



BOARD OF SUPERVISORS  
AGENDA LETTER

Agenda Number:

Clerk of the Board of Supervisors  
105 E. Anapamu Street, Suite 407  
Santa Barbara, CA 93101  
(805) 568-2240

Department Name: CEO  
Department No.: 012  
For Agenda Of: December 9, 2014  
Placement: Departmental  
Estimated Time: 30 min.  
Continued Item: No  
If Yes, date from: - -  
Vote Required: Majority

**TO:** Board of Supervisors  
**FROM:** Department Mona Miyasato, County Executive Officer, 568-3400  
Director(s)  
Contact Info: Terri Maus-Nisich, Assistant CEO, 568-3400  
**SUBJECT:** Casa Esperanza Homeless Center Funding and Agreements

**County Counsel Concurrence**

As to form: Yes

**Other Concurrence: Risk Management**

As to form: Yes

**Auditor-Controller Concurrence**

As to form: Yes

**Recommended Actions:**

That the Board of Supervisors:

1. Receive and file a report regarding the Casa Esperanza Operational Assessment;
2. Approve and authorize the Chair to execute a Shelter Operations General Fund Grant Agreement in the amount of \$120,000 with Casa Esperanza Homeless Center through June 30, 2015;
3. Approve and authorize the Chair to execute an Agreement for Services of Independent Contractor with Casa Esperanza Homeless Center to provide short term beds for Department of Social Services clients who are receiving Adult Protective Services (APS) while arrangements are made for transitional and/or permanent housing in an amount not to exceed \$19,305;
4. Approve and ratify the following Purchase Orders with Casa Esperanza Homeless Center:

Department	Service	Amount
ADMHS	Shelter Beds	\$66,000.00
ADMHS	Case Management	\$61,200.00
Public Health	Clinic Space	\$15,000.00
Probation	Shelter beds for Probation Clients	\$60,000.00

5. Find that the proposed actions do not constitute a "Project" within the meaning of California Environmental Quality Act, pursuant to 14 CCR 15378(b)(2), as they consist of general policy and procedure making.

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### **Summary Text:**

This item is on the board agenda in order to:

- Receive a presentation on the Casa Esperanza Operational Assessment.
- Allocate funds to Casa Esperanza in the amount of \$120,000 as approved by the Board of Supervisors during budget adoption.
- Approve an Agreement with Casa Esperanza to provide short term beds for Department of Social Services clients who are receiving APS while arrangements are made for transitional and/or permanent housing.
- Ensure that the Board of Supervisors is aware of the total amount of funding allocated to Casa Esperanza as of this date.

### **Background:**

Casa Esperanza operates residential and non-residential programs for homeless individuals. Services provided include case management, substance abuse treatment, mental health counseling and referrals, health care and overnight sleeping accommodations. Various County departments, including Alcohol, Drug, and Mental Health Services (ADMHS), Community Services (CSD), Probation, Public Health, and Social Services, work with Casa Esperanza to provide direct services to homeless persons and access to federal and local funding. In total it is estimated that the County of Santa Barbara provides over \$400,000 in funding to Casa Esperanza in either contracting for services, direct allocation of operational support general funds or specific grants funds designated for various sheltering and/or homeless services.

Given the amount of funding to this service provider, all known purchase orders issued are now provided to the Board of Supervisors for approval and ratification. In addition, two new contracts are provided for your approval.

### **New Casa Esperanza Contracts for Consideration**

#### ***Operational Assessment-Shelter Operations Contract \$120,000***

The complete Operational Assessment is provided in Attachment A.

During the discussion and adoption of the Fiscal Year 2014/2015 Budget the Board of Supervisors and the City of Santa Barbara City Council were approached by Casa Esperanza requesting that each agency dedicate \$750,000 annually to the ongoing operational support of the shelter. The Board of Supervisors allocated an additional \$120,000 to Casa Esperanza for general shelter operations. At that time Casa Esperanza indicated that their model for funding of their ongoing operational costs is predicated on 60% of their revenue coming from local government funds. The Board of Supervisors directed staff to work closely with Casa Esperanza and return to the Board with an operational assessment prior to the distribution of the \$120,000 authorized during the budget process. The Santa Barbara City Council provided similar direction to their staff. Therefore, the County and City have partnered on the development of the operational assessment. It should be noted that this is not a formal audit, rather a review and assessment of key factors impacting Casa Esperanza as well as a report on the status of issues.



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County staff worked with City of Santa Barbara staff to complete the review, which includes the following:

- Program Overview
- Financial Overview
- Debt Overview/Restructure Plan
- Staffing
- Shelter Comparisons
- Challenges & Opportunities
- Conclusions/Recommendations

### Summary of Operational Assessment

Due to ongoing financial challenges, Casa Esperanza has undergone several programmatic and administrative changes. They currently operate a sobriety-based shelter program for their 100-bed year-round shelter program, which operates from April to November and expands to a 200-bed winter shelter from December to March.

Casa Esperanza is currently in a financial crisis due to six years of borrowing in excess of \$2.5 million from foundations, primarily the Gildea Foundation, to pay for annual operating expenses that were not adequately supported by either grant or contribution revenue.

In July 2013, Casa Esperanza's Board of Directors formed a Finance Committee and invited two outside advisors to assist in crafting a plan to stabilize its finances. This committee developed, and the board approved, a three-part financial rescue plan which included the following basic components:

1. Raise enough money to meet current payroll. The goal was to raise a minimum of \$300,000 through an appeal to the community and funders. A total of \$428,000 was raised.
2. Develop and implement a budget which includes funding only from sources with a "reasonable expectation" of receiving. In Fiscal Year 2014, Casa Esperanza's budget was reduced by approximately \$1 million. They eliminated the drop-in day center services and lunch program for non-shelter residents; reduced staffing levels; and reduced the salaries for staff that remained. In March 2014, the top two management employees at Casa Esperanza were laid off. Since that time, the shelter has been operating under two separate volunteer Executive Directors.
3. Restructure their balance sheet and deal with the large amount of debt that had accumulated over the previous six years. Casa Esperanza negotiated a direct debt-reduction plan with their lenders. Their largest lender, the Gildea Foundation, forgave \$1 million in principal and \$126,000 in interest, and they agreed to reduce the interest on the remaining \$1,153,900 from 5% to 3% on a fully amortized ten-year loan. They also agreed to donate \$75,000 per year for ten years to help offset interest expense and repayments of the balance on their loan. The other foundation debt totaling \$391,172 was previously interest only at 5%, with no provision for systematic repayment. Casa Esperanza has restructured these to be fully amortized and repaid by June 30, 2024, and they have a small Business First Line of Credit (\$39,352 at June 30, 2014) which is anticipated to be fully repaid by August 2015.

Casa Esperanza has recently retained a new full-time Executive/Managing Director who began work in November.

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Casa Esperanza is also exploring the possibility of a merger with People Assisting the Homeless (PATH), a 501(c)(3) organization based in Los Angeles, to realize operational and cost efficiencies. Any merger would be conditioned on community and funder acceptance and further conditioned on all funds raised in Santa Barbara County benefitting Casa Esperanza and not other facilities within the PATH system.

Casa Esperanza's Board of Directors has made progress in turning the organization around to become more financially stable. Their relationship with the Milpas neighborhood has improved due to the closing of the day center and the drop-in lunch programs, as well as positive changes in operational responsiveness to neighborhood concerns.

An analysis of comparable homeless shelters in California counties with similar population and bed capacity is included in the full review. Staff found no objective basis upon which the County could determine an industry standard of funding contribution level. Therefore, funding is an ongoing policy decision of the County Board of Supervisors.

The contract to provide for the \$120,000 authorized at budget adoption is included as Attachment B.

### **Casa Esperanza short term beds for Department of Social Services Clients**

Several County Departments including ADMHS and Probation manage contracts for bed days with Casa Esperanza to address specific client needs. In addition the Department of Social Services manages a contract with Casa Esperanza Homeless Center to provide short term beds for clients who are receiving Adult Protective Services (APS) while arrangements are made for transitional and/or permanent housing. This contract in the amount not to exceed \$19,305 is provided to the Board of Supervisors at this time for consideration and approval. Please reference Attachment C.

### **Existing Shelter Operations Services Contracts/Purchase Orders:**

#### ***CSD – Shelter Operations General Fund Grant***

The Board approved a General Fund contribution in the amount of \$110,710 to support the operations of the Casa Esperanza Emergency Shelter, with the adoption of the Fiscal Year 2014/15 budget. Administered by the Community Services Department, this contribution is provided on a pro rata basis according to the number of bed nights provided to homeless persons during the preceding fiscal year. This contract and allocation of funds was approved by the Board of Supervisors on August 14, 2014.

#### ***CSD – Emergency Solutions Grant (ESG)***

Casa Esperanza was awarded federal ESG funds totaling \$22,280 under the Fiscal Year 2014/2015. ESG funds will be used to support the emergency shelter and rapid re-housing program. These funds are not available to the County for fiscal year 2015/2016. The allocation of the total ESG funding will be before the Board of Supervisors for consideration in January 2015 as a separate Board contract.

#### ***ADMHS – Shelter Beds***

ADMHS administers a contract with Casa Esperanza to make available 15 shelter beds for mental health clients. These beds, and the wait list for them, are managed by Crisis and Recovery Emergency Services (CARES) staff; beds are consistently full and an active wait list is in place. These funds were directed to Casa Esperanza via a purchase order in the amount of \$66,000 on July 1, 2014 –June 30, 2015.



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### *ADMHS – Case Management*

ADMHS provides funding support to Casa Esperanza to support the costs of mental health staff that provide case management to clients utilizing ADMHS-contracted shelter beds. A CARES South staff person provides screenings, psychiatric assessments for both homeless shelter residents and non-residents utilizing the homeless day center, case management support, referrals, and crisis intervention during formal office hours (approximately 20 hours per week) at Casa Esperanza. These funds were directed to Casa Esperanza via a purchase order in the amount of \$61,200 on July 1, 2014-June 30, 2015.

### *Probation - Shelter Beds*

The Probation Department manages a contract with Casa Esperanza to provide shelter beds for Probation clients in need of services. These funds were directed to Casa Esperanza via a purchase order in the amount of \$60,000 on June 5, 2014 –June 30, 2015.

### **Total Funding Allocated for Like Services as of December 9, 2014**

The chart below is a compilation of all like activities associated with the provision of shelter services for Casa Esperanza for Fiscal Year 2014/2015.

<b>CASA ESPERANZA FY 2014-15 EXISTING AND PROPOSED FUNDING</b>			
<b>EXISTING AWARDS</b>			
<b>Department</b>	<b>Service</b>	<b>Amount</b>	<b>Action Request</b>
Community Services Department	Shelter Operations General Fund	\$ 110,710.00	Board approved on August 14, 2014
Community Services Department	Emergency shelter & Rapid re-housing	\$ 22,280.00	Separate Board Letter January 2015
ADMHS	Shelter Beds	\$ 66,000.00	Approve and ratify Purchase Order/Contract
ADMHS	Case Management	\$ 61,200.00	Approve and ratify Purchase Order/Contract
Public Health	Clinic Space	\$15,000.00	Approve and ratify Purchase Order/Contract
Human Services Commission	General Operations	\$ 11,480.00	Board Contract December 2, 2014
Probation	Shelter beds for Probation Clients	\$ 60,000.00	Purchase Order/Contract
<b>Sub-total</b>		<b>\$ 346,670.00</b>	
<b>PROPOSED AWARDS</b>			
<b>Department</b>	<b>Service</b>	<b>Amount</b>	<b>Action Request</b>
County Executive Office (General Fund)	General Shelter Operations	\$ 120,000.00	Authorize and Approve Contract
Social Services	Short term beds for clients receiving APS	\$ 19,305.00	Purchase Order/Contract
<b>Sub-total</b>		<b>\$ 139,305.00</b>	
<b>Grand Total</b>		<b>\$ 485,975.00</b>	

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**Performance Measure:**

Performance measures for the Casa Esperanza Shelter Operations General Fund Grant Agreement include the following:

Number of year-round beds available: 100

Number of seasonal beds (December 1, 2014 – March 31, 2015) available: 100

Bed-nights provided: 48,000

Unduplicated number of persons served: 850

**Fiscal and Facilities Impacts:**

Budgeted: Yes

**Fiscal Analysis:**

Narrative: This fiscal analysis refers to the proposed contracts before the Board for consideration on December 9, 2014. Additional information pertaining to other contracts with Casa Esperanza for Fiscal Year 2014/2015 are referenced in the *Casa Esperanza FY 2014-15 Existing and Proposed Funding Chart* above.

**Fiscal Analysis:**

<b><u>Funding Sources</u></b>	<b><u>Current FY Cost:</u></b>	<b><u>Annualized On-going Cost:</u></b>	<b><u>Total One-Time Project Cost</u></b>
General Fund	\$ 120,000.00		\$120,000
State			
Federal	\$ 9,562.50		\$ 9,562.50
Fees			
Other:	\$ 9,562.50		\$ 9,562.50
Total	\$ 139,125.00	\$ -	\$ 139,125.00

**Key Contract Risks:**

The operational assessment provides an overview of the operational and financial status of Casa Esperanza. Casa Esperanza is continuing to work toward financial stability; the allocation of funds for the \$120,000 contract are one time and dedicated directly to ongoing shelter support of services through the end of fiscal year 2014/2015. It is not anticipated that Casa Esperanza fiscal matters will substantially change during that time period.

**Attachments:**

Attachment A: Casa Esperanza Operational Assessment

Attachment B: Shelter Operations General Fund Grant Agreement and Contract Summary Sheet

Attachment C: Agreement for Services of Independent Contractor with Casa Esperanza Homeless Center to provide short term beds for Department of Social Services, and Contract Summary Sheet

Attachment D: Purchase Orders

**Authored by:**

Terri Nisich, Assistant CEO