



City of Palo Alto

(ID # 7289)

Policy and Services Committee Staff Report

Report Type: Action Items

Meeting Date: 11/29/2016

Summary Title: Human Services Resource Allocation Process Funding

Title: Consideration of Potential Increases to the Human Services Resources Allocation Process (HSRAP) Budget for Fiscal Year 2018 and Beyond

From: City Manager

Lead Department: Community Services

Recommendation

Staff recommends that the Policy and Services Committee consider one or more of the following options for the Human Services Resource Allocation Process (HSRAP) funding:

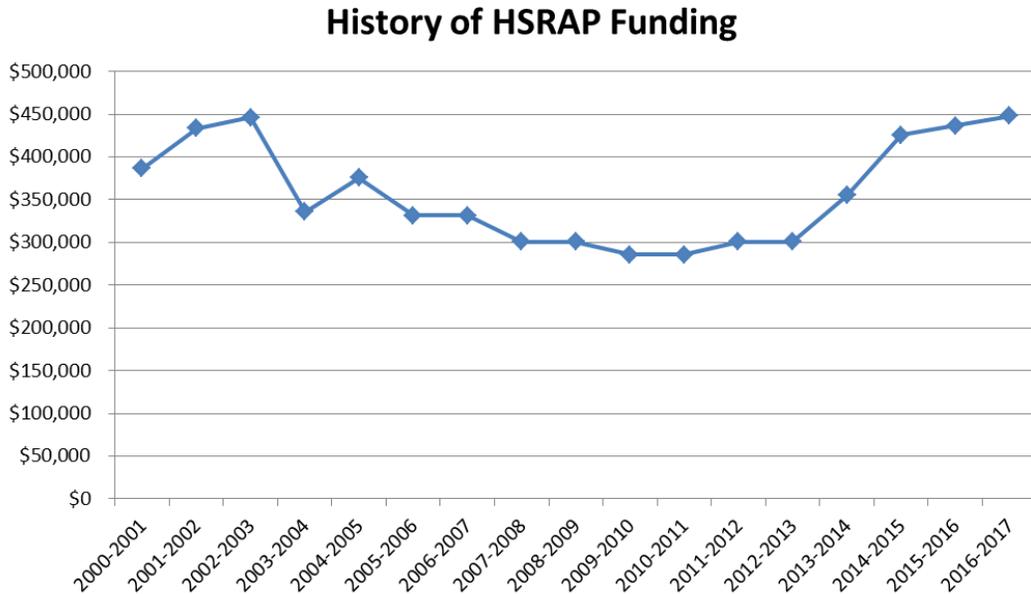
1. Create a policy that increases the total amount of funding for HSRAP contracts each year according to an index, such as the Consumer Price Index (CPI).
2. Increase HSRAP funding to \$644,300, which is the resulting amount if the FY 2003 funding of \$444,862 was compounded annually by 2.5% out to FY 2018. \$644,300 represents an increase of approximately \$196,300 from the current funding amount.
3. Institute an annual increase of \$49,070 over the next 4 years to bring the total HSRAP fund to \$644,300 by FY 2021.
4. Provide annual increases on an ad hoc basis considering need and funding availability (status quo.)

Executive Summary

The City of Palo Alto has demonstrated a long-term commitment to meeting diverse human service needs in the community through the HSRAP program, which continues to fund a diverse array of service providers. Regular funding increases though annual CPI increases were given to grantees starting in FY 1994, but were suspended in FY 2004 due to budget constraints. Since then, funding levels have been evaluated each year and have risen and fallen depending on available funds and competing financial needs. The FY 2017 funding levels are virtually identical to FY 2003 levels. This realization led to a Council discussion regarding HSRAP funding during the FY 2017 budget process, that resulted in a referral by Council to the Policy and Services Committee to discuss whether or not HSRAP funding should be increased in FY 2018.

Background

The HSRAP process was initiated in 1984 to identify human service needs and to determine City priorities for funding human services in the face of shrinking financial resources. When HSRAP began, it gathered into one process the review and funding of agencies who were receiving City funding overseen by a variety of departments; thus establishing a “baseline” budget which grew or declined over time based primarily on the available funding approved in the annual budget, as well as special one-time and ongoing funding increases to address specific needs approved by Council.



Starting in FY 1994, HSRAP grantees started to receive an annual CPI increase. These increases continued through FY 2003, after which time they were discontinued due to budget constraints. Since that time there were several years with no budget increases and two years of reductions (totaling 14%). There were also instances in which selected agencies received special one-time increases, but there was not a HSRAP program-wide funding increase until FY 2012 when a 5% increase was approved. Since then, there have been significant budget increases including 18 percent in FY 2014, 20 percent in FY 2015, and CPI increases in both FY 2016 and FY 2017 of 2.6 percent annually.

These increases were based on annual Council evaluation of available funding during the budget process. While these ad hoc increases were impactful they do not reflect an ongoing systematic or policy-based approach to HSRAP funding. Current HSRAP funding remains at the same levels as FY 2003 - \$444,862 compared to FY 2017 - \$448,012. (Attachment A – HSRAP funding FY2001-2017.)

During the FY 2017 budget process, there was a discussion on HSRAP funding at the Finance Committee meetings. The discussion focused on the fact that the current HSRAP funding was effectively equal in dollar terms to what it was 14 years ago, the last year before an annual CPI increase was suspended. Council Member Holman pointed out that if the annual CPI increases would have continued between FY 2004 and FY 2017 today's HSRAP fund would be much higher. Council Members discussed various scenarios that could address this concern including increasing FY 2017 HSRAP funding to the CPI rate-adjusted amount. Staff responded by stating that adding significant funding in FY 2017, without reopening the HSRAP application process in order to assess current needs may not be the most prudent process. Staff further recommended that for FY 2017 Council could establish a \$50,000 Human Services Emerging Needs fund for off cycle needs, and evaluate potential increases to the HSRAP fund in FY 2018 after additional policy discussion could be completed. On May 23, 2016, the Finance Committee referred the matter to the full Council for further discussion. The Council subsequently discussed the HSRAP funding concerns raised during the Finance Committee meetings at their June 13, 2016 meeting and agreed to add the Emerging Needs fund of \$50,000 in FY 2017, and referred the broader HSRAP funding level matter to the Policy and Services Committee. The following motion was made which passed unanimously (8-0 Berman absent). (Attachment B – Excerpt from Council Action Minutes 6/13/16)

MOTION:

- Refer to the Policy and Services Committee, whether or not to increase HSRAP funding in Fiscal Year 2018; and potentially increase HSRAP funding to \$667,000 which reflects a 2.5 percent cost of living increase annually from Fiscal Year 2002 levels.*

* Correction - The calculation of 2.5 percent annually beginning in FY 2002 was reviewed and has been restated in this report to reflect the proper verified calculation from FY 2003, the last year the CPI increase was allocated.

Discussion

HSRAP funds services that have a positive impact on individuals and families. City funding also provides legitimacy to non-profit agencies that allows them to leverage funds from additional sources. HSRAP funding extends the City's reach and impact to our most vulnerable residents.

As was mentioned in the background section of this report, the current HSRAP fund is essentially the same as it was fourteen years ago. In that same time period (FY 2003 – FY 2017), the cumulative increase in the Bay Area rate of inflation was 34% (as calculated by the American Institute for Economic Research), which reflects a gap of approximately \$150,000 from current funding levels. Consequently, while the HSRAP fund of \$448,012 may be the same as it was in FY 2003, what each HSRAP grantee can effectively do with that same dollar received today is much less than 14 years ago.

A significant portion of HSRAP funding provides support services to low income

members of the community. These are individuals and families who have been most adversely affected by the cost of living increases noted above. Organizations that receive HSRAP funds provide low income families and individuals with meal and grocery provisions, healthcare, job training, afterschool programs, homeless outreach and counseling among other services. As cost of living increases, especially the cost of housing, there is a greater need for these basic services. To further illustrate this need, in the last five years the average monthly rent for a 2 bedroom apartment in Palo Alto has increased from \$2,449 to \$3,325, a 26% increase. (Source –Co-Star Group.)

Similarly impacted by cost of living increases are our HSRAP agencies, which have also seen significant cost increases in staffing, program expenses and rent. The Silicon Valley Council of Nonprofits, which represents the needs and concerns of its member agencies, recently released a report on the *"Impact of Minimum Wage/Living Wage on the Nonprofit Sector in Santa Clara County."* (Attachment C) The report focuses on the impact of increases to the minimum wage on area nonprofits, but also includes several interesting observations that are relevant to illustrate the impact of increased staffing costs due to Silicon Valley's high cost of living. The report notes that a majority of a nonprofit's expenses are labor costs. "Wage increases will force nonprofits to increase their fundraising requirements, re-engineer their workforce and modify programs to cover these additional costs. Nonprofits are typically not able to increase fees to adjust for increased budget demands." While this statement was in direct response to area minimum wage increases, it also illustrates the quandary that many nonprofits find themselves in when trying to find quality staff with limited budgets. The report also includes the following barriers to hiring.

Barriers to hiring in ranked order:

1. Competition from private and/or government organizations
2. Employees are not able to find affordable housing
3. Employees have to commute more than 45 minutes to work
4. The need for linguistically and culturally competent staff
5. Unreliable public and/or private transportation

Here are examples of the impact of the high area cost of living and budget constraints from some of our current HSRAP grantees:

- Adolescent Counseling Services (ACS) - Last spring, longtime HSRAP grantee and *then* Palo Alto based nonprofit ACS moved its main offices to Redwood City, although they still provide some counseling services in shared space provided pro-bono in Palo Alto. Aarika Riddle, ACS marketing and advancement director said the following in an article in the May 3, 2016 edition of the Palo Alto Weekly. The "struggle to find an affordable place to set up shop is not a unique one to nonprofits in the Bay Area" she said. "Landlords could be getting a much higher fee from for-profit companies." The challenge, she said, is to make sure that

money the organization raises goes toward services rather than rent.

- Youth Community Services (YCS) - YCS has had to significantly reduce its programming this year due to budget challenges, which means serving fewer youth with reduced frequency. Of their full-time staff of five, three need to live with their parents because their pay rates are not sufficient to meet cost of living challenges (two of those staff members are in their 30's and one is in her 40's.)
- DreamCatchers – In a high rent, high salary established community like Palo Alto, it is extremely difficult for a small, new nonprofit to garner the resources -- whether money, people or space -- to get a foothold in a crowded field of well-funded for-profits and well-established nonprofits. Time that could be spent on developing program and a long-term sustainable model is instead spent on warding off the loss of staff, especially young staff who struggle to afford living in the area, and losing sleep over how to accommodate the growth that is needed to meet the needs of their clients. The need greatly outpaces their ability to meet it. DreamCatchers reported that this is particularly true for them because their program is built around leveraging volunteers by connecting them with education professionals on a regular basis in a year-long relationship, but with a revolving door of young volunteers and middle school families. It is a lot of people time to make sure all of the recruitment, coordination and training happens, day in and day out.
- Abilities United – Abilities United's HSRAP grant allocation goes towards staffing, and they have reported that the lack of regular funding increases does not allow them to expand their programs and services to address their long wait lists. To compound the issue, Abilities United, like many nonprofits, struggles with high staff turnover as they cannot afford to pay the higher wages that are generally offered by for-profits in the area. After gaining training and experience, many of their staff have had to move to less costly areas in Silicon Valley—or out of area. As an agency that is required to maintain a certain staff-client ratio, this presents regular program staffing challenges.

Staff and the Human Relations Commission (HRC) struggle to make funding allocation recommendations each cycle where it is not unusual to have funding requests exceed available funds.

The quote below is from the Human Services Needs Assessment completed by the HRC in June 2012 and conveys their analysis of a static HSRAP budget:

The consequences of a flat or decreased budget for HSRAP are threefold:

- 1) The program is locked into, at best, a zero-sum equation whereby any increase to one HSRAP agency requires an equal decrease to another; and

the program has no latitude to bring in new agencies to respond to growing or emerging needs;

2) The purchasing power of grantees decreases every year as they have to cover inflation within unchanged grants; and

3) Nonprofits generally are hard pressed to maintain their operations while competing in a limited pool of funding sources.

Because Palo Alto is considered a wealthy city, county and other public programs generally focus elsewhere, where need is more readily demonstrable. Our City has needs that register less important than communities with fewer resources. Individuals needing services are squeezed out as the purchasing power of grant funds declines. Responding to declines with quick and cheaper fixes or more thinly spread resources leads to revolving doors and people returning again and again. For services to be effective they must go deeply enough to repair the social safety net and build individual resiliency, skills, and self-confidence. For lack of funds, opportunities to improve the quality of life for those living at the community's margins are foregone.

With a new HSRAP Request for Proposal to be issued in January, 2017 for a new two-year funding cycle (FY 2018 – FY 2019), the referral from the Council to the Policy and Services Committee to discuss and make a recommendation on HSRAP funding is very timely. If the Policy & Services Committee makes a recommendation to increase HSRAP funding for FY 2018, and if this comes with a recommendation for regular HSRAP increases, staff recommends that a policy be defined describing the manner in which regular baseline HSRAP increases would be established. While HSRAP grantees do not rely only on Palo Alto funding, and all have robust fund development programs, most of the current agencies are long-time HSRAP grantees, and being able to rely on a pre-established policy for possible funding increases would be beneficial in their short and long term plans.

Staff realizes that there are many budget tradeoffs and any increase, whether an annual CPI or significant increase to the HSRAP fund, must be carefully considered by the Committee and Council among all City resource needs.

Staff offers the following options for Committee consideration:

1. Create a policy that increases the total amount of funding for HSRAP contracts each year according to an index, such as the Consumer Price Index (CPI).
2. Increase HSRAP funding to \$644,300, an increase of approximately \$196,300 from current levels, in FY 2018.

3. Institute an annual increase of \$49,070 over the next 4 years to bring HSRAP funding to the \$644,300 level by 2021.
4. Increase HSRAP funding on an ad hoc basis as funding is available (status quo).

Council's decision to set an intention for HSRAP funding will be subject each year to the annual budget process, as required by the Charter. This means adjustments can be made in any year when funding is not available.

Resource Impact

The resource impact will depend on the the Committee's decision on the funding options presented for consideration. As none of these increases have been factored into the current budget assumptions that reflect an anticipated budget deficit in FY 2018, any increase in funding will limit available resources for other programs and priorities including basic levels of services. As such, it may be prudent to revisit and consider this issue as part of the FY 2018 budget process, so that the level of resources available can be more completely evaluated before committing any additional funds to the HSRAP program.

Policy Implications

The following areas of the Comprehensive Plan are pertinent to this report:

Policy C-7: Actively work with private, nonprofit, and public community service organizations to avoid duplication and to coordinate the delivery of services like child care, senior services, and recreation.

Policy C-8: Welcome and encourage corporate citizenship in the provision of community services. Goal C-3: Improved Quality, Quantity, and Affordability of Social Services, Particularly for Children, Youth, Seniors, and People with Disabilities.

Policy C-18: Support and promote the provision of comprehensive senior services in coordination with senior service providers. Policy C-19: Continue to support provision, funding, or promotion of services for persons with disabilities through the Human Relations Commission, the Parks and Recreation Division, and other City departments. Support rigorous compliance with the Americans with Disabilities Act (ADA).

Policy C-20: Support and promote services addressing the needs of the unhoused community.

Policy C-17: Continue to support provision, funding, and promotion of services and programs for children and youth (e.g., those offered at the teen center)

Attachments:

- ATTACHMENT A - HSRAP funding FY2001 - 2017final (PDF)
- Attachment B- Excerpt from Council Minutes 6-23-16 (PDF)
- Attachment C - Report on Living and Minimum Wage June 2016 (PDF)

HSRAP FUNDING FY2001-2017

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Year	Amount	Percentage change from prior
2000-2001	386,245	
2001-2002	433,254	12.12%
2002-2003	444,862	3.00%
2003-2004	335,835	-24.74%
2004-2005	375,835	11.91%
2005-2006	331,453	-11.81%
2006-2007	331,453	0.00%
2007-2008	300,453	-9.35%
2008-2009	300,453	0.00%
2009-2010	285,430	-5.00%
2010-2011	285,430	0.00%
2011-2012	300,737	5.36%
2012-2013	300,737	0.00%
2013-2014	355,324	18.15%
2014-2015	425,594	19.78%
2015-2016	436,659	2.60%
2016-2017	448,013	2.50%



EXCERPT FINAL COUNCIL ACTION MINUTES

June 13, 2016

The City Council of the City of Palo Alto met on this date in the Council Chambers at 6:03 P.M.

Present: Burt, DuBois, Filseth, Holman, Kniss arrived at 6:30 P.M., Scharff, Schmid, Wolbach

Action Items

9. PUBLIC HEARING & PROPOSITION 218 HEARING: Ordinance 5386 Entitled, "Ordinance of the Council of the City of Palo Alto for Fiscal Year (FY) 2017, Including Adoption of Operating & Capital Budgets and Municipal Fee Schedule;" Resolution 9592 Entitled, "Resolution of the Council of the City of Palo Alto Adopting a Dark Fiber Rate Increase of 3.2 Percent and Amending Utility Rate Schedules EDF-1 & EDF-2;" Resolution 9593 Entitled, "Resolution of the Council of the City of Palo Alto Approving the FY 2017 Electric Financial Plan and Amending the Electric Utility Reserves Management Practices;" Resolution 9594 Entitled, "Resolution of the Council of the City of Palo Alto Adopting an Electric Rate Increase of 11 Percent and Amending Utility Rate Schedules E-1, E-2, E-2-G, E-4, E-4-G, E-4 TOU, E-7, E-7-G, E-7 TOU, E-14, & E-16 & Repealing Utility Rate Schedules E-18 & E-18-G;" Resolution 9595 Entitled, "Resolution of the Council of the City of Palo Alto Approving the FY 2017 Gas Utility Financial Plan;" Resolution 9596 Entitled, "Resolution of the Council of the City of Palo Alto Adopting a Gas Rate Increase of 8 Percent and Amending Utility Rate Schedules G-1, G-1-G, G-2, G-2-G, G-3, G-3-G, G-10, & G-10-G;" Resolution 9597 Entitled, "Resolution of the Council of the City of Palo Alto Adopting Refuse Rate Changes Including a 7 Percent Decrease and Up to a 9 Percent Increase and Amending Utility Rate Schedule R-1, and Consolidating Utility Rate Schedules R-2 & R-3 Into a new Utility Rate Schedule Designated R-C;" Resolution 9598 Entitled, "Resolution of the Council of the City of Palo Alto Amending Utility Rate Schedule D-1 to Increase Storm Drain Rates 3.2 Percent per Month per Equivalent Residential Unit for FY 2017;" Resolution 9599 Entitled, "Resolution of the Council of the City of Palo Alto Approving the FY 2017 Wastewater Collection Utility Financial Plan;" Resolution 9600 Entitled, "Resolution of the Council of the City of Palo Alto Adopting a Wastewater Collection Fee Increase of 9 Percent & Amending Utility Rate Schedules S-1, S-6, and S-7;" Resolution 9601 Entitled, "Resolution of the Council of the

City of Palo Alto Approving the FY 2017 Water Utility Financial Plan;" Resolution 9602 Entitled, "Resolution of the Council of the City of Palo Alto Adopting a Water Rate Increase of 6 Percent and Amending Utility Rate Schedules W-1, W-2, W-3, W-4, & W-7;" Resolution 9603 Entitled, "Resolution of the Council of the City of Palo Alto Amending Salary Schedules for the Utilities Management Professional Association of Palo Alto (UMPAPA), the Service Employees International Union (SEIU), and the International Association of Fire Fighters (IAFF)."

MOTION: Vice Mayor Scharff moved, seconded by Council Member Wolbach to adopt an Ordinance approving the Operating and Capital Budgets and Municipal Fee Schedule; and each of the related rate increases, utility financial plans, and salary schedule Resolutions with the following changes:

A. An additional \$50,000 for an Emerging Needs Fund for Human Services Resource Allocation Process (HSRAP); and

B. An additional \$750,000 set aside towards the unfunded pension liability (establishment of a Section 115 Trust Fund).

AMENDMENT: Council Member Holman moved, seconded by Mayor Burt to add to the Motion,

C. Refer to the Policy and Services Committee, to identify options for increasing HSRAP funding in Fiscal Year 2018; and potentially increase HSRAP funding to the \$667,000 level which reflects a 2.5 percent cost of living increase annually from Fiscal Year 2002 levels; and

D. Explore a low income fee program, specifically with regards to Community Services.

AMENDMENT PART C RESTATED AND INCORPORATED INTO THE MOTION WITH THE CONSENT OF THE MAKER AND SECONDER to add

to the Motion, "refer to the Policy and Services Committee, whether or not to increase HSRAP funding in Fiscal Year 2018; and potentially increase HSRAP funding to the \$667,000 level which reflects a 2.5 percent cost of living increase annually from Fiscal Year 2002 levels." (New Part C)

AMENDMENT PART D RESTATED AND INCORPORATED INTO THE MOTION WITH THE CONSENT OF THE MAKER AND SECONDER to add

to the Motion, "refer to the Policy and Services Committee to explore a low income fee program, specifically with regards to Community Services." (New Part D)

INCORPORATED INTO THE MOTION WITH THE CONSENT OF THE MAKER AND SECONDER to add to the Motion, "including actions included in the At Places Memorandum" after "Municipal Fee Schedule."

AMENDMENT: Council Member Filseth moved, seconded by Council Member Holman to add to the Motion, "move to 7 years for tree trimming and reduce the Office of Sustainability contingency to \$125,000."

AMENDMENT FAILED: 4-4 Burt, Kniss, Schmid, Wolbach no, Berman absent

MOTION RESTATED: Vice Mayor Scharff moved, seconded by Council Member Wolbach to adopt the Operating and Capital Budgets and Municipal Fee Schedule including actions included in the At Places Memorandum; and each of the related rate increases, utility financial plans, and salary schedule Resolutions with the following changes:

- A. An additional \$50,000 for an Emerging Needs Funds for Human Services including Human Services Resource Allocation Process (HSRAP) grantees; and
- B. An additional \$750,000 set aside towards the unfunded pension liability (establishment of a Section 115 Trust Fund); and
- C. Refer to the Policy and Services Committee, whether or not to increase HSRAP funding in Fiscal Year 2018; and potentially increase HSRAP funding to the \$667,000 level which reflects a 2.5 percent cost of living increase annually from Fiscal Year 2002 levels; and
- D. Refer to the Policy and Services Committee to explore a low income fee program, specifically with regards to Community Services.

MOTION AS AMENDED PASSED: 8-0 Berman absent



Silicon Valley Council of Nonprofits (SVCN)

Report on the Impact of Minimum/Living Wage on the Nonprofit Sector in Santa Clara County

June 2016

Recently, SVCN conducted a study to learn more about the impact of living wage and minimum wage increases on the local nonprofit sector. SVCN was a strong proponent and supported the \$10 an hour minimum wage increase in the City of San Jose for 2014. SVCN understands the need for wage equity for low income workers and works to educate and inform our sector on the need for wage equity within our sector.

SVCN is a voice for the sector, with a local membership of over 200 nonprofit agencies in Santa Clara County. We are often asked by local governments to comment on the impact of wage proposals to local nonprofits, so we conducted a survey during the first 2 weeks of May 2016, to learn how the minimum and living wage proposals would impact the nonprofit sector. More than 40% of SVCN's nonprofit members responded. The information received mirrors the SVCN membership of agencies with budgets as follows:

- 33% at less than 1 million
- 30% at 1.1 to 2.5 million
- 37% at greater than 2.6 million.

We analyzed the data to see if there was any significant difference based on budget size. However, we learned there is no statistical significance between budget size and wage proposal impacts.

Executive Summary

Several local governments and the State of California are moving toward an increased minimum wage of \$15 per hour. *An annual salary at \$15 per hour equals \$31,200 annually, which is below the \$33,111 self-sufficiency wage for a single adult in Santa Clara County.*

Minimum wage increases are forthcoming, but the timing and incremental planning are important concerns. In general, our sector is supportive of increases to the minimum wage, but wage increases will have budget impacts that need funding remediation. Most local health care and mental health providers are well above the minimum and living wage rates, however there are some parts of our sector that would be harder hit by increases. These are:

- childcare
- senior services
- residential programs
- housing and homeless services.

Here are some key factors that impact the nonprofit sector

- Staff composition: 75% of employees are full-time and 25% are part-time. It appears that some of our lower wage workers are part-time employees.
- A \$15 minimum wage will have a greater economic impact than the \$10 minimum wage
- 56% of nonprofits stated they will have some sort of budgetary impact with a \$15 minimum wage compared to less than 10% were impacted by \$10 minimum wage.
- 65% of nonprofits stated they would have some sort of budgetary impact for the living wage and 21% would have more than 10 employees impacted by these wage increases.
- Most nonprofits support the same wage standard for all, regardless of age. Furthermore, a two-tiered youth wage proposal would disproportionately disadvantage low-income families who may rely on this income to support the family.

- Higher wages could impact low-wage earners' access to public benefit programs (i.e. CalFresh, CalWORKs, Medi-Cal, subsidized childcare, Section 8 Housing, etc.)

As local government considers ordinances that increase the minimum wage, it is important to seek a regional approach in order to have a seamless implementation for the region. An approach that mirrors the recently-approved state minimum wage increase, with incremental wage hikes including annual adjustments thereafter based on the Consumer Price Index (CPI), would be essential.

The State of California just passed a law increasing its minimum wage to \$15 by 2022 for organizations with more than 25 employees and by 2023 for organizations with fewer than 26 employees.

Cities such as Mountain View, Palo Alto, Sunnyvale, etc., are also enacting minimum wage increases by timelines that vary with a theme of \$15 by 2018.

Currently, Santa Clara County's living wage, which is higher than the minimum wage proposals, still does not apply to nonprofits, but it will in the future.

Recommendations for local government to consider when implementing the wage increase impact to the nonprofit sector:

1. Develop a regional approach and timeline for implementation of a local minimum wage.

There seems to be support for having a uniform local minimum wage that would allow for clarity in the region and a more balanced approach to wage increases, particularly for nonprofits that offer services in multiple cities and for market competition for jobs and hiring.

2. Develop an incremental approach to raising the minimum wage

Proposals such as those used in San Francisco and the State are critically important for nonprofits because they gradually increase wages over time for both living and minimum wage.

3. Increase government funding in contracts with nonprofits to help fund the increased wage costs.

Wage increases will force nonprofits to increase their fundraising requirements, re-engineer their workforce and modify programs to cover these additional costs. Nonprofits are typically not able to increase fees to adjust for increased budget demands.

A higher minimum wage or living wage would have implications for an organization's compensation structure. This would require supplementary funds to support increases in labor costs. Government should annually increase funding to nonprofits to adjust for CPI and the costs of doing business in the CDBG, general fund and other funding streams for nonprofits. In addition, upon enacting wage legislation contracts may need to be adjusted to allow for higher rates to allow for higher wages so that services are not cut.

4. Communicate to donors, private foundations and community funders the need for additional resources to comply with a \$15 minimum wage.

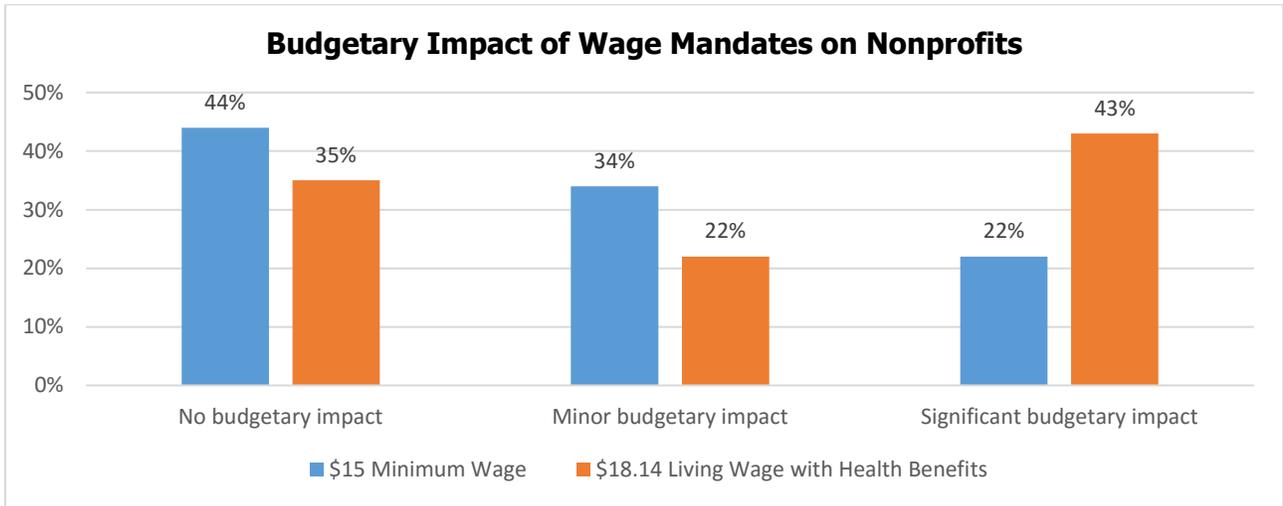
The nonprofit sector cannot support increases in employment costs alone. Government mandates for increased wages result in an increased fundraising requirement for nonprofits. Government must help inform donors about the need to increase giving to maintain current service levels. Since a majority of nonprofit costs are labor costs, this directly affects the number of clients we can serve without additional financial resources.

SVCN will be working on advocacy related to these wage proposals to both educate our nonprofit agencies on best employment practices related to wage and benefits, as well as government and foundations on the economic impact to nonprofits. We believe it is important for state and local governments, when analyzing wage increase proposals, to consider the impact of increasing funding to nonprofits at the same time to avoid dissolution of services. Many of our state funded programs in childcare, foster care, supportive housing and other services are

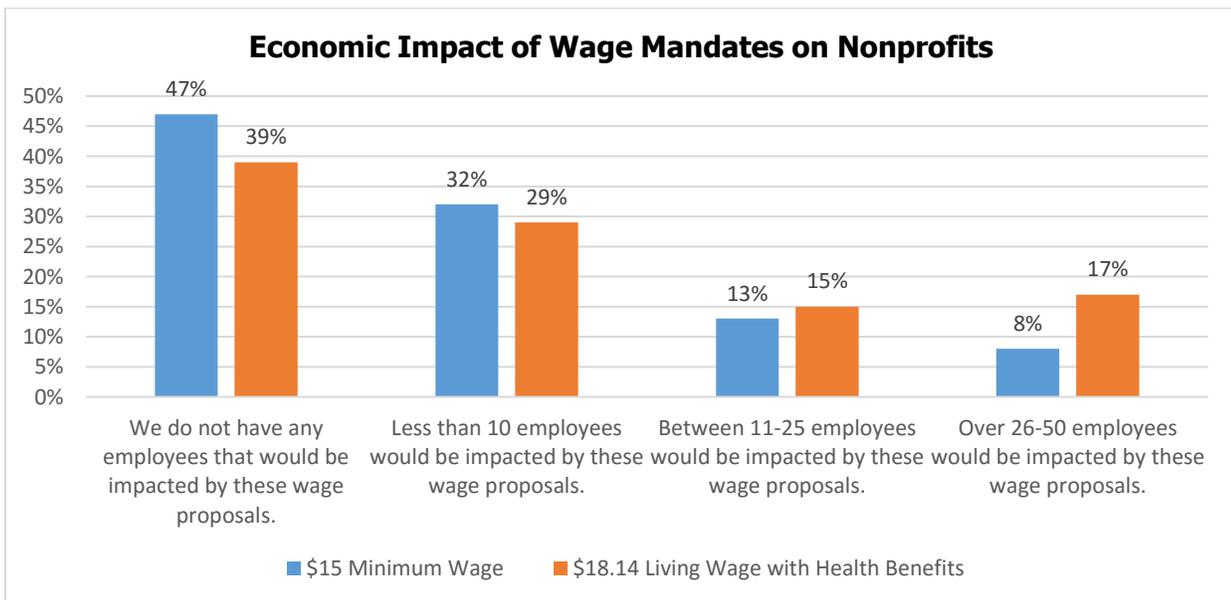


not seeing rate increases that would mirror the costs for an increased wage. Local government grants must include cost of living and cost of doing business increases as well. To continue to provide for our community, the impact of wage mandates on nonprofits must be taken into consideration as decisions about wage mandates are being made.

Additional information from our SVCN survey on wage impacts

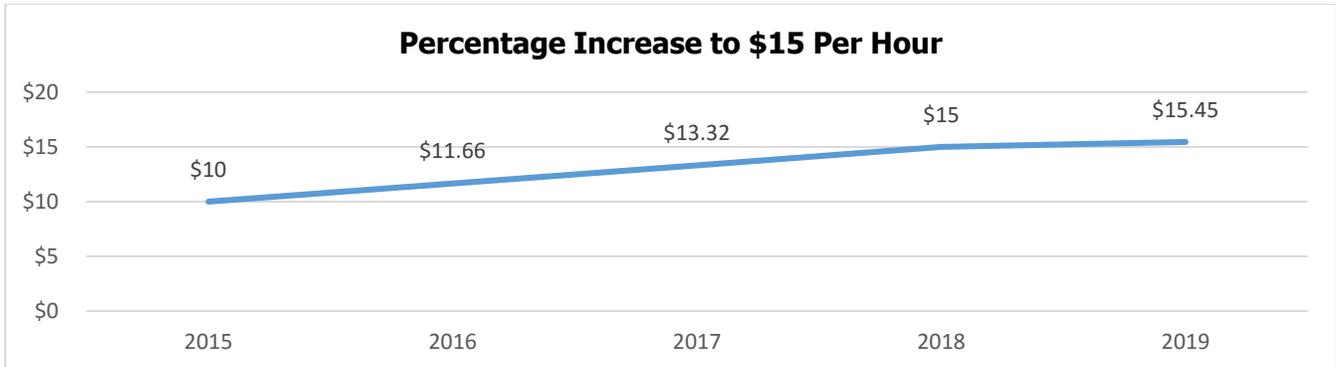


The \$15 minimum wage has a greater impact to nonprofits, compared to 2013, when nonprofits reported very little impact to the San Jose minimum wage of \$10 per hour. Although 44% of nonprofits stated they would have no budgetary impact at the \$15 minimum wage, 56% of nonprofits stated they will have some sort of budgetary impact compared to only 10% nonprofits impacted by the \$10 minimum wage. At the \$18.14 living wage, we can see that 35% of nonprofits stated they would have no budgetary impact, but 65% of nonprofits stated they would have some sort of budgetary impact.





Although 47% of nonprofits would not have staff impacted by a higher minimum wage, 56% would be impacted. Of these 21% would have more than 10 employees impacted. Therefore, a small nonprofit employer's increased cost for one additional full-time staff is \$10,400 or \$5,200 for a part-time staff. This results in upwards of at least \$50,000 in new staff costs annually. The impact for one small nonprofit would require at least \$50,000 in new revenue to meet these increased staff costs.



In order to achieve a \$15 minimum wage by 2018, there would need to be a 33% increase in labor costs. This is a projected step approach similar to San Francisco's Minimum Wage Ordinance, which was passed in 2014 and mandated that the minimum wage in San Francisco be increased to \$12.25 on May 1, 2015 and would increase by \$1.00 every year until it reached \$15.00 in 2018.

Other Key Findings:

- 69% of our nonprofits believe a higher minimum wage will result in a positive impact on increasing the standard of living for our clients
- 67% believe a \$15 minimum wage increase should not exempt nonprofit employers
- 40% are concerned that an increase in the minimum wage could impact low-wage earners' access to public benefit programs such as Cal Fresh, CalWorks, MediCal and Section 8 housing vouchers
- 45% support a training wage for first time work-experience jobs at 85% of the minimum wage for youth between 14 and 17 years old. However, Some questioned whether this would be for first time jobs, entry level work, or training positions. There were also concerns about violating fair labor laws. Many also feel that youth from low-income families are working to support the overall family standard of living and that a youth wage would disproportionately disadvantage low-income families

Barriers to Hiring in ranked order

1. Competition from private and/or government organizations.
2. Employees are not able to find affordable housing
3. Employees have to commute more than 45 minutes to work
4. The need for linguistically and culturally competent staff
5. Unreliable public and/or private transportation

We note that the number one barrier to hiring is competition from private and/or government organizations. Competitive markets cause government and corporate business to attract potential employees away from the nonprofit sector.

Affordable housing is the second barrier to hiring. The current median market rate for a one-bedroom rental in Silicon Valley is about \$1680, and for a two-bedroom rental is about \$2,850. As a result, our nonprofit staffers have to live farther away and commute longer to get to work.

Commuting more than 45 minutes to work is documented in the [Joint Venture Silicon Valley](#) study on commute patterns, which showed 13% of Santa Clara County workers commute into the county for work. We note that



with greater congestion of our roads increasing already extensive commute times, it can be difficult for Silicon Valley nonprofits to gain and keep employees willing to make long commutes.

Credits-This report was prepared by SVCN staff with special assistance by Ashley Bell, SVCN Public Policy Intern. The information includes, survey data along with focus groups and interviews to develop this report. Due to the high response rate of SVCN members to the survey, our margin of error is just +/- 3%.