



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Rosalynn Hughey

**SUBJECT: HOMEFIRST CONTRACT
PERFORMANCE**

DATE: March 13, 2024

Approved

Date

3/14/24

INFORMATION

This memorandum responds to City Council direction¹ to closely monitor the performance of HomeFirst Services of Santa Clara County in all City contracts, including any issues with its staff, and ensure contract performance metrics are met.

BACKGROUND

On October 24, 2023, City Council discussed actions related to emergency interim housing programs that included a recommendation to extend current interim housing contracts through June 30, 2024. HomeFirst Services of Santa Clara County (HomeFirst) was the grantee for two of the four recommended contract extensions. While the City Council voted unanimously to extend the emergency interim housing contracts, it directed the Housing Department to closely monitor HomeFirst's performance in all City contracts, including any issues with its staff, and ensure contract performance metrics are met.

ANALYSIS

Established in 1980 as Emergency Housing Consortium, HomeFirst has over 40 years of experience working to end homelessness in Santa Clara County. This memorandum will focus on HomeFirst's reporting performance on programs in current contracts for Fiscal Year (FY) 2023–2024, specifically the first two quarters of the fiscal year.

¹Actions Related to Emergency Interim Housing Programs October 24, 2023 - <https://sanjose.legistar.com/View.ashx?M=F&ID=12392759&GUID=668823F1-AA0A-4163-B808-8E6161CAEFD5>

FY 2023-2024 Contracts

Thus far in FY 2023-2024, the City Council approved and staff has executed eight contracts with HomeFirst summarized in **Table 1** below.

Table 1 – City Contracts with HomeFirst FY 2023-2024

Contract	Program	Contract Amount	Term
Services Outreach Assistance and Resources (SOAR)	Proactive street outreach and encampment management	\$2,150,000	July 1, 2023 – March 31, 2024
Citywide Outreach for Unsheltered Populations	Reactive outreach	\$887,842	July 1, 2023 – June 30, 2024
Valley Water Outreach	Outreach and engagement in targeted encampments along Coyote Creek	\$1,789,000	May 1, 2023 – October 31, 2024
Bridge Housing Communities (BHC)	Operations of Mabury and Felipe	\$4,302,115	July 1, 2023 – June 30, 2024
Emergency Interim Housing (EIH)	Operations of Monterey/Bernal and Rue Ferrari	\$7,972,115	July 1, 2023 – June 30, 2024
Overnight Warming Locations (OWL)	Cold weather congregate shelter at Roosevelt Community Center and Tully Community Branch Library	\$1,188,990	October 1, 2023 – June 30, 2024
Rapid Rehousing (RRH)	Rental subsidies and supportive services	\$1,250,000	July 1, 2023 – June 30, 2024
Safe Encampment Resolution (SER)	RRH; rental subsidies and supportive services	\$1,702,000	October 1, 2022 – June 30, 2024

Overview of Contract Evaluation Process

When the Housing Department evaluates a program’s performance, it monitors different aspects of a program to get a full perspective of its performance. Monitoring HomeFirst’s performance aligns with the standard method by which the department evaluates all of its grantees. It is a collaborative effort to monitor programs, involving various Housing Department teams and the department’s consultant, The Pun Group, LLC. All parties work together to monitor program

performance throughout a fiscal year. **Table 2** summarizes the primary areas of program performance.

Table 2 – Contract Evaluation Areas and Methodology

Areas of Evaluation	Purpose and Methodology
Pre-Risk Assessments	<p>Pre-risk assessments include identification and analysis of collected information about an organization's capacity to manage federal grant funds, prior to issuance of a grant award, and to ensure an organization can meet federal and City of San José requirements related to Diversity, Equity, and Inclusion and Fair Housing, consistent with the Santa Clara County Community Plan to End Homelessness and federal requirements.</p> <p>Pre-risk assessments are a new step and are completed before awarding funding to a recipient, to help staff determine areas of risk as a grantee takes on funding.</p>
Program Performance Quarterly Reports	<p>A grantee submits a quarterly report detailing the results of program outcome measures describing:</p> <ol style="list-style-type: none"> 1. How the activities provided under the program during the quarter contributed to meeting performance goals; 2. How the measurement methodology was implemented and how information was collected; 3. If applicable, survey information about participant satisfaction; and 4. Information about outreach efforts and language access plan. <p>Quarterly reports are reviewed by staff from various teams within the Housing Department. If performance metrics are not being met, a subsequent meeting is scheduled to discuss performance, variables that affected performance, or anything relevant to ensure performance is met for the next quarter.</p> <p>Staff also review program language access and outreach plans.</p> <p>Staff also has recurring meetings with the grantee throughout the contract term to support the grantee with meeting its performance goals or troubleshoot challenges that could hinder meeting contractual performance goals.</p>
Client Satisfaction Surveys	<p>Client satisfaction surveys capture a participant’s experience in programs by asking about service delivery and services utilized. Surveys also give program participants an opportunity to provide feedback about anything relevant to their stay or needs.</p>

Areas of Evaluation	Purpose and Methodology
<p>HUDx225 Report <i>(only applies to homeless service programs)</i></p>	<p>Every homeless program grantee must submit a HUDx225 Homeless Management Information System (HMIS) Data Quality Report, which is based on the Department of Housing and Urban Development (HUD) programming specifications to ensure grantee program data integrity. Fields measured for data quality include, but are not limited to, client demographics, program descriptive statistics, client income and sources of income, and the timeliness of data entered into the database. Non-profit agencies that provide homelessness services to the City of San José are required to submit a monthly HUDx225 HMIS Data Quality Report to the Housing Department. Data quality is measured by the completeness and quality of demographic data and other essential categories that are recorded by the agency in HMIS as required by the HUD Data Standards and California Assembly Bill 977. The Housing Department reviews the submitted data quality reports to ensure that there is an error rate of less than 5%.</p> <p>Homelessness Response and Grants Management staff review each HUDx225 report for each month in a quarter for compliance with established benchmarks. When a program does not meet these measures, the grantee is required to remedy data quality issues.</p>
<p>Monthly Invoice Review</p>	<p>On a monthly basis, the Grants Management analyst managing the program will confirm the accuracy of reported expenditures; determine actual costs incurred; ensure funding is spent on eligible expenses; ensure the accurate personnel and hours charged to the grant and services provided; and review any indirect, overhead, or administrative costs charged to the City. The analyst reviews documentation to verify the costs claimed for reimbursement. Other priorities include keeping track of spending and ensuring spending deadlines are met.</p> <p>The review consists of looking at hundreds of pages of receipts and backup documentation, asking clarifying questions, requesting additional backup documentation, and resolving questions before approving payment for the month.</p>
<p>Annual Audit of Consolidated Financial Statements</p>	<p>On an annual basis, the grantee submits an audit to the Housing Department. The audit provides information about the internal controls, design appropriateness, and operating effectiveness, which enables Grants Management staff to identify any systematic weaknesses in a timely manner.</p>

Areas of Evaluation	Purpose and Methodology
Risk Assessment	<p>A risk assessment is conducted for recipients receiving funding to identify those programs most susceptible to waste, fraud, abuse, or mismanagement. The focus is to ensure awarded agencies adhere to the City's contractual agreements, remain within budget, carry out the scope of services, ensure all performance measures are met or exceeded, and ensure proper internal controls are in place.</p> <p>When completing a risk assessment, staff rate various categories based on an evaluation of the grantee's performance during the awarded fiscal/grant year, internal controls, and past history with grant awards. Scores are added to determine if the level of risk is high, medium, or low.</p> <p>Risk assessments are completed by staff before awarding additional funds to an existing program. Programs considered high-risk are recommended to be monitored by the department's consultant, The Pun Group, LLP.</p>
The Pun Group Monitoring	<p>The City receives entitlement grants from HUD to fund a variety of activities through the Community Development Block Grant HOME Investment Partnerships, Housing Opportunities for People with AIDS, and Emergency Solutions Grants programs. The department's consultant, The Pun Group, LLP, performs monitoring and compliance work.</p> <p>If a program is considered high risk by a risk assessment, The Pun Group will monitor the programmatic and financial activities of the grant subrecipient to ensure the proper stewardship of federal funds, achievement of performance goals, and compliance with the terms and conditions of the grant contracts.</p>

Program Quarterly Performance Reports

Below are the certain programmatic performance benchmarks and results for each HomeFirst FY 2023 – 2024 program for the first and second quarter. The Housing Department chose to highlight these two performance benchmarks since the City Council is often interested in the information and all program performance benchmarks vary by program. **Table 3** shows unduplicated individuals by program and **Table 4** summarizes exits to housing by each HomeFirst program.

Table 3: Unduplicated Individuals Served by Program

Program	Quarter 1 Goal	Quarter 1 Actual	Quarter 2 Goal	Quarter 2 Actual
SOAR	250	344	300	156
Citywide Outreach for Unsheltered Populations	200	358	150	125
Valley Water Outreach	50	88	50	18
BHC – Mabury	25	41	25	5
BHC – Felipe	25	59	25	20
EIH – Monterey/ Bernal	90	83	15	11
EIH – Rue Ferrari	120	110	15	9
OWL – Roosevelt Community Center	n/a*	n/a	40	61
OWL – Tully Community Branch Library	n/a*	n/a	35	51
RRH**	54	70	0	7
SER**	40	31	0	1

* Performance was not measured for the first quarter of the OWL program because it did not commence operation until the second quarter.

** Unduplicated households served (not individuals)

Table 4: Exits to Permanent Housing

Program	Quarter 1 Goal	Quarter 1 Actual	Quarter 2 Goal	Quarter 2 Actual
BHC – Mabury	32%	75%	32%	60%
BHC – Felipe	32%	4%	32%	18%
EIH – Monterey/Bernal	32%	43%	32%	57%
EIH - Rue Ferrari	32%	50%	32%	42%
RRH	83%	60%	83%	29%
SER	83%	0%	83%	0%

Although RRH and SER are two separate programs, Housing Department staff has observed similarities between both program outcomes. Many RRH program participants were directly referred from the Hedding Street/Spring Street encampment. Similarly, the SER program RRH component has served participants directly referred from encampments through the SOAR program. Staff has learned that program participants from encampments who are directly

enrolled in any type of RRH struggle to be successful in RRH programs. Many of the program impacts are listed below in **Table 5**. From the RRH and SER programs, staff has learned that certain program components do not yield successful outcomes for participants and the importance of allowing participants exiting encampments to acclimate to a new environment, such as interim housing, providing individuals time to work with casemanagers and get housing documents ready.

Table 5 – Exits to Permanent or Temporary Housing for Outreach Programs

Program	Quarter 1 Goal	Quarter 1 Actual	Quarter 2 Goal	Quarter 2 Actual
Valley Water Outreach	30%	82%	30%	45%
SOAR	30%	43%	30%	60%
Citywide Outreach for Unsheltered Populations	20%	28%	20%	20%

As Housing Department staff monitors performance, it is important to highlight that program performance may be affected by external factors, and these factors differ from program to program. **Table 6** summarizes the factors impacting performance that Housing Department staff has discussed with HomeFirst.

Table 6 – Performance Impacts

Contract	Factors that Affect Performance
SOAR	<ul style="list-style-type: none"> • Limited housing opportunities to which to refer clients. • Referral system. • Abatements and displacement affect staff’s ability to establish rapport, locate clients, and provide services. • Safety of staff may require outreach in larger groups of staff, thereby reducing the number of teams in the field.
Citywide Outreach for Unsheltered Populations	<ul style="list-style-type: none"> • Limited housing opportunities to which to refer clients. • Referral system. • Limited resources to offer clients under reactive outreach model.

Contract	Factors that Affect Performance
Valley Water Outreach	<ul style="list-style-type: none"> • Restrictive client list affects the number of outreach engagements. • Abatements and displacement affect staff’s ability to establish rapport, locate clients, and provide services. • Staff training to meet goal expectations. • Limited housing opportunities to which to refer clients.
BHC	<ul style="list-style-type: none"> • Clients unconnected to rental subsidy income affects their ability to exit to and maintain housing. • Unemployment and chronic health conditions or disabling conditions affect a client’s ability to exit to and maintain housing. • Safety incidents, mental health episodes, passing of clients can restrict staff’s ability to perform all other duties. • Land use contracts may restrict length of stay. (The Felipe BHC only permits a maximum program duration of six months for clients pursuant to the contract with the California Department of Transportation. This affects exits to housing.)
EIH	<ul style="list-style-type: none"> • Unemployment and chronic health conditions or disabling conditions affect a client’s ability to exit to and maintain housing. • Stabilizing a client’s health conditions take precedent to stabilize clients and prepare them for housing. • Safety incidents, mental health episodes, passing of clients can restrict staff’s ability to perform all other duties. • EIH sites that HomeFirst operate take referrals via City-funded outreach teams that focus on resolving encampments, a goal of the City. Encampment residents typically represent a higher acuity subpopulation and historically take longer and require more resources to successfully serve and transition into permanent housing from the EIH programs.

Contract	Factors that Affect Performance
RRH	<ul style="list-style-type: none"> • Client hesitation to accept housing due to lack of income, mental health, and chronic health conditions. • Clients are prioritizing their stability plan before finding housing. • Client lack of engagement. • Landlord apprehension towards clients with low income, low credit, or background status.
SER	<ul style="list-style-type: none"> • Inability to locate clients. • Client disengagement and discharge from program. • Client hesitation in accepting housing opportunities. • Limited resources and available housing opportunities to clients with immigrant status. • Limited housing opportunities to which to refer clients. • Abatements and displacement affect staff’s ability to locate clients and provide services. • Clients are prioritizing stability plan before finding housing. • Similar to EIH, clients coming from encampments, even within an RRH scoring range, take longer and require more resources to successfully serve and transition to permanent housing.
OWLs	<ul style="list-style-type: none"> • Number of referrals available when program opens. The sooner the City selects OWL locations, the sooner HomeFirst can develop referral lists for each site. • Bi-lingual staff available to work night shifts. • Limited transportation.

Additionally, all programs experienced staff turnover and other staffing issues due to staff on leave due to illness, bereavement, paternity/maternity leave, etc.

Language Access and Anti-Discrimination

As part of the quarterly report review, the Housing Department also reviews HomeFirst’s outreach efforts and Language Access Plan to ensure clients from all backgrounds are being served. HomeFirst confirmed its program participants are treated with dignity and respect, regardless of their race, ethnicity, sexual orientation, and gender. All personnel employed through HomeFirst are required to participate in annual cultural humility training to ensure that

staff is being fair in interactions with individuals regardless of backgrounds and circumstances. HomeFirst has shared its policy for zero tolerance for racism and discrimination that applies to employees and participants of programs. HomeFirst employees are expected to adhere to an anti-racism and nondiscrimination acknowledgment. Across HomeFirst programs, staff are fluent in the primary English language and bilingual in Spanish and fluent in Cambodian, Mandarin, and Cantonese. These various languages help to assist those who could have a possible language barrier, as English may not be their first language. In addition, for assistance to the participant(s) whose primary language may not be listed, HomeFirst offers in-person or over-the-phone interpretation services free of charge. Ultimately, this allows participants to have equal access to the language with which they feel most comfortable communicating.

Client Satisfaction Surveys

The Housing Department has historically monitored program performance through the use of participant satisfaction surveys distributed throughout a majority of programs with HomeFirst. Typically, program satisfaction surveys are submitted the second and fourth quarters of the fiscal year of a program. This second quarter, however, HomeFirst was in the midst of reshaping its surveys. With Housing Department's approval, HomeFirst delayed survey distribution to February 2024. Survey results will be submitted to the City in fourth quarter of this fiscal year.

HUDx225 Report

Monitoring program performance can only be done by having accurate and quality data. The HUDx225 report is a new requirement the Housing Department implemented this fiscal year. Reports are required to be submitted on a monthly basis by grantees providing services to homeless individuals. In the first six months of this fiscal year, HomeFirst has been compliant with this new requirement and has submitted reports for all City-funded programs. Evidence has shown that the implementation of the report has brought about awareness to City staff and the grantee about data quality. HomeFirst has utilized the report to understand areas of improvement for all programs, by identifying any challenges staff are having with inputting information into HMIS, and identifying data inconsistencies and errors. Based on identified errors, HomeFirst has requested support from City staff and the HMIS software vendor, Bitfocus, to make corrections.

Monthly Invoice Review

In the first six months of this fiscal year, HomeFirst met its payment contractual obligations by submitting its invoices within the 30-day requirement and by providing the required backup documentation. HomeFirst provided all backup documentation required to approve invoice payments. Throughout the invoice review process, HomeFirst provided clarifications to Housing Department staff questions within one to three days and complied with staff request to remove any incorrect expenses. HomeFirst staff attended recurring, bi-weekly check-in meetings with Housing Department staff to ask questions or provide updates about upcoming invoices. Topics during these discussions include expenditure deadlines, eligible expenses, and upcoming amendments.

The Grants Management staff monitor contract full-time equivalent HomeFirst personnel allocations for each agreement. Staff monitor the monthly personnel allocation for each program to ensure service delivery is achieved. During the monthly invoice review, City staff monitors personnel allocation to ensure it aligns with the allocation approved for the fiscal year. HomeFirst met the personnel allocation each month. However, at times, the personnel allocation fluctuated. For example, Housing Department staff observed that with the EIH and BHC programs, the allocation may increase due to one-time incidents that may require personnel to stay longer at the site. The allocation can also decrease when there are vacancies or staff is on leave due to illness, paid time off, medical leave, paternity/maternity leave, or bereavement. At times, HomeFirst has relied on personnel from other programs or overtime to meet the approved personnel allocation per month for some City programs, and when required for City priorities, HomeFirst has leveraged staff from other programs to advance the City's priorities, such as this fiscal year's evacuee transition facility program and the OWL expansion.

Housing Department staff also monitors personnel charged to the grant to ensure the correct charging. A recurring theme staff has observed across all HomeFirst programs and other homeless service programs is that retaining staff is difficult. HomeFirst meets the contractual obligations of all programs by charging for employees for time actually worked for all positions in the personnel cost allocation plan approved by the City and it meets the full-time equivalent allocation approved for each contract. HomeFirst provided the supportive documentation that is required to confirm the time employees worked under each program and provided proof of payment.

Homefirst's spending has fluctuated from program to program. With outreach programs, the grantee at times has struggled to spend down its funding, and the reason for this varies by program. Grants Management staff have observed underspending in outreach programs due to staff turnover, restrictive project boundaries which can limit the number of outreach contacts and services provided, and clients unwilling to engage in services which limits the grantee's ability to use financial assistance or charge to other budget line items. For the RRH program and the SER program, City staff observed that HomeFirst struggled to spend down its grant award because of its inability to spend down rental assistance. This has been a result of clients being discharged from the program. HomeFirst is anticipated to fully spend its grant awards for the BHC, EIH, and OWL programs.

Annual Audit of Consolidated Financial Statements

HomeFirst submits an audit of its consolidated financial statements on an annual basis. HomeFirst submitted its most recent audit in November 2023. When reviewing audited financials, the Grants Management team reviews: 1) the audit prepared by a certified accounting firm and according to generally accepted accounting principles, 2) completeness of the report, 3) liquidity, safety, and efficiency ratios, 4) organizational ability to service long term debt, 5) any "reportable conditions" or "material weaknesses" found, 6) an auditor opinion ("Qualified, Unqualified, Threat of a Going Concern"), and 7) the organization's response to any

management letters and/or reportable conditions. In reviewing the audit, the Grants Management staff found that HomeFirst is low risk since the audit presented no material weaknesses and no significant deficiencies were identified. There were no findings in the HomeFirst November 2023 audit report and there have been no findings in prior years. By submitting its audit and passing it, HomeFirst met its contractual obligation.

Risk Assessment

The purpose of the risk assessment is to ensure awarded agencies adhere to the City's contractual agreements, remain within budget, carry out the scope of services, ensure all performance measures are met or exceeded, and ensure proper internal controls are in place. Grant Management staff rate categories based on an evaluation of the grantee's performance during the awarded fiscal/grant year, internal controls, and past history with grant awards. Scores are added to determine if the level of risk is high, medium, or low. Assessments are completed at the end of the agreement.

Program Monitoring

The Pun Group, LLC has been monitoring the Fiscal Year 2022-2023 Citywide Outreach for Unsheltered Populations program and have interviewed staff, reviewed program documents, and will complete a final report in April 2024 for staff review.

HomeFirst Role as First Responder

HomeFirst provides a variety of services to individuals and households experiencing homelessness throughout Santa Clara County. For example, in San José, HomeFirst assists the City in Emergency Operations Center responses.

HomeFirst is a partner during storm emergencies. Each winter, the possibility of severe weather coupled with potential flooding poses a significant threat to the health and well-being of thousands of unsheltered individuals in San José living along the waterways, on the streets, and in other exposed areas. This year, similar to previous years, severe weather and storm incidents require assistance from all City partners, such as HomeFirst, and their ability to leverage staff from other City programs to respond to inclement weather emergencies. At the end of January 2024, within two days' notice, HomeFirst helped expand OWL capacity by 30 beds. In the January and March 2023 storm response, HomeFirst's swift mobilization and operation of the Evacuation Transition Facilities successfully transitioned 75 individuals into temporary and permanent housing.

During the COVID-19 pandemic response, HomeFirst operated four congregate shelters, safely sheltering approximately 1,800 individuals. In 2022, HomeFirst was the primary provider of street-based case management at the Hedding Street/Spring Street encampment where its efforts contributed to 115 individuals' successful placement in interim and permanent housing.

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Subject: HomeFirst Contract Performance

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CONCLUSION

Based on the analysis provided in this information memorandum, staff determines that overall HomeFirst is meeting its contractual obligations. HomeFirst did not meet goals for first quarter in RRH and SER contracts or in second quarter of SOAR program. The Housing Department will continue to monitor HomeFirst's performance to ensure compliance and outcome measures are met.

/s/

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Acting Housing Director

The principal author of this memorandum is Gabriela Banks, Grants Analyst. For questions, please contact Ragan Henninger, Deputy Director, at ragan.henninger@sanjoseca.gov.