs**.
    - Departments should accept all federally allowed methods of presenting administrative costs (e.g., approved indirect cost rates, direct allocation of administrative staff, etc.); that will allow nonprofits to be reimbursed for the costs that support their programs.
    - Remove limits on indirect rates set at the discretion of individual City departments. These caps prevent organizations from investing in the infrastructure needed to support their services and impact in the community (e.g., data systems, fiscal compliance, technology, HR, etc.).
    - Encourage more departments to negotiate indirect cost rates directly with nonprofits that don't have a federally approved indirect cost rate and ensure that City departments accept the approved rate across contracts.

Provide multi-year awards in newly procured contracts and allow for contract value to increase annually to meet inflation. Organizations struggle to meet the ongoing needs of their communities when there is uncertainty with their funding from year to year. With predictable multi-year revenue that accounts for inflation, organizations can put more of their time toward service delivery and less toward seeking funding for the next fiscal year and/or contract renewal.

Utilize the budget process as a spending plan, not as a tool to deny payment for legitimate costs. Departments should allow organizations the flexibility to shift funding between budget line items throughout the term of the contract as long as outcomes are still met. Restricting the number, frequency, and timing of budget modifications does nothing to improve services. Instead, it creates administrative burdens and increases the risk of returning funds that were spent but were not in line with a budget projection made in the distant past.

- **Remove restrictions on making budget amendments to contracts**. Allow organizations to make amendments as needed given that they need the flexibility to respond to immediate community needs.

Allow organizations to recoup the interest fees for lines of credit needed to manage delays in City payments. When the City is late in paying their invoices, nonprofits sometimes need to take out debt to keep paying their bills while they wait to be paid. Organizations should not have to subsidize the costs associated with payment delays from the City.

- Interest fees are an allowable expense for New York State contracts when they are delayed in paying the nonprofits they contract with.

Explore how to pass through more funding to nonprofit agencies that are doing the work. For funding passed through the state to the City, less of each initial dollar allocated makes it to the actual service delivery because of the administrative costs of passing through funding. If 10% of a funding allocation goes to the state before it gets passed to the city and then 10% goes to the city before it goes to the organization actually doing the work intended for the initial allocation, then eventually the nonprofit providing the service gets very little of the initial dollar that was supposed to go to the service.

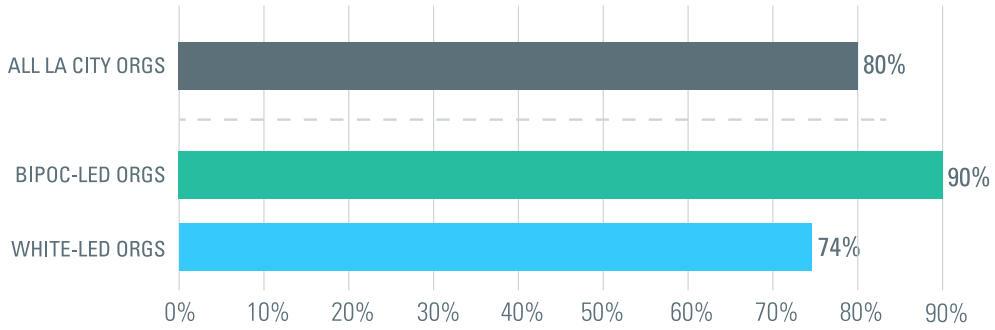
- The Chief Procurement Officer and the Mayor's point of nonprofit accountability should issue guidance to all City departments to reduce the amount of administrative fees taken by the City for funding allocations going to nonprofits by drawing from the General Fund to support those administrative costs.

Create new citywide funding practices for managing federal government funding and proactively advocate for the City to receive federal funding.

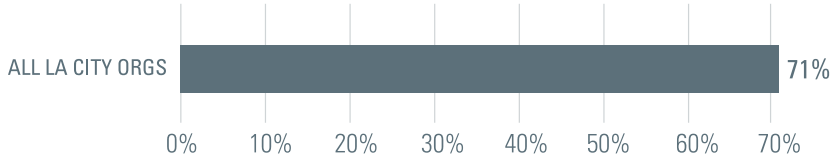
- Model after the prior Los Angeles Community Development Department and other departments that have established best practices and creative approaches for working with federal agencies to improve funding policies (e.g., indirect rates).
- Attract federal funding by collaborating with LA n Sync, an initiative of the California Community Foundation designed to spur innovation to address the critical needs of Los Angeles County. LA n Sync leads and pursues federal funding for LA City and County and has not had a consistent partnership with City of LA in pursuing opportunities. For example, LA n Sync partnered with the City, the Mayor's Fund of Los Angeles, and other partners to apply and successfully receive a federal Promise Zone designation that brought important financial resources to LA.

TOP FINANCIAL CHALLENGES

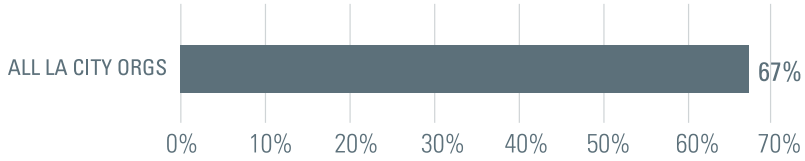
ACHIEVING LONG-TERM FINANCIAL SUSTAINABILITY



RAISING UNRESTRICTED REVENUE



RAISING FUNDS THAT COVER FULL COSTS



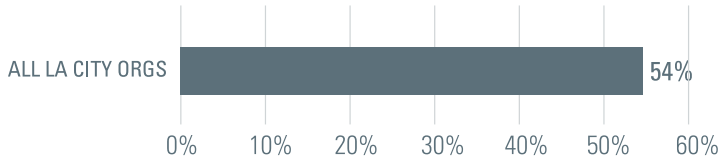
[2022 NFF SURVEY DATA]

"While our funding has remained stable, the cost of doing business has increased significantly. We have to provide PPE and weekly testing; pay extensive overtime due to staff shortages; meet additional unfunded mandates such as increased sick pay; spend more on recruitment and training; pay raises; etc."

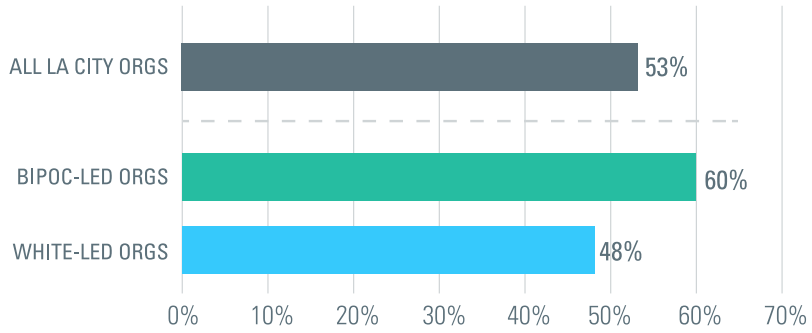
Human services nonprofit survey respondent

TOP STAFF MANAGEMENT CHALLENGES

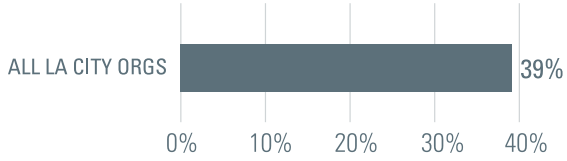
OFFERING COMPETITIVE PAY



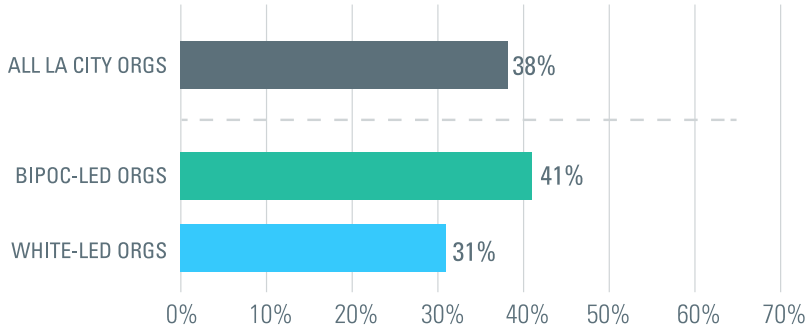
EMPLOYING ENOUGH STAFF TO DO THE WORK



HIGH COST OF LIVING



STAFF BURNOUT



[2022 NFF SURVEY DATA]

"We need funding to recruit and retain staff. Nonprofit work isn't sexy or appealing with low salaries in a high cost of living market like Los Angeles."

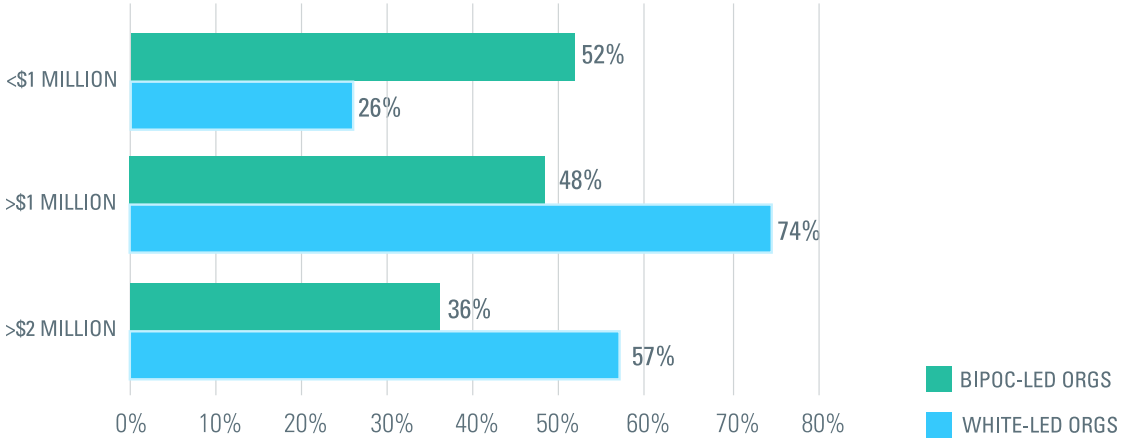
Human services nonprofit survey respondent

Seek out and prioritize BIPOC-led organizations for funding and partnerships.

BIPOC-led organizations face systemic racism in the funding system, yet they bring much-needed revenue, jobs, and resources to communities throughout LA. BIPOC-led nonprofits in particular do not receive the funding they would need to support the administrative infrastructure required to manage City contracts. Historically, BIPOC-led organizations have disproportionately faced barriers in building up this administrative capacity, which in turn makes it much more difficult for the City to access the wealth of expertise and skills of smaller, grassroots organizations. The City needs to be accountable to the community on progress and outcomes on this.

The survey data below shows that more BIPOC-led organizations had smaller budget sizes than white-led organizations which is a barrier for current City contracting opportunities.

BUDGET SIZE



[2022 NFF SURVEY DATA]

City departments should make an intentional effort to build relationships and access for these organizations through the following strategies:

Offer less burdensome methods of meeting administrative requirements. For example:

- Instead of requiring audited financial statements, allow for internal financial statements and Form 990s to demonstrate financial capacity. Audit requirements from the City place a huge financial burden on small organizations that do not meet the state financial thresholds to require audits. Organizations have to pay for audits that they can't afford.
- Reduce costly insurance requirements to amounts appropriate for the services being delivered. If organizations are unable to meet cost-prohibitive insurance requirements, provide subsidies to offset the cost of doing business with the City.
- Rather than requiring three years of experience managing government contracts, allow organizations to demonstrate their capacity in alternative ways, such as showing a certain number of years managing philanthropically funded programs or services.

Expand partnerships with intermediary organizations that can take on the administrative burden of compliance with the City's requirements.

- Examples include the LA County Probation Ready to Rise program that was intermediated by California Community Foundation and Liberty Hill, the LAHSA Capacity Building program that was intermediated by United Way of Greater Los Angeles, the State Rental Assistance program that was locally intermediated by LISC and local partners, and the Mile High United Way in Denver that intermediated funds for the City.
- Ask departments to hold intermediaries accountable to the City's best practices. Subcontracted organizations have gone unpaid or have experienced significant delays in payments from their intermediary without any way to hold them accountable.

Fund the organizational infrastructure and capacity needs of organizations so that they can grow sustainably and lead impactful work.

- Partner with philanthropy, including the Mayor's Fund of Los Angeles, to support initiatives that build nonprofits' capacity to partner with the City (e.g., financial capacity, technology upgrades, data systems, etc.).
- Model after the infrastructure grants provided by the Denver Office of Nonprofit Engagement and LAHSA's capacity-building program administered by United Way Greater LA.

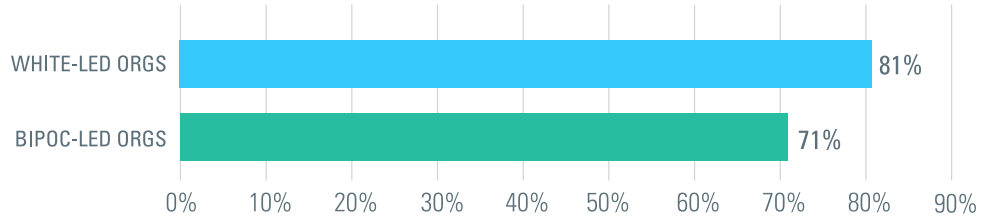
Explore the creation of nonprofit hubs embedded in communities spanning across LA. Hubs could be co-located with nonprofit partners or aligned with other regional efforts such as California Community Foundation's "Sustainability Hubs." Each hub should have a City representative who understands each neighborhood's nonprofit landscape and builds relationships on behalf of the City. Hubs can also provide access to "City expediters" that can help nonprofits navigate various city systems and address questions. They can serve as a central location embedded in the communities for resource and information sharing, navigation services, legal support, and connections to other networks.

- This can be modeled after the local SBA offices where small businesses have a local SBA representative to support their success and navigation through various federal resources.
- An example of the "City expediters" model is when real estate developers pay for consultants with development expertise to navigate City permitting processes to speed up their development processes.

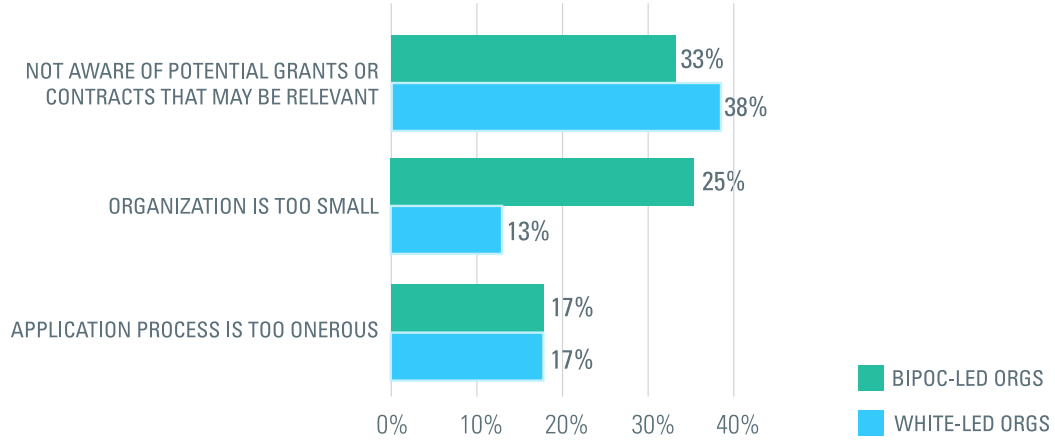
Provide tiered contract opportunities and allow collaboration on proposals so that smaller nonprofits don't have to compete against larger entities that usually are awarded the contracts. This will provide more opportunities for innovative, BIPOC-led organizations and for money to not continuously flow to the same organizations.

- Tiers for smaller grassroots organizations should include structures such as up-front payments on contracts without burdensome invoicing processes.
- Model proposal collaboration opportunities after other County departments that ask applicants if they are open to partnering with other contractors on a proposal and then connect those contractors with each other.

HAVE APPLIED FOR AND RECEIVED GOVERNMENT FUNDING



HAVE NEVER APPLIED FOR GOVERNMENT FUNDING FOR THE FOLLOWING REASONS



[2022 NFF SURVEY DATA]

"The restrictions and the complicated process to request the funds, require a lot of time on the part of the staff that we have. Likewise, the opportunities to access funds are often exclusive to larger organizations that have been established for many years, making it more difficult for us to grow and continue fulfilling our mission."

Education nonprofit survey respondent

Co-create and co-design with nonprofit service providers.

Include BIPOC-led and community-centered nonprofits when developing or refining City programs, services, and processes. Staff bring relevant lived experience and expertise working directly with community members

Community-centered nonprofits are closest to the needs of LA residents and understand how people want to engage with services (e.g., Family Source Center programs, Homeless Prevention Program, Guaranteed Basic Income, community beautification, gang reduction, etc.). They can ensure that programs are designed for success and are executed in a way that makes best use of community insights, resources, and relationships.

Make nonprofits and community leaders co-designers in how to address the challenges the City prioritizes. Including them early in government planning could help grow collaboration and the impact of City programs. As members of and experts in their communities, nonprofits can guide recommendations and provide feedback that sets everyone up for success.

- Include nonprofits in decisions about what and who to fund. For example, involving them in designing a new homelessness prevention initiative could help the program's application process reach and engage intended participants.
- Organizations should be compensated for their expertise and involvement to the extent legally possible.
- Modeled after the approach used in New York City, LA should convene the nonprofit community to inform program design and approach before competitive requests for proposals are released. This can be done in a way that does not create conflict-of-interest barriers for nonprofits who want to participate in the RFPs.

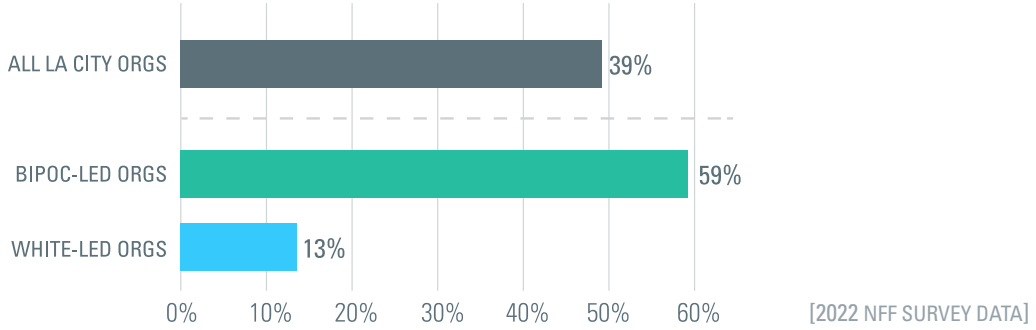
Give nonprofits/social enterprise/community leaders a dedicated seat for commissions, department advisory committees, and other spaces of decision-making and guidance, similar to how the County has dedicated seats for representatives with lived experience in the service area.

Build on existing networks and strengths in the nonprofit community rather than starting something new. For example, the network of Family Source Centers has a long history of trust with community members and has built a strong infrastructure in meeting shared goals. This infrastructure should be leveraged and strengthened to include more partnerships with smaller community-based nonprofits.

Host town hall meetings instead of surveying nonprofit organizations, allowing for two-way conversations and a more interactive process. Follow up with nonprofits.

- Consider modeling town halls after the inclusive nonprofit stakeholder listening that the City of New York did in its Procurement Reform project.
- Similar to New York City's Office of Nonprofit Services, develop a dashboard that measures progress toward discussed goals and outcomes.

CEO/ED HAS LIVED EXPERIENCES REPRESENTATIVE OF COMMUNITIES SERVED



[2022 NFF SURVEY DATA]

Strengthen how the City works with nonprofits and establish a main point of contact for nonprofits.

Nonprofit staff are on the frontlines of serving Angelenos in need. Yet, nonprofits have not had a clear pathway to share feedback or know that their feedback is being incorporated by the City to ensure that they are well-equipped to provide critical services.

Develop a system to hold departments accountable for meeting citywide targets, such as a user-friendly automated public dashboard that reports on each department's compliance each month.

Designate a point of nonprofit accountability that leads a newly created Office of Nonprofit Partnerships. The leader of this office should have regional credibility and hold City departments accountable to the established values and expectations of how the City will work with nonprofits. The office should hold the following responsibilities:

- Ensure that departments utilize the user-friendly public dashboard to report to the Office on:
  - Their progress on benchmarks for timely and accessible procurement, contracting, and payments (e.g., % of invoices paid within 30 days, % of contracts going to BIPOC-led nonprofits, etc.).
  - Action plans for addressing gaps in meeting benchmarks (including how Office of Nonprofit Partnerships staff will work collaboratively with departments to ensure plans meet the needs of nonprofits and achieve benchmarks).
  - How they are addressing feedback from nonprofits and including nonprofit voices in their planning.
- Provide technical assistance to nonprofits navigating City processes.
- Partner with philanthropy and local efforts to provide funding for nonprofit capacity-building.
- Foster collaboration and two-way communication between City departments and nonprofit stakeholders.
- This office can be modeled after Denver's Office of Nonprofit Engagement and New York City's Office of Nonprofit Services.

"You can have great systems, but you need people to pull the levers."

Human services nonprofit survey respondent

Report progress on nonprofit City benchmarks to the Mayor, City Council, all departments, and the public at least yearly. The nonprofit community has seen many commitments to improving contracting processes by government but does not have committed and continued insight on accountability to those commitments. City leadership needs to hold themselves accountable to fixing the system for nonprofits that are critical to community impact.

"Nonprofits need to be seen, treated, and valued as essential."

Education nonprofit survey respondent

The City Needs to Take Momentous Action to Make Progress on the City's Pressing Homelessness Crisis

The need in the City of LA is momentous and the challenge ahead for nonprofits to serve their communities is historic. Addressing the urgent pain points facing the City's nonprofits presents an immediate, high-impact opportunity to improve the delivery of services to LA's unhoused residents. It would support the new administration's strong commitment to this pressing issue and help to rebuild trust with the community partners on whom this work relies.

Appendix

METHODOLOGY

These recommendations were developed through a partnership between NFF, HR&A, and the Committee for Greater LA. They build upon the advocacy work of others who have long been striving for a more effective partnership between LA County and City government and the nonprofit sector. The following input was collected by HR&A and NFF between October-December 2022 and used to develop and synthesize recommendations:

- Key informant interviews with 15 nonprofit organizations that have direct experience contracting and partnering with City departments
- Key informant interviews with 16 individuals with current or recent LA City administration experience and two interviews with other major cities undergoing nonprofit partnership strategies
- Feedback from Committee for Greater LA leadership
- Nonprofit feedback session on draft recommendations
- Data from NFF's 2022 State of the Nonprofit Sector Survey (137 respondents within LA City)

NYC PROCUREMENT REFORM

During the New York City Human Services Convening on October 20, 2022, staff from the offices of Sheena Wright, Deputy Mayor for Strategic Initiatives, and Anne Williams-Isom, Deputy Mayor for Health & Human Services, shared updates on their New York Citywide Procurement Reform efforts.

Below is a sample of information shared on how they adopted shared values in response to the challenges and barriers nonprofits have experienced in their prioritization of a thriving nonprofit sector.

Citywide Procurement Reform: Values for a Provider Bill of Rights

Potential provider expectations

1 Equity	We are treated as **trusted and valued business partners of the City** all on a leveled playing field, whether for a $5K discretionary award or a $50M competitive contract
2 Speed	All steps of the process are **fast and clear**; we know how long steps should take, and what it will take to resolve any barriers
3 Consistency	We feel like we are doing business with **one City** across agencies and contracts, and that the City knows our nonprofit and the work we've done in the past
4 Reliability	We can count on being **paid reliably and on time** to help the City deliver and sustain high quality services
5 Simplicity	City systems are **simple and intuitive** enough for us to focus on delivering services rather than investing in navigating process
6 Professionalism	We are met with **professionalism, ability, capacity and passion** that helps us deliver on our mission

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Lead NFF authors and researchers for this report:

- Annie Chang, Vice President, Community Engagement
- Bre Onna Mathis, Manager, Consulting
- Patrick Campbell, Specialist, Enterprise Support

Government-Funded Nonprofits Face Serious Obstacles to Building Financial Reserves and Working Capital

by John Summers

Executive Summary

Based on publicly available financial data, this research summarizes the financial impact on nonprofit organizations of working with government funders. The article discusses the role nonprofit leaders, governments and philanthropy can play in addressing the most acute challenges so nonprofits can achieve greater financial sustainability and maintain their ability to deliver critical services.

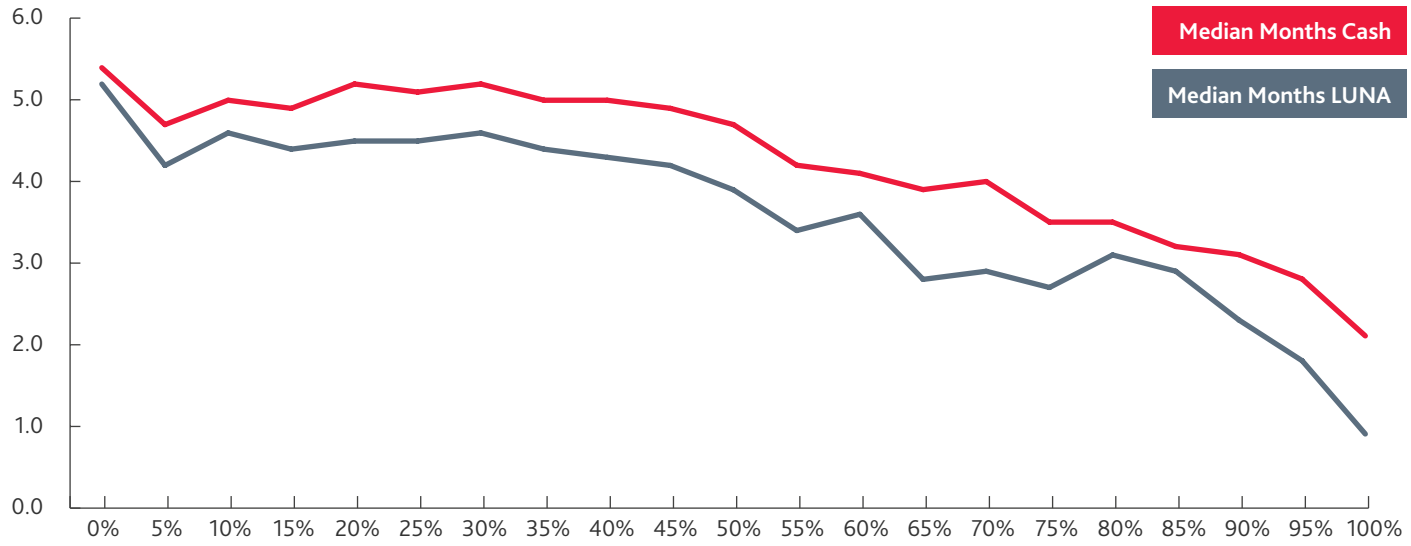
Those of us who work in or with nonprofit organizations are likely aware of the difficulties associated with government funding and the implications for running sustainable organizations and maintaining continuity of services. Government funders maintain tight controls over how funds can be used, require rigorous accounting and financial reporting, and often—particularly state and local governments—delay reimbursement, sometimes for months after services have been delivered. Thus, while government grants can be sources of substantial, recurring revenue, governments can be challenging business partners to nonprofit organizations, even as they rely on these organizations to deliver critical, mandated, social safety-net services to vulnerable populations.

Sector-wide financial data further reveals that a nonprofit business model that depends on receipt of government funding can be financially and administratively challenging. Analysis of IRS Form 990 data from almost 130,000 nonprofits clearly shows that **high concentrations of revenue from government grants are correlated with dangerously meager financial reserves, low levels of cash on hand, and scant profit margins**. [1]

1 Please note that this study considers *only* funds categorized as Government Grants/Contributions (rather than as Program Service Revenue) in the calculation of revenue from government sources. These are grants, contracts, or other contributions from government whose "primary purpose is to enable the organization to provide a service to, or maintain a facility for, the direct benefit of the public rather than to serve the direct and immediate needs of the governmental unit." Most significantly, this does *not* include Medicare and Medicaid payments to nonprofit organizations.

The graph below shows the relationship between the percentage of a nonprofit organization's total revenue deriving from government grants/contributions (x-axis) and the median number of months of expenses that nonprofit organizations with that concentration of government revenue held in operating reserves (liquid unrestricted net assets, or LUNA) and in cash on hand (y-axis).

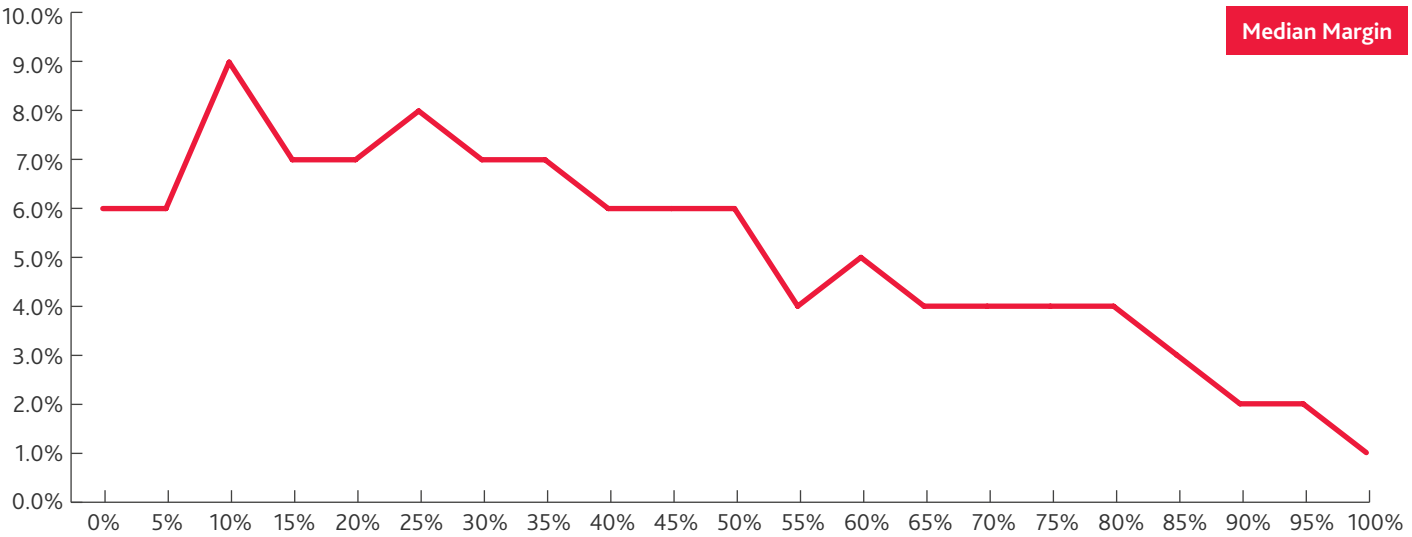
Median months of financial reserves (LUNA) and cash on hand by percentage of revenue from government grants



The trends in these metrics are obvious. Available reserves and cash are relatively flat for organizations up to about 40% of total revenue from government sources, with a gradual decline in these measures for organizations between 40% and 85% government funded, and a precipitous drop—to a median of less than a month of available reserves—for those organizations exclusively or almost exclusively funded by government.

Unsurprisingly, a similar trend holds when looking at operating results / profit margin[2] through the same lens.

Median operating/profit margin by percentage of revenue from government grants



2 Operating margin or profit margin is defined here as change in unrestricted net assets (surplus or deficit) as a percentage of total unrestricted revenue.

The relationship between government funding and operating results is mixed from 0% to around 40% concentration of government revenue, then a gradual decline to around 80%, followed by a sharp decline to a median of a less than 1% profit margin for exclusively government funded nonprofits. (This is understandable as very few government grants allow for any sort of surplus.) These low margins are the reason that it is so difficult for organizations with significant concentrations of government funding to accumulate financial reserves.

In sum, heavily government funded organizations are quite likely to face a situation of slim profit margins, low operating reserves, and insufficient working capital. This makes such organizations highly vulnerable to disruptions in their revenue and cash flow, such as loss or reduction of government grants (as may happen in the event of political transitions) and delays in payments from grantors. It also makes it quite challenging for organizations to invest in the kinds of support and infrastructure that may improve their financial situation, such as additional fundraising and strategic financial management capacity. And given their tight funding, these organizations are rarely able to offer competitive salaries and benefits to attract and retain staff, leading to high turnover and challenges in service delivery.

How Nonprofit Sector Stakeholders Can Help Address These Challenges

FOR LEADERS OF GOVERNMENT FUNDED NONPROFITS

Identify other sources of working capital. The realities of working with government funders—particularly at the state and local levels—include challenges with covering the full costs of services, tight or nonexistent operating margins, and long delays between delivery of services and receipt of reimbursement. Among the many ways that these realities can affect operations is by limiting the availability of working capital to cover everyday costs like staff salaries, rent and utilities. A lack of working capital can create a vicious cycle in which restricted cash flow makes it impossible to hire staff and cover other costs of delivering services, which reduces the amount available to be reimbursed by funders, which further impedes the ability to hire staff and cover other costs of delivering services. Leaders of nonprofits heavily funded by government therefore need access to other sources of working capital, be it reserves (again, difficult to achieve in this context), loans or lines of credit, advances, or some other source. Do note, however, that interest expense on loans is typically not reimbursable from government grants, which will further erode surplus for organizations that choose this route.

Optimize for rapid reimbursement requests. Some government funders require weeks, months, sometimes even years to remit payment to their nonprofit grantees. Given that, nonprofits need to do everything they can to submit reports, vouchers and invoices quickly and accurately, to avoid any delays on their end. Accounting, reporting and grants management systems and processes should be optimized and automated in any way possible to maximize the speed and accuracy of reimbursement requests.

Maximize indirect cost rates: One of the few sources of flexibility in government grants is indirect cost coverage, which funds the administrative and overhead costs of government grantees. While indirect cost coverage is often inadequate in comparison to the actual costs of doing business, it's critical that nonprofits learn how to maximize indirect cost rates and leverage that coverage to support the administrative infrastructure necessary to deliver programs and services. When possible, nonprofits should negotiate an adequate indirect cost rate with funders in order to more fully cover their operating costs.

Diversify revenue sources by seeking private donations. For heavily government-funded organizations, diversification of revenue to include private, unrestricted dollars can help create breathing room in cash flow and financial management. Individual donors, private philanthropy, and corporate giving can all ease the burdens created by reliance on government funds—even if it's only a small percentage of overall income it can make a big difference in terms of cash flow and flexibility. That said, the skills, systems and relationships required to raise funds from private donors are dramatically different from government contracting and will require significant investments of time and resources to develop.

FOR GOVERNMENT AGENCIES THAT FUND NONPROFITS

Pay quickly and, if possible, in advance. Perhaps the most important thing that government funders can do to ease the burdens of this business model on the nonprofits that deliver critical services is to *pay your grantees quickly, in full,*

and in advance if possible. No individual, family, business, or government agency would expect to be able to endlessly delay payment to a vendor or contractor and expect to still receive uninterrupted provision of goods and services, yet that is just what many government funders force upon their nonprofit partners. It's exploitative and it's dangerous.

Pay what it actually costs. One of the few sources of flexibility in government funding is indirect cost rates, portions of grants/contracts that can be used to cover an organization's administrative and overhead expenses. Government funders should ensure that these rates are fair and adequate to the actual costs of their nonprofit partners, rather than capping indirect cost rates at an arbitrary (and typically inadequate) level. State and local funders should also be willing to negotiate an adequate indirect cost rate with their grantees rather than simply offering a standard or *de minimus* rate—this is even mandatory for grant funds that originate at the federal level.

FOR PRIVATE PHILANTHROPY AND DONORS

Make flexible and unrestricted grants. The biggest thing your government funded grantees/donees need is flexible, unrestricted funding to provide working capital and a financial cushion against the difficulties of working with government. General operating support can be like water in the desert for these organizations, many of whom are providing services to the most underserved segments of the population.

Keep administrative burdens to a minimum. In addition to all of its other challenges, government funding typically entails extensive budgeting and financial reporting requirements, including budget modifications and line-item reports on the disposition of every dollar. Private donors need not be so rigorous, so don't add lots of unnecessary administrative requirements to grant budgets or reports.

Grant as much as possible up front. Finally, given the substantial need for working capital among government funded nonprofits, be sure *to disburse as much of the grant as possible up-front*.

NOTES ON DATA AND METHODOLOGY

Data from this study were drawn from the IRS public database of Form 990 filings: https://www.irs.gov/charities-non-profits/form-990-series-downloads

The analysis was limited to 501(c)(3) nonprofit organizations filing the full Form 990 with at least $200,000 in total revenue in the most recent filing year available. The analysis was also limited to organizations whose most recent available filing covered fiscal years ending from January 2020 through December 2021. Data was analyzed for only the most recent available year of data for each organization (i.e., there were no duplicate organizations in the dataset). This yielded a total of 127,150 organizations for analysis. Due to the ways some organizations choose to report results in Form 990, not every organization is represented in each of the metrics analyzed in the study.

This study considers *only* funds categorized as Government Grants/Contributions (rather than as Program Service Revenue) in the calculation of percentage of revenue from government sources. These are grants, contracts, or other contributions from government whose "primary purpose is to enable the organization to provide a service to, or maintain a facility for, the direct benefit of the public rather than to serve the direct and immediate needs of the governmental unit."[3]

Thus, government funding percentage is calculated as the amount reported on an organization's Form 990 Part VIII ("Statement of Revenue"), Line 1e ("Government grants (contributions)"), as a percentage of total revenue (Form 990 Part VIII, Line 12, column A). Note again that this does *not* include any revenue reported as Program Service Revenue on lines 2a-2g of the Statement of Revenue (including Medicare or Medicaid reimbursements).

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3 See 2022 Instructions for Form 990 Return of Organization Exempt From Income Tax, p. 38. https://www.irs.gov/pub/irs-pdf/i990.pdf

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ASSESSMENT OF THE 2021-2023 EQUITY IN COUNTY CONTRACTING INITIATIVE

Reflections & Recommendations

from the Nonprofit & Philanthropic Sector Perspective

ACKNOWLEDGEMENT

This collaborative effort, produced by the Center for Nonprofit Management was made possible by the dedicated Nonprofit & Philanthropic members of the LA County Economic Resiliency Task Force. It embodies the power of collective action and shared commitment to the betterment of our community. We express our sincere gratitude to Claire Knowlton for her invaluable contribution as the principal author of this report. We would like to individually thank the exceptional members of the Equity in County Contracting Task Force:

Efrain Escobedo, Center for Nonprofit Management
Andrea Nunn, LA Chamber of Commerce
Annie Marquit, Public Counsel
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Benjamin Torres, CD Tech
Bre Onna Mathis, Nonprofit Finance Fund
Claire Knowlton, Consultant
Elizabeth Berger, Special Service for Groups, Inc.
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Martine Singer, Children's Institute
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Shaun Randolph, California Community Foundation
Va Lecia Adams, St. Joseph Center
Vera De Vera/Sara Montrose, Weingart Foundation
Wilma Franco, SELA Collaborative
Winnie Wechsler, Pritzker Foundation

BACKGROUND

Nonprofit community based organizations (CBOs) play an essential role in sustaining and strengthening communities. But the sector is not only a service provider. We are an essential partner to Los Angeles County, woven into the fabric of the social safety net. For too long, CBOs have been taken for granted, underpaid for the work we do in our communities, and overlooked as an economic force. For the sake of all residents, and especially the most vulnerable, L.A. County has a vested interest in ensuring the nonprofit sector is financially sound and able to continue its work to help all communities thrive.

In the Roadmap to Economic Recovery motion on April 28, 2020, at the height of the COVID-19 pandemic, the Los Angeles County Board of Supervisors voted to establish the Economic Resiliency Task Force to gain cross-sector insights on how the county should navigate this unprecedented time. At the invitation of the county, the nonprofit and philanthropic sector convened an experienced group of experts to contribute to the work, which became the Nonprofit and Philanthropic Taskforce. In the final report by the Economic Resiliency Task Force, several sectors identified issues related to contracting with the county as barriers to recovery. We named specific and urgent opportunities for improvement as it relates to the nonprofit sector.

Citing this report, the Los Angeles County Board of Supervisors approved the Equity in County Contracting (ECC) motion in April 2021, which directed county departments to engage with the Nonprofit and Philanthropic Taskforce to solve these issues. The board recognized that to achieve economic resiliency across our sector, and produce better outcomes, the county's contracting, auditing, and reimbursement practices must evolve and change. The following report details, from our perspective and experience as the Nonprofit and Philanthropic Taskforce, the learnings and outcomes from the work we did under the two year ECC initiative and where we think it needs to go.

CELEBRATING PROGRESS AND ACKNOWLEDGING NEED FOR STRUCTURAL REFORMS

One of the biggest assets in this work has been the Board of Supervisors and the Office of the CEO, who understand that poor contracting practices hurt the quality and reach of services to communities, and block county resources from being deployed efficiently. Thanks to the Board of Supervisors and the CEO's Office, the ECC initiative had real engagement from county departments and staff. Some of us have been pushing on these issues for over a decade. We finally had the right people at the table, thanks to the actions of the board. Through the ECC initiative, CBO and county staff came to better understand the differing needs and constraints we are up against. We established direct lines of communication that did not previously exist. Important work was done to document the issues and our recommended solutions.

While we have built a strong foundation to continue from, almost no implementation or meaningful change has resulted from our efforts. As far as the broader sector can see, we have been at this work for nearly three years with little tangible evidence to show for it. Nonprofit organizations report that the RFPs being released by county departments today are just as problematic as they were in 2019. County departments are communicating to us, in both word and deed, that they consider the work started under the ECC initiative to be over. We do not.

The board's work to establish an Office of Centralized Contracting and Procurement at the County, per its August 2022 motion, and the inclusion of this office in the 2023-2024 FY county budget, is absolutely essential to continuing the efforts started under the ECC initiative. While the work has not led to tangible changes yet, it has clarified what needs to happen to improve or solve the issues at hand. We have learned that the work needs policy change to produce real-world changes. Department-by-department efforts and pilots are neither effective nor sustainable. Larger, systemic changes to county policies, culture, and the establishment of a governance structure to standardize best practices in contracting are needed to achieve the goals of ECC. To monitor and inform improvements over time, the county needs to collect and share data across departments and with the community.

TASKFORCE REFLECTIONS

As members of the Equity in County Contracting Taskforce, the following section of this report shares a series of critical reflections touching on major facets of the work directed

by the Board of Supervisors in its Equity and Contracting Motion. These reflections are informed by the collective and extensive work done by both County staff and respective Taskforce members. They are informed by the hundreds of nonprofits that participated in focus groups and convenings and whose input, vision, and aspirations informed a Nonprofit Bill of Rights.The goal of these reflections are to highlight how our work might have fallen short of achieving our collective vision and how we might consider moving forward.

BILL OF RIGHTS
No.1

Nonprofit organizations shall be recognized as trusted, community based partners, filling the gaps in service delivery and meeting the needs of residents.

REFLECTION 1:

We Need Bold Policy Action, Not Just Process Improvements

The Nonprofit and Philanthropic Taskforce and the Action Teams and Workgroups we helped convene (see Appendix A and Appendix D for details) worked in earnest to find alignment with county departments on the actions that they were willing to take. Through weeks and weeks of discussions, we wrote and rewrote multiple versions of the changes that needed to be made in order to improve the efficiency and effectiveness of CBO contracting with LA County.

As part of this process, county staff repeatedly asked us to make our requests more and more specific and targeted. We were told that without these specifics, county departments could not understand what we were asking for or how to implement any change. What we offered as examples were turned into agenda items. Our issues were reduced to smaller and smaller units until they became so small as to be of no real importance or impact. And we were told no - to indirect cost coverage, to nonprofits informing RFP design, to standardizing county auditing practices across departments – because of county policy, which in some cases could not be specifically identified or explained and may actually be departmental practice.

This approach of putting CBO contractors in the position to attempt to secure economic reforms from county departments doesn't work.

The following four recommendations outline how the county can get there.

REFLECTION 2:

Create a Governance Structure for Contracts

The ECC efforts have suffered due to a lack of centralization. We often found that the Auditor-Controller, County Counsel, the Chief Executive Office, the Internal Services Department, and Board of Supervisors Deputies did not have the same perception of contracting practices, nor were they in agreement about what changes were needed or possible. No structure currently exists to coordinate these offices to holistically assess and monitor what is happening with county contracting (nor is there current data to inform such an assessment). The county needs a governance structure that coordinates the offices responsible for various aspects of contracting, such as a cluster model used to keep various departments aligned on issues of importance where there are overlapping responsibilities.

BILL OF RIGHTS
No.2

Nonprofit organizations shall have equitable access to public funding and invest those dollars, serving local communities.

REFLECTION 3:

Realize the Promise of the Office of Centralized Contracting and Procurement

The ECC initiative has created a trove of documented issues and recommendations (see Appendix A for details) that fall squarely under the Office of Centralized Contracting and Procurement's (OCCP) mandate. With the inclusion of OCCP in the board-approved county budget, it is currently our best hope for pushing through reforms with departments. As county departments retreat from the ECC initiative, they point toward the OCCP as the responsible party to take up and carry forward the unfinished work. In addition, OCCP could be the office responsible for collecting data to measure progress on ECC initiative goals - a critical function that has been missing from the work to date. If its work is well executed, OCCP will do all that is necessary to arrive at fair, equitable treatment and compensation of CBOs, and, to that end, will closely collaborate with the L.A. County Anti-Racism, Diversity, and Inclusion Initiative.

However, we have two concerns that should be proactively addressed so as not to undermine OCCP's effectiveness. Our first concern is around the ill-defined nature of how the office will effectively engage with CBOs in the short- and long-term. Engagement between OCCP and CBOs is essential for OCCP to have an ongoing understanding of the community's needs and meet

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Nonprofit organizations shall receive fair and prompt compensation that recognizes the essential role they play in a civil society.

those needs. We want to be clear that regular meetings between OCCP and CBOs do not, on their own, count as effective engagement. We need a clear, meaningful structure through which we can partner with the office to address our sector's needs, set shared and measurable goals, and achieve OCCP's mandate over time. We ask that the board direct the office, in their first six months, to work alongside CBO partners to institutionalize the structure of CBO involvement and to build their internal structure with staff whose job it is to create successful partnerships with CBOs. A potential structure could be the creation of a commission on nonprofits, for which we are currently advocating. There are other models for ensuring CBOs have a seat at the table, such as the Not-For-Profit Contracting Advisory Committee used by New York State.

Our second concern is that OCCP does not currently have any authority over departments that directly contract with CBOs. Without mandating that other departments engage, we foresee a situation where OCCP will have created excellent resources and recommendations for contract reform, but departments refuse to utilize or implement them. We have learned that an "opt-in" approach does not work. We believe that a board motion directing departments to work with OCCP to receive training and implement their reforms is how we will improve county contracting practices in a meaningful way.

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Nonprofit organizations shall receive the same considerations as other businesses when covering the costs for providing services.

REFLECTION 4:

Change County Culture from "No Because" to "Yes If" Thinking

A continual challenge to achieving the goals of the ECC initiative is the organizational culture upheld by many county staff. This culture manifests in "no because" thinking which focuses on finding reasons to reject or dismiss ideas, often based on past experiences, biases, or preconceived notions. When proposals or recommendations by CBOs to county staff are met with "no because," it closes the conversation and prevents departments from exploring new possibilities. CBOs then must contribute additional work and emotional labor to reopen the conversation to try to find mutually beneficial solutions.

For contract reform to be successful, it requires county staff to embrace "yes if" thinking, which is characterized by a conditional and open-minded approach. Instead of immediately rejecting an idea or proposal, "yes if" thinking explores

the conditions under which the idea could work or be beneficial. It encourages creativity, flexibility, and a willingness to explore alternative options. An example of "yes if" thinking is the contract structure between the L.A. County Department of Health Services and the nonprofit Brilliant Corners to operate the Flexible Housing Subsidy Pool. When our sector asks to be treated as essential partners to the county, part of this request is that our ideas and proposals be met with a generative and constructive "yes if" response rather than a dismissive "no because" response.

We believe excessive risk aversion, as opposed to appropriate risk mitigation, often underpins "no because" thinking. So too does the decentralized nature of contracting at the county, where a "yes if" response from an individual within the county leaves them vulnerable to critique or chastisement because there are no accepted norms or guardrails for exploring alternative contract structures. Changes to policy, governance, and a mandate to adopt OCCP's sanctioned practices will help the county move away from "no because" thinking.

REFLECTION 5:
Collect Data, Use Data

The ECC initiative was hindered by a severe lack of data relating to base-line metrics, such as the number of nonprofits contracting with the county, or the dollar value of the contracts held by nonprofits. To measure progress, we needed data that could answer questions about the size, type, population served, leadership demographics, and geographic reach of organizations who successfully apply, unsuccessfully apply, or choose not to apply for county contracts. The absence of relevant data made it impossible to set targets and monitor changes over time. The scarcity of comprehensive data severely hampers smaller nonprofits' ability to access crucial funding opportunities. To know whether any of our contract reform efforts are working, the county needs to collect data and make it available. In addition to quantifying how much money is going out, to whom, and for what, data should include feedback directly from nonprofit contractors. Utilizing the OCCP to collect such data, perhaps in partnership with the Anti-Racism, Diversity, and Inclusion Initiative, makes sense, as CBOs are hesitant to share negative feedback about the departments with which they contract. Making data transparent and easily

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Nonprofit organizations are content experts and shall serve as a vital resource to educate elected officials, civic leaders, and policymakers to improve systems for greater impact.

[1] https://brilliantcorners.org/fhsp/; https://brilliantc.wpenginepowered.com/wp-content/uploads/2019/09/Hilton-FHSP-Case-Study.pdf

available to the community is equally important to collection. Such sharing can be modeled off of other county data work. To truly make a meaningful impact on underserved communities, it is imperative that intentional directives are established to bridge the gap in data transparency between CBOs and County partners.

RECOMMENDATIONS

CBOs are essential components of the social safety net that build strong ties to county residents; especially to those living in high need and often underserved or marginalized communities throughout our region. L.A. County government relies on partnerships with nonprofits to help deliver critical public services, yet its contracting policies and practices fail to provide for the health, sustainability, and/or reach of the sector. To achieve economic resilience across our sector, the county must create fair and equitable contracting policies and practices, invest in the health and sustainability of this essential infrastructure, and ensure more opportunities for small to midsize nonprofits to contract with the county.

The county's contracting, auditing, and reimbursement practices must evolve and change. The vast majority of county staff who took part in the ECC initiative agreed with this - they simply had no roadmap or model in which to implement change. We call on the Board of Supervisors and Chief Executive Office to go beyond the process-improvement approaches of the ECC motion and take substantive policy change actions through county ordinances, operational directives, or similar approaches in order to transform a system that currently has detrimental effects on the sector. We stand ready to partner with the county and offer the following recommendations:

1. Departments need to be required to change their contracting practices through policies and ordinances, because discussions, attempts at negotiation, and the good intention of individual county staff are not enough. The current contracting policies pertaining to issues like contract advances, indirect cost recovery, and just payments that support living wages are insufficient or entirely absent. This is to the detriment of the health, sustainability, and scale of the nonprofit sector. The county should identify ordinances and all other operational policies that need to be amended or promulgated to achieve a fair and equitable deal that better supports the health, resilience, and sustainability of the sector.

2. CBOs need centralized contract standards, and enforcement of those standards across departments, so that we have concise, consistent, complete, and accurate communication through the entire contracting lifecycle. so that CBOs can focus more on mission, quality provision on services and less on contracting dilemmas, which could be avoided with sound policy and practice.

3. Direct OCCP to establish systems to identify, track, analyze, and share data on county contracting with CBOs. In part, this data will show if changes to county contracting are making a difference. This data should report which CBOs apply for and ultimately receive county funding, the size and demographics of these organizations, the services being provided, and how the CBOs are distributed across high need regions identified by LA County's Equity Index.

For more details about the work done under ECC, how it was structured, and who was involved, please reference the attached appendices or download them from **www.cnmso-cal.org**.

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President & CEO
Efrain Escobedo
Center for Nonprofit Management

June 17, 2024

Los Angeles County Board of Supervisors
Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

RE: Board of Supervisors County of Los Angeles, June 18, 2024.
Set Matter II. Reports on the County's Implementation of the People Experiencing Homelessness Missions

Dear Honorable Members of the Los Angeles County Board of Supervisors,

We write to express our strong support for current calls for contracting reforms by nonprofit homeless service providers. We thank you for taking actions that seek to address the contracting challenges that impose debilitating financial strain and unsustainable operations on nonprofit partners. We urge you to take swift, decisive action to implement not just urgent but permanent and structural solutions.

The Center for Nonprofit Management has served as a critical resource to nonprofits and the leaders that make them run for more than 46 years. For the past three years we have partnered with the County and key nonprofit and philanthropic leaders to advance more equitable contracting as part of LA County's Equity in County Contracting Taskforce. Additionally, our work of the Angeleno Project have highlighted the challenges faced by nonprofit partners working with the City of Los Angeles. This body of work has clarified that the current contracting system is inequitable and structurally unsustainable for nonprofits. Moreover, a process improvement approach solely focusing on streamlining does not address the structural issues hindering and often hurting nonprofit partners. What is needed are real policy changes that address the structural inequities fueled by uncompensated costs, reimbursement-based payments, and nonadjustable wages.

We applaud the Board of Supervisors' leadership in calling for some policy change. There is a growing body of work providing a clear roadmap for these reforms. In support of this public comment, we are attaching findings and recommendations from key studies:

- Resetting LA City to Meet Urgent Community Needs released by The Angeleno Project.
- Government-Funded Nonprofits Face Serious Obstacles to Building Financial Reserves and Working Capital by BDO.
- Equity in County Contracting (ECC) report released in 2023.

We urge you to push for the adoption of policy changes recommended by the Equity in County Contracting Initiative Report.

This Board can take this moment of crisis to enact the systems change needed to advance fairer and just contracting for our sector. We urge this Board to ensure these contracting reforms are not limited to nonprofit homeless services providers. The dire circumstances and challenges our partner providers face in the homeless services sector are painful. Sadly, however, hundreds more nonprofits are also feeling these hardships, partnering with the county—from juvenile justice to community violence to immigrant justice. Contracting policies in the County are extremely difficult and to some extent deleterious to the health and sustainability of the partner organizations that are helping to advance a more inclusive, equitable, and caring Los Angeles. Please lead the way for "just" contracting practices that promote the health, growth, and sustainability of nonprofit partners. By doing so, we can ensure that nonprofits are equipped to continue their invaluable work, driving positive outcomes for our communities.

We look forward to your leadership in advancing these critical changes.

Sincerely,

Efrain Escobedo
President & CEO

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