

# Executive Summary of NonProfit Process as Presented to Board of County Commissioners at November 2019 Planning Retreat

## EXECUTIVE SUMMARY

Annual Durham County funding to nonprofit agencies is executed in several different ways to achieve various outcomes pursuant to the County strategic plan. And while each of those funding disbursement processes differ, in total, the amount of funding for these “outside” agencies is significant, as is the collective impact of their work. Much of this executive summary will focus on one longstanding nonprofit agency funding process, but it is worth noting that the full scope of annual nonprofit funding and number of nonprofit agencies involved may encourage a broader strategic discussion about County direction and outcomes in this area.

Total Durham County government funding for nonprofit agencies in FY 2018-19 was approximately \$20.2 million, with the annual Nonprofit Request for Proposal (RFP) process making up 3.5% of that total with a budget of \$704,000. Forty-three different nonprofits were funded within that \$704,000 allotment, receiving between \$5,000 and \$70,000 per agency.

The pilot three-year RFP process that selected those nonprofits, their corresponding agency measures, and the follow-through County administrative support of those outside agencies will be described in detail further in the document. Also, a detailed programmatic review of the RFP process has provided a number of valuable lessons learned for future process iterations as well as staff recommendations to support overall County support of various nonprofit agencies. A detailed list of lessons learned, and recommendations can be found at the end of this document.

### Lessons learned from the first two years of the Pilot RFP Nonprofit Funding Process:

1. **Performance Measures:** In reviewing the disparate performance data collected from the 43 nonprofits, it became clear that agencies found it very challenging to define a return on investment for small awards, nor was it possible to measure the progress organizations made toward the designated outcome area.
2. **Inconsistent Funding Processes:** Globally, nonprofit agency requests for funding are made in various ways to various County departments/employees, with no direct guidance from any one person or group. In other words, there is no applied singular vision for overall nonprofit agency support of County goals and objectives.
3. **Management and Staff Time and Efficiency:** The County administrative burden of supporting 43 nonprofit agency contracts, measures, visits, quarterly updates and payments is onerous; especially considering that 22 of the 43 nonprofits funded received between \$5,000 and \$10,000. Performance measure validation and support, expenditure review, and site visits by staff were often not feasible. Staff and management administration and oversight are strongly disproportional to the dollars annually appropriated, when it should be the other way around.

### Recommendations:

1. **Refine RFP process to target desired community outcomes. Narrow the RFP process to address a maximum of four specific strategic objective areas.**  
The County currently funds 43 nonprofits through the RFP Nonprofit award process, some with as little as \$5,000 per year (22 funded between \$5,000 and \$10,000). It is difficult to determine the impact of such awards based on performance data review, compliance audits, or other non-profit reports. Refining the RFP process to focus on up to four narrowly focused objectives could yield greater community impacts through increased coordination between the County and nonprofit agencies. This model would result in fewer nonprofits awarded county funding.

Projected fiscal trends show the overall county budget expenses outpacing projected revenue levels over the next decade. Such patterns require improved use of current local dollars that yield the greatest return.

Funding fewer targeted nonprofit partners can help the County reach desired strategic outcomes in the most efficient way through leveraged resources.

2. **Move funding and oversight to relevant departments:** When a nonprofit agency is performing a service that directly aligns with/complements the work of a specific department in Durham County, the management of this nonprofit agency, including funds, should be transferred to that department (and out of this process).
3. **Dedicated staff oversight of all community partnerships:** Realign existing position to create a nonprofit coordinator position that can support a comprehensive review and application process for most, if not all, County funding to outside agencies. The position would build relationships with community partners through regular site visits and consistent communication. This would promote the highest return on investment and maximize Strategic Plan alignment efforts and Board policy outcomes.
4. **Improved implementation using Subject Matter Experts (SMEs):** SMEs must be at the core of outcome analysis and understanding of agencies' reported measures. The establishment of a dedicated staff person (noted above) would allow better coordination and implementation of this key component.
5. **Better performance measures developed with Durham County staff:** Variations in the type and quality of measures received from nonprofit agencies makes evaluation of success difficult. There are two primary suggestions for performance measure improvements moving forward.
  - a. Consensus measures across various outside agencies to better align with County outcomes that are assigned.
  - b. Developing more specific and actionable measures for each agency with the help of Durham County staff (SME's).

## BACKGROUND

### Global Community Partner Agencies

Durham County annually appropriates significant funding to various nonprofit agencies to extend or provide support to County residents. The total amount distributed varies from year-to-year, but in FY 2018-19 alone, the County allotted more than \$20.2M to 147 different outside agencies.

The County distributes this funding through several different disbursement policy processes. The Board of County Commissioners appropriates the largest amount of nonprofit funding directly during the annual budget process. This funding supports Alliance Healthcare, Pre-K expansion, annual NCMLS funding, Made in Durham, and the Chamber of Commerce, among others. County departments appropriate the second largest amount of nonprofit

Global Nonprofit Funding	Total Funding	Number of Agencies	% Total Funding
⊕ BoCC Directed	\$13,554,081	21	67.1%
⊕ Extension of Department	\$4,909,891	67	24.3%
⊕ Specific County Function	\$958,200	10	4.7%
⊕ Nonprofit RFP Process	\$704,000	43	3.5%
⊕ Matching Grants	\$77,175	6	0.4%
<b>Grand Total</b>	<b>\$20,203,347</b>	<b>147</b>	<b>100.0%</b>

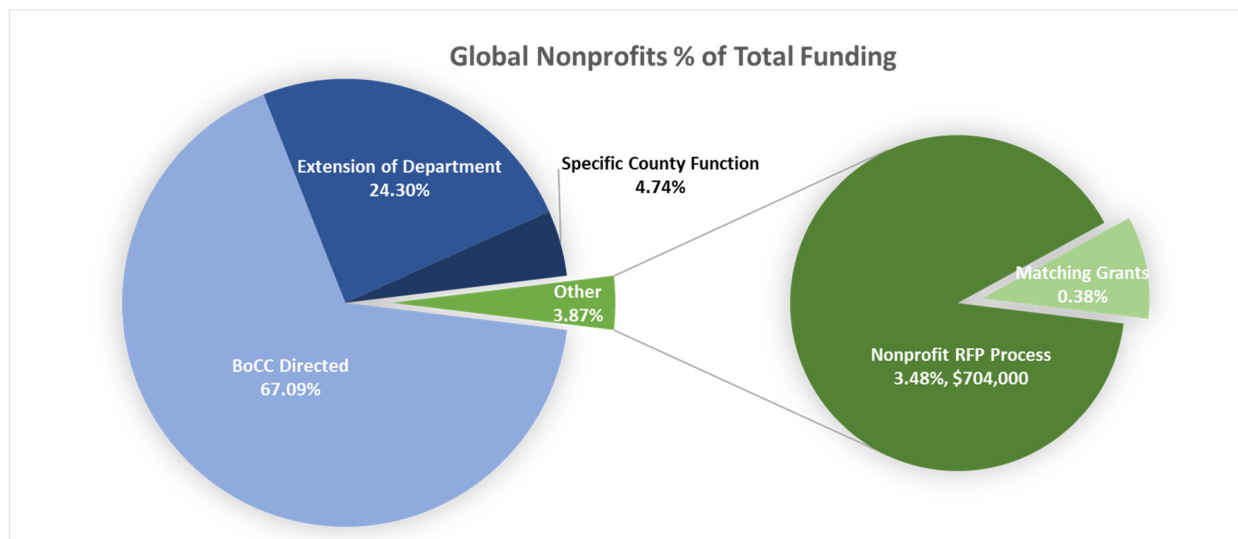
funding through annual contracts with agencies that extend a departmental service or provide supplementary support. For example, the Department of Public Health funds Project Access of Durham, which connects residents without health

insurance to medical care, and Alliance for AIDs Services, which provides testing and support services for residents who have HIV. Similarly, the Department of Social Services has an annual contract with The Durham Center for Senior life to provide an array of programs and services for older adults, and Meals on Wheels, which delivers meals to homebound seniors. Those nonprofits defined under "Specific County Function" include agencies such as the Animal Protection Society which oversees the animal shelter (\$730,000) and program support from CJRC.

A much smaller amount of funding is directed towards nonprofits that support specific needs, such as the Matching Grants annual funding process.

### Nonprofit RFP Process

One of the smallest amounts of nonprofit funding — 3.5% of the FY 2018-19 annual total — is allotted through a longstanding nonprofit Request for Proposal (RFP) process designed to further support County services or fill departmental service gaps. For more than a decade, the County relied on an annual version of this RFP process, but the process was time consuming, lacked a strong structure for making funding decisions, and didn't require nonprofits to report performance data. In FY 2017-18, a new nonprofit funding process was piloted that aligned awards with goals in the County's strategic plan and required nonprofits to collect and report performance data. County funds were distributed on a three-year cycle — FY 2017-18 to FY 2019-20 — ensuring that the nonprofits could maximize agency outcomes as well as have enough time to create performance measures and track performance data to demonstrate the return on the County's investment.



Each nonprofit, in order to be selected, had to demonstrate potentially meaningful contributions to one of four RFP-approved Target Areas and one of the original eight supporting outcomes (a ninth outcome was added beginning in FY 2018-19 to address Food Security). The target areas were prioritized objectives of the County's Strategic Plan, areas in which the County had service gaps, and areas that presented an opportunity for the County to engage in a productive partnership with an outside agency. According to the original RFP, these Target Areas are issues of strategic significance where the County will partner with nonprofits to achieve impactful outcomes. While informed by the strategic plan goals, they are more focused and detailed, similar to the strategic plan objectives.

An outline of the Target Areas and corresponding Outcomes is below:

### Goal 1 Target: Provide resources and opportunities that increase family success and prosperity

- Outcome 1-A: Individuals and families have stable housing
- Outcome 1-B: Youth and adults seeking work opportunities are provided support and resources
- Outcome 1-C: Children and youth are provided learning and enrichment opportunities that support educational achievement

**Goal 2 Target: Increase the number of healthy years lived**

- Outcome 2-A: Individuals and families have increased access to health care
- Outcome 2-B: Individuals and families decrease incidence of preventable disease
- Outcome 2-C: Individuals and families reduce causes of poor physical and mental health
- Food Insecurity Outcome 1.1&1.2: Provide resources and opportunities that increase individual and family success and prosperity. Increase the number of healthy years lived.

**Goal 3 Target: Improve Life Outcomes for people involved in the criminal justice system**

- Outcome 3-B: Individuals are provided effective diversion services

**Goal 4 Target: Protect natural resources through comprehensive compliance and educational programs**

- Outcome 4-A: Protect and improve water quality

Interested nonprofits completed the RFP, and those that were selected created performance measures to track their progress toward their agency stated goals. Each nonprofit reported its performance data to the County every quarter.

Beginning in FY 2018-19, a new target area was added to this program. The Board of County Commissioners wanted to address food insecurity and provide more secure access to food for citizens most affected by food deserts, lack of access to healthy foods, and chronic hunger. This addition required a new, separate RFP process, and six agencies received funding to broaden the County's impact. The Food Insecurity Group has only submitted one full year of data, because its RFP process only began last fiscal year.

**FUNDING BREAKDOWN**

The County allotted funding, over the three-year span, in quarterly installments, after agencies submitted expenditure reports and updated performance measures. All approved nonprofit organizations were "flat-funded," meaning their individual award stayed the same every year. Total funding for the combined three years of the pilot RFP nonprofit funding process, including Food Insecurity funding, is \$2,058,000. For the first two fiscal years — 2017-18 and 2018-19 — the County awarded a total of \$1,354,000 to 46 County nonprofits.

Last year, the County awarded a total of \$704,000 to 43 nonprofit agencies (three agency contracts were not renewed). More than half of nonprofit agencies — 22 of 43 — funded as part of this project were supported with amounts between \$5,000 and \$10,000, and 79% (34 of 43) were funded between \$5,000 and \$20,000.

<b>FY 2018-19 Nonprofit Funding Program</b>	<b>\$704,000</b>	<b>43</b>
\$5k to \$10k	\$180,000	22
\$10k to \$20k	\$214,750	12
\$20k to \$50k	\$239,250	8
> than \$50k	\$70,000	1

**DATA REPORTING & COLLECTION**

Each nonprofit awarded County funding was required to create performance measures, track its data, and share that data with the County every quarter. The measures were required to address the agency's chosen outcome area, but there were no "shared outcome" measures that agencies were required to track that brought an entire outcome area target together.

Most agencies chose measures that were unique to their specific agency objectives and operations, resulting in performance measures of one nonprofit agency differing, sometimes considerably, from the measures of another agency, even if both agencies were categorized under the same County Outcome area. The end result was a lengthy set of various agency-centric measures that could not be aggregated to illustrate a group of agencies' progress toward one County outcome area.

For example, the Goal 1 Target is **Provide resources and opportunities that increase family success and prosperity**, and the first of three outcomes under this goal target is **Individuals and families have stable housing**. Three nonprofit agencies were approved for \$130,000 of County funding annually (each year) to address this countywide issue: The Durham Collaborative to End Family Homelessness; Habitat for Humanity; and the Life Skills Foundation.

<b>GOAL 1 TARGET: Provide Resources and opportunities that increase family success and prosperity</b>
<b>Outcome 1-A: Individuals and families have stable housing</b>
<b>Durham Collaborative to End Family Homelessness:</b>
Number of families served Percent of families who secure permanent housing Percent of individuals who retain permanent housing for 1 year Percent of families who increased employment-related income Percent of families who improved self-sufficiency Percent of children ages 0-5 (pre-K) receiving developmental screening
<b>Habitat for Humanity</b>
Durham Habitat Critical and Urgent Repairs Program: Number of repairs
<b>LIFE Skills Foundation</b>
Percentage of youth in transitional housing that attained a degree Percentage of youth in transitional housing that maintained at least part-time employment Percentage of youth in transitional housing that moved to permanent housing LIFE Skills Scores

Each agency took a unique approach to meeting the outcome and in turn developed a set of performance measures specific to its approach. The Durham Collaborative offered a comprehensive system of assistance to help clients secure and maintain housing, so it tracked the number of families served and the percent of those families who secured permanent housing, retained that housing for at least a year, and improved self-sufficiency. Habitat for Humanity made essential home repairs for low-income homeowners, so it tracked the number and kind of repairs made. The Life Skills Foundation operates a residential program to prepare young adults to transition into their own stable housing, and the organization tracked the percentage

of clients who attained a degree and those that held a job. This disparity of paths towards addressing the outcomes and therefore varied measures illustrates the complexity of this County alignment process as well as areas where some potential measure improvements can be made (addressed later in document).

Outcome Area	Agency Name	Funding			Total Funding
		FY2017-18	FY2018-19	FY2019-20	
Outcome 1-a: Individuals and families have stable housing	Families Moving Forward (on behalf of the D...	\$70,000	\$70,000	\$70,000	\$210,000
<b>Agency Mission</b>					
Durham Collaborative to End Family Homelessness - Comprising the efforts of four area non-profit agencies (Families Moving Forward (FMF), Urban Ministries of Durham (UMD), Housing for New Hope (HNH), and Durham's Partnership for Children (DPfC)) to provide a multi-generational, seamless system that helps homeless and unstably housed families: secure and maintain housing; improve economic, mental, and physical well-being in order to build the capacity needed to become self-sufficient and break the cycle of poverty.					
<b>Measures Provided by Agency(ies)</b>					
Agency	FY2017-18 Actual	FY2017-18 Target	FY2018-19 Actual	FY2018-19 Target	
<b>Families Moving Forward (on behalf of the Durham Collaborative to End Family Homelessness)</b>					
% Children ages 0-5 (pre-K) receiving developmental screening	67.00%	68.00%	58.0%	68.0%	
% Families improve self-sufficiency	78.00%	74.00%	81.0%	74.0%	
% Families increase employment related income	47.00%	43.00%	33.0%	43.0%	
% Families Secure Permanent Housing	83.00%	76.00%	87.0%	76.0%	
% Individuals retain permanent housing for 1 year	98.00%	90.00%	98.2%	90.0%	
Families Served	275	255	306	255	
<b>Agency Summary of Outcome</b>					
Families Moving Forward (on behalf of the Durham Collaborative to End Family Homelessness) - Over the last two fiscal years, the Durham Collaborative to End Family Homelessness created the following impacts for homeless families in Durham County: - Permanent housing: 85% (157/185) of families served moved into permanent housing. That means 491 individuals in those families got into housing. (Goal was 75%) - Recidivism: Only 5 individuals (0.9%) in 2 families that moved into permanent housing returned to shelter within a year. (Goal was less than 10%) - Earned income: 39% of families staying in shelter at least 2 weeks increased employment income during their stay. (Goal was 40%) - Self-Sufficiency: 79% of families staying in shelter at least 2 weeks increased their self-reported self-sufficiency on the Santa Clara Self-Sufficiency Matrix. (Goal was 75%) - Developmental Screenings: 63% of children 0-5 were screened for developmental delays using the ASQ-SE assessment tool. (Goal was 67%)					

The other Target areas and Outcomes follow a similar pattern. To simplify the amount of data and measures collected over the past two years, a one-page breakdown of each nonprofit — it's mission, measures and funding — is included with this document. (Example above-See attachment)

#### FINANCE DEPARTMENT COMPLIANCE REVIEW:

In addition to the contract monitoring that occurs with nonprofits between Budget staff and County departments, the Finance Department conducts biannual compliance reviews on a sample of nonprofit agencies. The Budget Department and Finance Compliance staff member work collectively but in different roles to monitor nonprofit contract awards. The Budget Department, in collaboration with County departments facilitate the contract execution and monitoring process. Contract monitoring ensures nonprofit agencies have met performance targets before fund distributions occur.

During the Finance Department Compliance Manager site visits to nonprofits, the evaluation includes an analysis of financial statements, expenditure documentation and other desk audits to determine if funds spent align with the contract original intent and to identify any potential fraud. Historical compliance reviews included an evaluation of 18 nonprofits each compliance evaluation cycle. The Compliance Manager develops testing components for the agencies based on the criteria of the award for funding and the agreed upon scope of services to be provided. Based on the Board approved criteria and scope provided, all agencies may not have the exact testing measures. The proposed changes to the non-profit allocation process could result in a higher frequency with non-profit compliance reviews. Further, the increased contract specificity resultant from the targeted RFP process would improve the consistency and effectiveness of the compliance review assessment.

#### LESSONS LEARNED

There were several "Lessons Learned" from the first two years of the Pilot NFP Nonprofit Funding Process.

**Performance Measures:** In reviewing the disparate performance data collected from the 43 nonprofits, it became clear that agencies found it very challenging to define a return on investment for small awards that range from \$5,000 to \$20,000. Many agencies could report performance data related to their total fiscal year budget but could not isolate the impact of the County's minor dollar contribution.

Also, it was not possible to measure the progress organizations made toward the designated outcome area, as the housing stability example illustrates, because each agency created its own unique measures tied to its mission. **Inconsistent Funding Processes:** The nonprofit RFP process, which accounts for less than three quarters of \$1M, has been well established and refined over several years. However, approximately \$13.5 million of funding, which includes funding for Pre-K expansion support and the Museum of Life and Science, was dictated by direct annual budget requests to the County. These nonprofit agency requests for funding are made in various ways to various County departments/employees, and there is no direct guidance from any one person or group.

Annual Budget Process	Total Funding
<b>BoCC Directed</b>	<b>\$13,554,081</b>
<b>BoCC</b>	<b>\$23,199</b>
NC Association of County Commissioners	\$23,199
<b>Nondepartmental</b>	<b>\$698,837</b>
Made in Durham	\$150,000
Made in Durham (In Reserve)	\$50,000
Nehemiah Christian Center	\$75,600
TJCOG	\$71,055
Urban Ministries	\$352,182
<b>Economic Development</b>	<b>\$781,159</b>
Downtown Durham, Inc.	\$160,000
Durham Sports Commission	\$161,330
Durham Chamber of Commerce	\$265,000
Economic Development Festivals RFP	\$100,000
Museum of Durham History	\$51,000
Research Triangle Regional Partnership	\$43,829
<b>Other</b>	<b>\$2,133,374</b>
Bull City Community Schools - SVA	\$120,000
Keep Durham Beautiful	\$1,000
Public Allies	\$93,137
Museum of Life & Science	\$1,919,237
<b>Pre-K</b>	<b>\$3,671,653</b>
Whitted School Pre-K Support	\$1,500,000
Pre-K Expansion Support	\$2,171,653
<b>Alliance</b>	<b>\$6,245,859</b>
<b>Grand Total</b>	<b>\$13,554,081</b>

**Management and Staff Time and Efficiency:** The Board of County Commissioners requested, as part of the FY 2019-20 budget development process, a “global” list of nonprofit agencies that receive funding support from the County. That list illustrates the significant amount of resources the County applies annually for extended services to Durham County residents. When viewed in the context of the total list, the pilot RFP nonprofit funding process amounts to a small percentage — 3.5% — of the total identified nonprofit agency funding. However, the administrative burden of this small portion of overall funding is onerous, especially considering that the majority of nonprofits received between \$5,000 and \$10,000 annually. Performance measure validation, expenditure review, and site visits by staff were not feasible with the large number of nonprofits supported. Staff and management administration and oversight are strongly disproportional to the dollars annually appropriated, when it should be the other way around.

## **RECOMMENDATIONS**

After a thorough review of both the pilot RFP Nonprofit Funding Process and the greater County nonprofit funding processes, staff has the following recommendations:

1. **Refine RFP process to target desired community outcomes. Narrow the RFP process to address a maximum of four specific strategic objective areas.**

The County currently funds 43 nonprofits through the RFP Nonprofit award process, some with as little as \$5,000 per year (22 funded between \$5,000 and \$10,000). It is difficult to determine the impact of such awards based on performance data review, compliance audits, or other non-profit reports. Refining the RFP process to focus on up to four narrowly focused objectives could yield greater community impacts through increased coordination between the County and nonprofit agencies. This model would result in fewer nonprofits awarded county funding.

Projected fiscal trends show the overall county budget expenses outpacing projected revenue levels over the next decade. Such patterns require improved use of current local dollars that yield the greatest return. Funding fewer targeted nonprofit partners can help the County reach desired strategic outcomes in the most efficient way through leveraged resources.

Instead of disbursing small amounts of funding to a variety of agencies to make incremental changes, the County could fund fewer agencies with larger awards, which would allow nonprofits to make significant progress toward key County outcomes. Staff time in administering contracts and reviewing reports for these agencies is the same regardless of the funding amount, and this would allow for a potentially better outcome with less administrative rigor. For the FY 2020-21 funding period, the RFP for strategic focus areas would occur by September 1, 2020, with contracts awarded to nonprofit agencies in December 2020. During the transition period, non-profits funded in the FY 2019-20 budget would receive a 6-month budget allocation in FY 2020-21.

2. **Move funding and oversight to relevant departments:** When a nonprofit agency is performing a service that directly aligns with/complements the work of a specific department in Durham County, the management of this nonprofit agency, including funds, should be transferred to that department (and out of this process).

The original plan for the nonprofit funding process was to involve Subject Matter Experts (SMEs) in both the original Request for Proposal and agency selection process, as well as the continued monitoring of agency performance during the three-year award period. Due to various issues, primarily inadequate time and staff resources, this was not implemented as designed. Whatever future shape the nonprofit funding



process takes, SMEs must be at the core of outcome analysis and understanding of agencies' reported measures. The establishment of a dedicated staff person (noted above) would allow better coordination and implementation of this key component.

3. **Dedicated staff oversight of all community partnerships:** Realign existing position to create a nonprofit coordinator position that can support a comprehensive review and application process for most, if not all, County funding to outside agencies. The position would build relationships with community partners through regular site visits and consistent communication. This would promote the highest return on investment and maximize Strategic Plan alignment efforts and Board policy outcomes.

This would create the highest return on investment and maximize Strategic Plan alignment efforts and Board policy outcomes. This position would not only continue to refine (or potentially propose an entirely new process) the current nonprofit RFP process (\$704,000 for 43 nonprofits in FY 2019-20) but would also coordinate with departments and manage County expectations and nonprofit agency outcomes being supported by the other \$13.5 million in County funding. A dedicated staff person who would coordinate and oversee all of these partnerships would allow a broader, more holistic understanding of the County's total investment to ensure that the desired impacts are being made.

4. **Improved implementation using Subject Matter Experts (SMEs):** SMEs must be at the core of outcome analysis and understanding of agencies' reported measures. The establishment of a dedicated staff person (noted above) would allow better coordination and implementation of this key component. Further the changed approach would allow for increased coordination with the Finance Department Compliance Manager.
5. **Better performance measures developed with Durham County staff:** Currently, the nonprofit agencies are tasked with creating their own performance measures to showcase their work as part of the nonprofit funding process. However, this has led to variations in the type and quality of measures received, which makes evaluation of success difficult. There are two primary suggestions for performance measure improvements moving forward:

- (1) **Consensus measures:** The nonprofit agencies bring diverse sets of skills, resources, methodologies, and end goals to the funding process; this results in varied performance measures that makes global evaluation of outcomes difficult. One solution would be to develop consensus measures for outcomes on which each agency under that outcome must report. This would make evaluation of larger outcomes possible. These measures would allow consistency of data while still giving the agencies flexibility in how they achieve the desired goals.

- (2) **Specific measures developed with staff:** Another option would be to work with each nonprofit agency to develop more specific and actionable measures of success in advance that can be evaluated quarterly and annually to see if goals were achieved. These measures would align with the prescribed Durham County outcomes, while offering measures that are specifically tailored to what each agency



**ATTACHMENTS:**

## 1) Global List of Durham County Funded Nonprofits

- List of all nonprofit funding by Durham County for FY 2018-19 through all nonprofit processes

## 2) Nonprofit RFP Agency Summary and Measures

- Print out of Nonprofit RFP Process Agency (46) descriptions and measures

*The link below is an online interactive version of the same information:*

[Interactive Report for Nonprofit RFP Agencies Summary and Measures](#)

## 3) Nonprofit Funding History

- A brief review of the Nonprofit RFP Process history

## 4) Nonprofit Funding Benchmarking

- A review of selected County nonprofit funding processes