



Santa Clara Valley Water District

File No.: 24-0191

Agenda Date: 2/27/2024

Item No.: 9.1.

BOARD AGENDA MEMORANDUM

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

SUBJECT:

Assign the Grants Redesign Project to the Board Policy and Planning Committee and Authorize Postponing the Fiscal Year 2024 Standard Grants Cycle for the Safe, Clean Water and Natural Flood Protection Program.

RECOMMENDATION:

- A. Assign the Grants Redesign Project to the Board Policy and Planning Committee for review and discussion as part of its 2024 work plan;
- B. Authorize postponing the Fiscal Year 2024 (FY24) standard grants cycle for the Safe, Clean Water and Natural Flood Protection Program (Safe, Clean Water Program) until after the completion of the Grants Redesign Project; and
- C. Authorize reallocating the FY24 standard grants funding of \$1.4 million to future standard grants cycles over the next three years (FY25-FY27).

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). Project F9 included the consolidation of all previous grant cycles into one standard grant cycle, to be delivered through Key Performance Indicator (KPI) #1: Provide a grant and partnership cycle each year for projects related to safe, clean drinking water, flood protection and environmental stewardship. The Measure S program also increased funding available for grants and partnerships, created a new partnership opportunity, 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 subconsultants, 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.

Grants Redesign Project Approach

The approach for implementing the Grants Redesign Project includes two parts, with a separate Valley Water consultant engaged on each, and significant progress has been made on both.

- **Grants administration redesign** - This part focuses on right-sizing the administration for grant applications, agreements, reporting and invoicing processes, and other 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 will address 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. Duckler Consulting has extensive prior knowledge of Valley Water and a strong understanding of Valley Water 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 entities awarding grants, and researching industry best practices. The consultants identified themes and findings; then developed recommendations that align with the recommendations from the audit, grantee feedback, and the Valley Water Five-Year Diversity, Equity, and Inclusion Strategic Master Plan, released in September 2023. The draft recommendations are

provided in Attachment 1.

Staff continue to work with the consultants, grantees, internal Valley Water units and subject matter experts to refine and update the grants redesign recommendations. These recommendations include policy decisions for consideration. The Board Policy and Planning Committee previously reviewed changes to grants administration before they were adopted by the Board of Directors in 2019. Staff recommends the Board continue this approach and assign the Board Policy and Planning Committee to review and discuss the grants redesign recommendations before the Board of Directors considers and makes a decision on implementing the recommendations.

Postponing the FY24 Standard Grants Cycle and Reallocating Funds

Staff recommends postponing the FY24 standard grants cycle until after the completion of the Grants Redesign Project and authorizing the reallocation of the FY24 standard grants funding of \$1.4 million to the standard grants cycles over the next three years. If authorized, \$1.87 million would be available annually for standard grants in FY25-FY27.

The grantees who provided stakeholder input expressed support for taking the time to improve the grants program before releasing the next standard grants cycle, which is being targeted for Fall 2024. Reallocating the FY24 standard grants funding would allow additional funds to be available in future years and with the updated and streamlined administrative processes, which increases equity and accessibility of those funds. In the meantime, prospective applicants would be encouraged to apply for mini-grants to kick-start project ideas. The mini-grant funding opportunity is available year-round and includes a simpler application and funds disbursement process.

If the standard grants cycle is postponed, the FY24 Safe, Clean Water Annual Report would report Project F9's annual status as "On Hold" which indicates that work on delivering the Project KPI(s) is temporarily on hold while efforts are underway to address the Project challenges. KPI #1 includes the standard grants cycles and states: "Provide a grant and partnership cycle each year for projects related to safe, clean drinking water, flood protection and environmental stewardship." The other three Project F9 KPIs are related to the bottle filling station grants, mini-grant funding, and small-city partnerships funding, all three of which would continue to proceed as scheduled.

ENVIRONMENTAL JUSTICE AND EQUITY IMPACT:

The specific recommendations do not have environmental justice impacts. However, the outcomes of the Grants Redesign Project may 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.

FINANCIAL IMPACT:

The financial impact for this item is associated with Recommendation C, which would require rebudgeting \$1,400,000 for standard grants agreements under the F9 Safe Clean Water Grants and

Partnerships Project, Project No. 26061021, from FY24 to the subsequent three fiscal years (FY25-FY27).

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: Draft Grants Redesign Recommendations

UNCLASSIFIED MANAGER:

Donald Rocha, 408-630-2338