



Santa Clara Valley Water District

File No.: 24-0312

Agenda Date: 5/28/2024

Item No.: *9.1.

BOARD AGENDA MEMORANDUM

Government Code § 84308 Applies: Yes No
(If "YES" Complete Attachment A - Gov. Code § 84308)

SUBJECT:

Review and Approve the Grants Redesign Project Recommendations to Update and Improve the Administration of the Safe, Clean Water Grants and Partnerships Program.

RECOMMENDATION:

Review and approve the Grants Redesign Project recommendations to update and improve the administration of the Safe, Clean Water Grants and Partnerships Program through the following:

- A. Authorize the following update for all grant types:
 1. Continue with the current insurance requirements and required documentation, and allow the grantee's insurance costs to be eligible for reimbursement (staff recommendation); or
 2. Remove the current insurance requirements and supporting documentation, and rely on the indemnification clause in the agreement;
- B. Authorize the following updates for the Mini-Grant Program:
 1. Raise the mini-grant threshold from \$5,000 to \$10,000 per project;
 2. Eliminate the match funding requirement;
- C. Authorize the following updates for the Standard Grant Program:
 1. Adopt the Grants Redesign Project criteria framework, project eligibility, and applicant eligibility, and direct staff to replace the existing standard grant criteria based on the new framework;
 2. Delegate authority to the CEO or CEO designee to streamline the agreement terms corresponding with the framework categories;
 3. Set minimum and maximum funding amounts per category;
 4. Fund projects at the full amount requested, eliminating partial funding awards and eliminating the current grant funding allocation matrix;
 5. Reduce or eliminate match funding requirements:
 - a. No match funding required for Education and Planning categories;
 - b. 15% match funding required for Program and Implementation categories;
 6. Require grantees to identify a separate CEQA lead agency for Implementation projects at the time of application;
 7. Release standard grants on an annual grant cycle and alternate grant categories each year;
 8. Delegate authority to the CEO or CEO designee to authorize amendments and budget adjustments that do not impact the total award amount approved by the Board; and

- D. Delegate authority to the Board Policy and Monitoring Committee for periodic review of the grants administration and to implement improvements as needed related to the project criteria framework, agreement terms, and grant cycles.

SUMMARY:

Grants Redesign Project

Santa Clara Valley Water District (Valley Water) initiated the Grants Redesign Project to update and improve the Safe, Clean Water Grants and Partnerships Program to align with the changes adopted through the passage of Measure S, which was approved by voters in 2020; and to address the recommendations from the 2021 Grants Management Performance Audit Report.

- **Measure S Updates** - In November 2020, voters in Santa Clara County overwhelmingly approved Measure S, a renewal of Valley Water's Safe, Clean Water and Natural Flood Protection Program (Safe, Clean Water Program). In this renewed Safe, Clean Water Program, funding for community grants and partnerships was reorganized and consolidated under Project F9: Grants and Partnerships for Safe, Clean Water, Flood Protection and Environmental Stewardship (Project F9). The Measure S program also increased funding available for grants and partnerships, and expanded project types and applicant eligibility. The Grants Redesign Project focuses on incorporating these changes and updating the grants framework to align with community needs.
- **2021 Grants Management Performance Audit Report** - On February 17, 2021, the Board Audit Committee accepted the Grants Management Performance Audit Report by TAP International's subcontractors, Greta MacDonald and Drummond Kahn. Subsequently, the Grants Management Performance Audit Report was accepted by the Board of Directors on March 23, 2021. The report identified 11 audit recommendations, of which seven have been achieved and four remain in progress. The Grants Redesign Project addresses the remaining four recommendations, which are centered around streamlining and right-sizing the grants administration. Staff reports on the progress of the implementation of the audit recommendations to the Board Audit Committee. On January 17, 2024, staff presented the draft grants redesign recommendations as part of the audit progress update.

The Grants Redesign Project approach includes two parts with a separate consultant on each and has progressed significantly:

- **Grants administration redesign** - This part focuses on right-sizing the administration for grant applications, agreements, reporting and invoicing processes, and requirements.

Arabella Advisors, a nationwide consulting firm with a local office in San Francisco, is leading this part of the redesign. They have experience in executing equitable grantmaking projects across a wide variety of issues, as well as redesigning internal processes to make them more streamlined, inclusive, and effective.

- **Standard grants project criteria redesign** - This part focuses on updating the standard grant

project types and criteria to align with the expanded Safe, Clean Water Program under Measure S; match current industry standards; and accommodate innovation and new ideas through multi-benefit projects. It addresses the audit recommendations that apply to standard grants, which includes scaling the application and reporting requirements to fit the size, risk, and complexity of each individual grant.

Duckler Consulting is working on this part of the redesign. Duckler Consulting is a local subject matter expert on the types of projects that are funded by Valley Water grants, and has extensive knowledge of Valley Water and our processes.

Both consultants approached the redesign with a similar methodology. The process started with gathering information, such as reviewing documents, interviewing staff and grantees, benchmarking with other government grantmakers, and researching industry best practices.

- **Grantee feedback** - Grantees shared that while Valley Water’s grants program is making an impact in the community, it has burdensome administrative requirements and lengthy timelines that negatively affect the grantees’ ability to effectively implement projects (disproportionately affecting smaller organizations). Grantees shared challenges with the benefit and burden of the mini-grant dollar amount which discourages grantees from applying; burdensome CEQA and insurance requirements and documentation; and partial funding requests for standard grants leads to time-consuming revisions.
- **Peer benchmarking** - Valley Water’s grantmaking process and timeline is comparable to other public agency grantmakers from application to award, but has a significantly longer agreement execution timeline. Other public funders feel the need to steward public funds appropriately, but accept reasonable levels of risk to do so, by not requiring a separate CEQA review, and only one other public funder requires match funding.
- **Industry best practices** - Grants industry best practices show that a trust-based philanthropy approach not only streamlines grants administration, but also increases accessibility and equitable funding. This is demonstrated through administrative changes such as not requiring match funding, simplified required reporting, and allowing flexibility in project implementation as long as the benefits are achieved.

The consultants then identified themes and findings, followed by developing recommendations that align with the recommendations from the audit, grantee feedback, and the Valley Water Five-Year Diversity, Equity, and Inclusion (DEI) Strategic Master Plan, released in September 2023.

Grants Administration Redesign

Arabella Advisors developed seven Priority #1 recommendations to help Valley Water achieve industry-standard grant timelines with its existing staffing levels; and five Priority #2 recommendations to enable additional improvements to the grants program and grantee experience. All twelve recommendations below are ranked by impact. Arabella Advisors’ report includes the details of each recommendation, including overall benefits, DEI benefits, internal assessment, grantee feedback and peer benchmarking (Attachment 1).

Priority #1 Recommendations:

1. Right size CEQA process to align with peer best practices.
2. Streamline the legal review process.
3. Delegate oversight and revisions of grants program and amendments to lower levels.
4. Fully fund standard grant requests, even if that means funding fewer projects.
5. Align and simplify grant application questions with grant agreement templates.
6. Raise the mini-grant threshold from \$5,000 to \$10,000.
7. Eliminate match funding requirement for mini-grants and revise match funding requirement for standard grants.

Priority #2 Recommendations:

8. Develop a formal due diligence policy and procedure to assess financial risk and other risks based on grant type and grant amount.
9. Revise reporting requirements to better facilitate data reporting for impact assessment and consider revising or eliminating quarterly progress reports for standard grants.
10. Revise and rely on the indemnification clauses in grant agreements instead of requiring burdensome insurance requirements.
11. Consider establishing a new grant cycle (e.g., every other year vs. annually) for standard grants based on grant complexity and staff capacity.
12. Optimize the use of grant management technology to improve grantee data collection, analysis and process management.

Staff agrees with the Priority #1 and Priority #2 recommendations. Below, staff outlines how these recommendations would improve each grant type - refill station grants, mini-grants and standard grants.

All Grant Types

Of the Priority #1 and Priority #2 recommendations, six are administrative and apply to all grant types. Staff continue to work with the consultants, grantees, and internal Valley Water units and subject matter experts to refine and update the administrative grants redesign recommendations while beginning implementation.

- **Right-size the CEQA process** - Staff have begun discussions with the environmental planners about updating their internal work instructions to streamline and right-size the level of review and documentation, such as continuing to utilize the internal review checklist for categorical exemptions and responsible agency reviews, and exploring the feasibility of developing a programmatic document for refill station grants to reduce the level of administration per grant. The environmental planners also provided input into the changes to Valley Water's CEQA review requirements described in the standard grants project criteria outlined below.
- **Streamline the legal review process** - Staff have begun discussions with legal to streamline the agreement template and legal's oversight of each agreement by establishing a template that is reviewed once a year, such as a standard terms and conditions document with the

scope, schedule and budget from the application as attachments.

- **Develop a formal due diligence procedure** - Staff will partner with the Valley Water Risk Manager, Legal, and Finance teams to develop a comprehensive due diligence policy and procedure, which will allow Valley Water to assess grant applicants' financial risk, history of successfully completing projects, and other associated risk. This could include reviewing audited financial statements, leadership, and Board experience and history, etc. This approach was shown as an industry best practice for grantmakers in lieu of removing match funding requirements to provide another way to evaluate financial and organizational stability.
- **Reducing burdensome insurance requirements** - Staff proposes two options for the Board's consideration to address the issue of burdensome insurance requirements, with staff's recommended option listed first:
 - *Staff Recommendation: Continue with the current insurance requirements and required documentation, and allow the grantee's insurance costs to be eligible for reimbursement* - Grantees have shared that they purchase specific insurance policies to meet Valley Water's requirements, which are often more costly. Valley Water could deem insurance policies an eligible cost in a grant project budget to lessen the insurance burden for grantees.
 - *Remove the current insurance requirements and supporting documentation, and rely on the indemnification clause* - If the Board approves this approach, staff will work with Valley Water's Risk Manager to update the insurance requirements and required documentation. While staff supports reducing burdensome insurance requirements in concept, the Board should be aware that this approach increases Valley Water's risk profile. Specifically, if an issue arises that is the grantee's responsibility, Valley Water will have to rely on the financial wherewithal of the grantee rather than that of an insurance company. If the grantee lacks the financial wherewithal to resolve the issue, then Valley Water may be faced with bearing full financial responsibility for an issue Valley Water did not cause.
- **Optimize use of technology** - Staff continue to evaluate the effectiveness of the current grants management system, Fluxx. Based on the other recommendations, technology could be used to streamline the agreement by automating certain portions. Additionally, staff is exploring allowing direct deposit for reimbursements instead of mailing paper checks, which could streamline the payment process.

Mini-Grants

The recommendations that apply to the mini-grants include:

- Increase the award amount from up to \$5,000 to up to \$10,000 per project.
- Eliminate the 25% match funding requirement.
- Streamline the application by removing the narrative questions and only requesting the

information required for the agreement (ex: table of tasks, deliverables and schedule; and a simplified budget table).

Arabella also suggests an “additional consideration” of setting a specific grant cycle for mini-grants. While a designated grant cycle is the industry standard, staff believes that if the other recommendations are made, then establishing a grant cycle will not make a significant impact. The rolling, year-round approach is currently working well for the refill station grants, so if the mini-grants process is streamlined similarly, then staff anticipates it will be a faster and more accessible process.

Standard Grants

Arabella’s Priority #1 and Priority #2 recommendations addressed improvements to the standard grants, including fully funding standard grant requests, even if that means funding fewer projects.

In addition to Arabella’s recommendations, Duckler Consulting proposed a right-sized standard grant process that scales the requirements based on risk and allows for flexibility in the project types accepted to adapt to the community’s needs. The proposed changes will simplify the application process, support innovative community projects by focusing on the benefits and outcomes instead of specific detailed criteria, and meet new grant requirements under Measure S.

The combined recommendations from both consultants for the standard grants include:

- Restructuring the standard grants project criteria framework into four categories (Education, Planning, Program and Implementation) based on project complexity and budget, the size of risk based on CEQA requirements, permits, and feasibility, and the types of activities;
- Setting minimum and maximum amounts per category;
- Awarding 100% of the amount requested and eliminating partial funding;
- Removing the match funding requirement for Education and Planning projects, which tend to be lower risk (such as financial, Valley Water liability exposure, assuring project completion, etc.), and reducing the match funding requirement to 15% of the total project cost for Program and Implementation projects;
- Requiring grantees to identify the CEQA lead agency for Implementation projects at the time of application. This specifies Valley Water’s role as the responsible agency. If the grantee is a government agency, it must serve as the CEQA lead agency. If the grantee is a non-government agency, it must partner with a public agency other than Valley Water to serve as the CEQA lead agency;
- Considering establishing a grant cycle alternating the four categories, such as:
 - Annual grant cycle offering Education, Planning and Program grant categories one year, and only Implementation grants the following year (staff recommendation);
 - Annual grant cycle and all four grant categories eligible each year (current approach);
 - or
 - Every other year grant cycle with double the funding available each grant cycle.
- Continuing to allow all project types with multiple benefits, except Trails and Open Space projects, which will remain eligible only for partnerships (Water conservation, pollution prevention, volunteer cleanups and education, and wildlife habitat restoration remain eligible for standard grants); and

- Updating the eligible applicant types to remove for-profit entities (for-profit entities will continue to be eligible for mini-grants and bottle refill station grants).

A table of the proposed standard grants framework is shown below.

Table 1. Proposed Standard Grants Framework

Standard Grant Categories	Education	Planning	Program	Implementation
Minimum and Maximum Award Amount	\$10,001* to \$150K	\$10,001* to \$150K	\$10,001* to \$150K	\$50K to \$500K
Match Funding Requirement	None	None	15% of the total project cost	15% of the total project cost
Project Description	Strictly educational: presentations, curriculum / material development, videos, field trips / tours, etc. No direct or foreseeable physical change to the environment.	Planning, design, investigative, or feasibility studies only. No direct or foreseeable physical change to the environment, or minor physical changes that would qualify for a categorical exemption.	For smaller-scale implementation projects: cleanups, gardens, minor restoration work, research that requires physical manipulation of land, etc.	Capital / construction projects. Award amounts can include surveys and other planning and design activities of up to 20% of the award amount.
Agreement Term	Three years	Three years	Five years	Five years
CEQA Requirements	None (not a project).	None, exempt or categorical exemption. Valley Water may serve as the lead agency. If a lead agency is already identified, then Valley Water may serve as the responsible agency.	Likely to receive a categorical exemption. Valley Water may serve as the lead agency. If a lead agency is already identified, then Valley Water may serve as the responsible agency.	Valley Water serves as the responsible agency. Another public agency must serve as the lead agency and conduct the CEQA review. Non-public agency grantees must partner with a public agency to be the lead agency.

*This amount is aligned with the recommendation to increase the mini-grant amount from \$5K to \$10K.

Refill Station Grants

This grant funding opportunity was designed and launched in FY23; therefore it already incorporates many of the recommendations. To date, this grant opportunity has been the most streamlined and has received positive feedback from applicants and grantees. No additional changes would be made through the redesign recommendations.

Partnerships

The recommendations that apply to partnerships include continuing to evaluate the delegation of authority in alignment with EL-5.3, and updating the project eligibility. Projects related to safe, clean water, flood protection and environmental stewardship are eligible for partnerships, and staff recommend that Trails and Open Space and Wildlife Crossings projects will only be eligible for partnerships due to the high-risk, high-cost, and CEQA and permitting complexities of those project activities.

Ongoing Grants Program Review

The existing standard grant criteria has been in place since the beginning of the Safe, Clean Water Grants & Partnerships Program (est. 2012) and was last reviewed by the Board on December 13, 2016. The Board approved the grant funding allocation matrix on February 26, 2019, after review and recommendation by the Board Policy & Planning Committee on January 28, 2019.

Consistent with past practice, staff recommends the Board delegate authority to a Board committee, such as the Board Policy and Monitoring Committee (formerly the Board Policy and Planning Committee), to receive updates on the new standard grants approach after two years of implementation. This approach provides the opportunity to ensure the redesign recommendations are working; that the grants program continues to meet industry standards; and to continually evaluate if the program is meeting community needs. This will allow Valley Water flexibility and responsiveness to applicant and grantee needs and create the opportunity to incorporate the annual grantee survey results.

Next Steps

Upon the Board's review, consideration, and approval of the recommendations described above, staff will implement the Grants Redesign Project. The mini-grant recommendations will be implemented at the beginning of FY25. The standard grant recommendations will be implemented with the next standard grant cycle, expected to be released in Fall 2024.

ENVIRONMENTAL JUSTICE AND EQUITY IMPACT:

The specific recommendations do not have environmental justice impacts. However, the outcomes of the Grants Redesign Project are expected to incorporate systemic improvements of the Safe, Clean Water Grants and Partnerships Program to promote equity and accessibility of the funding by aligning with Valley Water's Five-Year Diversity, Equity, and Inclusion Strategic Master Plan, released in September 2023, as well as incorporating industry best practices and feedback from grantees and applicants.

Additionally, staff is developing a Diversity, Equity and Inclusion (DEI) Action Plan in partnership with the Office of Racial Equity, Diversity and Inclusion (REDI) to ensure the grants redesign recommendations align with DEI best practices and to identify ongoing actions and metrics to monitor and continually refine as part of the grants program.

FINANCIAL IMPACT:

Funding for development and implementation of the grants redesign recommendations is budgeted

as part of the grants administration in the FY25 F9 Safe Clean Water Grants and Partnerships Project Number 26061021.

CEQA:

The recommended action does not constitute a project under CEQA because it does not have a potential for resulting in direct or reasonably foreseeable indirect physical change in the environment.

ATTACHMENTS:

Attachment 1: Grants Admin Redesign by Arabella

Attachment 2: PowerPoint

UNCLASSIFIED MANAGER:

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