



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: November 25, 2014

TO: Mayor and Councilmembers

FROM: Administration, Housing & Human Services Division,
Community Development Department

SUBJECT: Casa Esperanza Review Of Operations

RECOMMENDATION:

That Council accept a report prepared by City and County of Santa Barbara staff based on a review of Casa Esperanza Homeless Shelter's operations; and release the remaining contingency funds pursuant to Agreement Number 24,952.

DISCUSSION:

The City of Santa Barbara provides annual funding to Casa Esperanza through a General Fund contribution of \$77,100 for the annual winter shelter, a \$51,000 Community Development Block grant and a \$39,000 Human Services grant. During the Fiscal Year 2015 budget approval process, Casa Esperanza received \$125,000 of additional one-time General Fund support from the City of Santa Barbara and \$120,000 from the County of Santa Barbara. City Council authorized an initial disbursement of \$60,000, with the caveat that the balance be disbursed after an analysis of Casa Esperanza's operations was completed by City and County staff and approved by Council.

On August 5, 2014, Council approved an agreement with Casa Esperanza in the amount of \$202,100, which combined the additional \$125,000 approved for Fiscal Year 2015 with Casa Esperanza's annual allocation of \$77,100 for the winter shelter. On September 4, 2014, the City disbursed the initial \$60,000 as part of that agreement.

City staff worked with County staff to complete the review, which included the following:

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

Review Summary

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

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

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

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

Casa Esperanza has recently recruited a new full-time Executive/Managing Director, Jessica Wishan, who will begin this month. Jessica brings significant relevant experience to the organization.

Casa Esperanza is also exploring the possibility of a merger with People Assisting the Homeless (PATH), a 501(c)(3) organization based in Los Angeles, to realize operational and cost efficiencies. Any merger would be conditioned on community and funder acceptance and further conditioned on all funds raised in Santa Barbara staying in Santa Barbara. Whether or not this merger is completed, Casa Esperanza will need to be on solid financial ground moving forward.

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

An analysis of comparable homeless shelters in California counties with similar population and bed capacity is included in the full review. Staff found no objective basis upon which the City could determine an appropriate funding contribution level; therefore, this is a Council policy decision.

Staff recommends that the City release the remaining \$65,000 of one-time funding allocated for Fiscal Year 2015 in order to give Casa adequate time to increase their fundraising capacity.

Council has the option to consider additional funding for Fiscal Year 2016 and beyond, if requested. Council also has the option to request an update on the merger talks, and Casa Esperanza's financial situation, including their success in obtaining Fiscal Year 2015 budgeted contributions and private grants, at the time of any request for additional funding.

ATTACHMENT: Casa Esperanza Review of Operations

PREPARED BY: Sue Gray, Community Development Business Manager

SUBMITTED BY: George Buell, Community Development Director

APPROVED BY: City Administrator's Office

Casa Esperanza Homeless Center

Review of Operations

Completed by:

City of Santa Barbara
County of Santa Barbara
November 2014

1. Introduction

Due to ongoing financial challenges, Casa Esperanza has undergone several programmatic and administrative changes. On September 17, 2013, Casa Esperanza closed its drop-in day center services for non-shelter residents and suspended the Community Kitchen lunch program for non-shelter residents. They currently operate a sobriety-based shelter program for their 100-bed year-round shelter program (April – November); which expands to a 200-bed winter shelter (December – March). In March 2014, the top two management positions at Casa Esperanza were laid off. Since that time, the shelter has been operating under two separate volunteer directors.

During the Fiscal Year 2015 budget approval process, Casa Esperanza requested an additional funding increase of \$125,000 in General Fund support from both the County of Santa Barbara and the City of Santa Barbara. City Council approved \$125,000 and authorized an initial disbursement totaling \$60,000, with the balance to be disbursed upon completion and approval of a review of Casa Esperanza's operations to be conducted by the City of Santa Barbara and the County of Santa Barbara. The County Board of Supervisors approved \$120,000 to be disbursed upon completion of the review as well.

The Review is organized in the following sections:

- Section 2, Program Overview
- Section 3, Financial Overview
- Section 4, Debt Overview/Restructure Plan
- Section 5, Staffing
- Section 6, Shelter Comparisons
- Section 7, Challenges & Opportunities
- Section 8, Conclusions/Recommendations

2. Program Overview

Casa Esperanza Homeless Center (Casa) has been providing services in Santa Barbara since 1999. Their mission is to help as many people as possible move from homelessness to housing. They operate under a Conditional Use Permit (CUP), which limits the number of beds they can provide to a maximum of 230 winter shelter beds (December 1 – March 31) and a maximum of 100 program beds during the remainder of the year (April 1 – November 30). Their CUP also allows the provision of day center services and lunch for a maximum of 200 individuals.

As mentioned in the introduction, Casa Esperanza has recently changed their operations from serving anyone in need to providing sobriety-based shelter, meals and related services for individuals who are ready to improve their lives and reintegrate into society. They currently operate as a 24 hour per day/7 day per week homeless shelter offering 48,000 bed nights

annually. Casa provides services to help prevent homelessness, provide safe shelter, and assist homeless households in securing and maintaining stable, independent housing and economic self-reliance.

The year-round shelter program provides 100 beds per night year round. These beds are allocated as follows: 60 homeless to housing (Transitional Living), which includes 2 beds for AB109 (Probation); 15 beds for (Mental Health); 5 beds which are made available for Social Services; and 20 medical respite beds which are comprised of ten beds which are provisionally available to Cottage Hospital and ten beds for people who are evaluated as medically fragile, requiring additional assistance during recuperation.

The 60 Homeless to Housing beds offered consist of a 100-day transitional living program for homeless individuals who seek to be sober and are ready to move forward into a productive life. The program provides case-management which includes housing, job development, recovery, and mental health services. Volunteer “navigators” augment the services provided by case managers. The navigators are trained and supervised by experienced staff regarding mental health programs, substance abuse programs, housing options, legal services, job development and other community services available to the residents of Casa Esperanza. Each navigator creates a relationship with the client to support the weekly goals made by their case manager.

Casa Esperanza contracts with County Alcohol Drug and Mental Health Services (ADMHS) to provide 15 mental health beds and case management services for homeless individuals with mental illness. In addition to case management services, these individuals are assisted with personal hygiene and medication management, and they are monitored for physical health issues, dental and vision issues.

Casa previously had a contract with County Social Services to provide 5 beds for their referrals, and Social Services had a rotating case worker who assigned clients and reviewed client progress. A contract with Social Services is scheduled to come before the Board of Supervisor’s on December 9, 2014 that revises this agreement to 3 beds on a per bed billable basis.

The 20 bed Medical Respite Program provides shelter for homeless patients from the streets or discharged from the hospital or clinics. This program provides a clean, safe place for patients to recuperate and continue with self-care rather than trying to recuperate on the streets. The program provides an opportunity for making linkages to other services offered including permanent housing and case management. Most clients are enrolled in Med Cal insurance while at Casa Esperanza. Individuals with chronic conditions, disabilities or those who are vulnerable take priority. A registered nurse from Parrish Nursing supervises the medical beds and ensures that each patient is evaluated on intake and an appropriate plan is implemented for their recovery, thus ensuring each patient receives the care they need until they can care for themselves.

Additional on-site services include meal provision and medical services. Community Kitchen provides meals (breakfast, lunch and dinner) to the men, women and families participating in their programs. Casa Esperanza receives food donations daily from various sources and distributes all excess food to other homeless agencies. The Santa Barbara County Public Health

Department operates out of Casa Esperanza to provide acute medical services year round. Hours are Monday through Friday, 8:00 am to 12:00 noon. Health and support services are provided to people experiencing homelessness throughout the county.

From December 1st through March 31st, Casa Esperanza expands its capacity from 100 to 200 beds. The services mentioned above are available for the additional 100 people who enter the shelter during the winter months.

Casa estimates that it will serve 850 unduplicated clients this year; provide 144,000 meals, and 48,000 bed nights; provide medical respite care to over 400 individuals; secure housing for than 70 clients; secure placement of 70 clients in treatment facilities; and reunite 70 clients with their families.

Casa Esperanza’s proposed outcomes for Fiscal Year 2015 are represented below. Their progress in meeting these goals will be tracked by Casa and reported to the City and County.

PROGRAM OUTPUTS – Number of Persons receiving service, i.e. meals served, clients counseled, meetings held, etc.

Output Goal	Annual Goal #
1. Out of 850 clients, 650 will receive case management, medical and social services.	76%

MEASURABLE OUTCOMES – The expected *change or result* client will experience from program outputs.

Outcome Measure	% Outcome Goal
1. Out of 650 clients, 70 will secure placement in treatment facilities.	11%
2. Out of 650 clients, 70 will secure permanent housing.	11%
2. Out of 650 clients, 70 will be reunited with family.	11%
2. Out of 650 clients, 300 will obtain employment, benefits/entitlements, and/or receive education benefits.	46%
2. Out of 650 clients, 200 will retain employment, benefits or entitlements.	31%

Casa Esperanza’s actual Fiscal Year 2014 accomplishments are shown below, as reported on their Community Development Block grant and County Human Services grant programs:

CASA ESPERANZA

July 1, 2013 – June 30, 2014		YTD
Output		
960 clients will accept help from (over 85,000 duplicated visits) providers from public health, social services, legal aid, domestic violence, rape crisis, alcohol & drug services, adult protective services, mental health services and/or VA.		783
650 will receive case management, medical and social services.		691
Outcome		
300 out of 650 clients will secure permanent housing and/or placement in treatment facilities.		107
300 out of 650 persons will obtain employment, benefits/entitlements, be reunited with family, receive education benefits.		244

3. Financial Overview

Over a period of six (6) years, Casa Esperanza borrowed a total of \$2,153,900 from the Gildea Foundation and \$391,172 from other foundations in order to pay the annual operating expenses of services for the homeless that were not adequately supported by grant or contribution revenues. An additional \$1,994,212 was owed on their building, which brought their total outstanding debt to \$4,578,636. As of June 30, 2014, the value of their property, net of depreciation, was \$4,198,487. In an effort to keep the debt from increasing, Casa Esperanza has reduced their annual operating expenses by 42% over the past two years; from \$3.1 million (Fiscal Year 2012 actual) to \$1.8 million (Fiscal Year 2015 budgeted) (see Table 2).

According to their approved Fiscal Year 2015 budget, Casa Esperanza receives support equaling 34% from Foundations, 24% from Contributions and 42% from Government (see Table 1). This compares to 22% from Foundations, 30% from Contributions and 47% from Government in Fiscal Year 2012. They lost a Housing and Urban Development (HUD) Continuum of Care grant totaling approximately \$170,000 when they closed the day center in Fiscal Year 2014, which accounts for the reduction in government funding. Also, contributions were higher in Fiscal Year 2014 due to an Emergency Appeal that brought in \$428,000 (see Table 2).

Although they show an excess for Fiscal Year ending June 30, 2014 of \$1,126,052, all but \$846 was due to loan forgiveness of principal and interest from the Gildea Foundation (see Table 2).

Table 1 also indicates the amount of funding that was secured as of November 11, 2014. Casa anticipates receiving the balance of funds by June 30, 2015.

Table 2 shows a continued decrease in the cost per bed night from Fiscal Year 2012 to Fiscal Year 2015. This is due to the reduction of staff and the elimination of the drop-in day center and lunch programs for non-shelter residents.

Table 1
Estimated Fiscal Year 2015 Revenue Sources

	Funding Source	Approved Budget	% of Budget	Secured as of 11-11-14	% Secured
	Cottage Hospital	121,000		121,000	100%
	S.B. Foundation Thrive	19,640		-	0%
	St. Francis Foundation	150,000		-	0%
	Gildea Foundation	75,000		75,000	100%
	Other Foundations	250,000		136,500	55%
	Foundation Total	\$ 615,640	34%	\$ 332,500	54%
	Contributions Total	\$ 449,500	25%	\$ 138,046	31%
	City of S.B. CDBG	51,000		51,000	100%
	City of S.B. General Fund Human Services	39,000		39,000	100%
	City of S.B. General Fund - Winter Shelter	77,100		77,100	100%
	City of S.B. General Fund - Additional Funds	125,000		125,000	100%
	County of S.B. General Fund Com Services	110,700		110,700	100%
	County of S.B. General Fund Human Services	20,000		11,481	57%
	County of S.B. General Fund ADMHS Beds	66,000		66,000	100%
	County of S.B. General Fund Addional Funds	120,000		120,000	100%
	County of S.B. Probation	60,000		60,000	100%
	County of S.B. ADMHS Mental Health	61,200		61,200	100%
	County of S.B. HCD ESG Shelter	11,190		11,190	100%
	County of S.B. HCD ESG Rapid Rehousing	11,190		11,190	100%
	County of S.B. Public Health Subs Abuse	15,000		15,000	100%
	City/County Total	\$ 767,380	42%	\$ 758,861	99%
	TOTAL REVENUE	\$ 1,832,520		\$ 1,229,407	67%

Notes: Pending contract with the County for 3 Social Service beds to be billed on per bed basis, not to exceed 27,100
County of S.B. General Fund Human Services grant is approved at \$11,481.

Table 2
Revenue and Expense Comparison

	6/30/2012	6/30/2013	6/30/2014	6/30/2015
	Audited FS	Audited FS	Audited FS	Budget
Revenue				
Foundation	\$ 494,279	\$ 590,489	\$ 1,584,147 ¹	\$ 615,640
Contributions	587,011	502,746	885,749 ²	449,500
City of Santa Barbara-General Fund	137,981	127,575	130,075	241,100
City of Santa Barbara-CDBG, HOME & HPRP	336,229	167,528	96,121	51,000
County of Santa Barbara-General Fund	Unknown	Unknown	Unknown	316,700
County of Santa Barbara-Prob, ADMHS, ESG	403,378	453,605	426,620	158,580
Housing and Urban Development	160,210	172,083	9,878	-
Other	71,742	56,314	8,823	-
Total Revenue	\$ 2,190,830	\$ 2,070,340	\$ 3,141,413	\$ 1,832,520
Expense				
Salaries	\$ 1,130,617	\$ 957,579	\$ 657,692	\$ 773,416
Other employee benefits	154,390	149,329	135,440	141,787
Payroll Taxes	106,521	95,986	75,192	90,876
Client Expenses	21,378	14,719	7,617	5,484
Advertising and Promotion	2,102	1,900	-	-
Automobile	2,428	4,268	2,939	6,386
Bus Tokens	2,147	19,412	5,459	4,933
Office Expenses	10,225	5,994	4,869	4,436
Supplies	57,208	38,240	31,782	52,668
Computer Expense	20,076	15,186	8,449	5,262
Interest	171,553	198,234	206,964	130,247
Depreciation and Amortization	144,146	144,760	141,733	139,012
Equipment Rental	9,778	12,292	5,062	4,331
Grant Writing	-	-	-	9,000
Insurance	32,634	32,618	54,257	109,000
Utilities	90,384	99,960	96,503	103,000
Food Expense	23,335	6,694	3,618	22,284
Penalties	7,025	-	-	-
Printing Expense	25,078	17,521	15,598	24,673
Postage	15,415	5,448	3,918	6,415
Project Healthy Neighbor	14,103	10,708	-	-
Rent	11,828	11,128	4,423	-
Relocation Expense	16,286	14,261	780	-
Repairs & Maintenance	54,327	81,515	18,999	25,000
Security	3,285	780	3,450	2,800
Telephone	42,440	30,545	24,766	23,665
Medical Services	57,861	54,531	27,231	4,000
Community Kitchen	364,495	407,712	202,481	-
Client Housing Assistance	154,930	110,202	70,732	11,190
Professional Services (Accounting, Legal, etc.)	186,502	147,891	109,148	21,000
Ten-Year Plan	172,062	103,150	75,084	-
Miscellaneous expenses	32,803	23,402	21,175	111,633
Total Expense	\$ 3,137,362	\$ 2,815,965	\$ 2,015,361	\$ 1,832,498
Gain/(Loss)	\$ (946,532)	\$ (745,625)	\$ 1,126,052 ¹	\$ 22
Annual Cost/ Bed	\$ 23,949	\$ 21,496	\$ 15,384	\$ 13,989
Daily Bed Rate	\$ 66	\$ 59	\$ 42	\$ 38
Notes:				
1 - Includes \$1,125,206 Loan Forgiveness from Gildea Foundation				
2 - Includes \$428,000 from Emergency Appeal				

4. Debt Overview/Restructure Plan

In July 2013, Casa Esperanza realized it needed to dramatically restructure its operations because they had borrowed \$2.5 million to fund their operations, and they could no longer afford the diversity of programs they were providing. The Board of Directors (Exhibit A) formed a Finance Committee and invited two outside advisors to assist in crafting a plan to stabilize Casa's finances and keep them solvent. This committee developed, and the board approved, a three part financial rescue plan which included the following basic components:

1. **Raise enough money to meet current payroll.** The goal was to raise a minimum of \$300,000 through an appeal to the community and funders. A total of \$428,000 was raised.
2. **Develop and implement a budget which includes funding only from sources with a "reasonable expectation" of receiving.** In Fiscal Year 2014, their budget was reduced by approximately \$1 million, and their day center and open lunch programs were discontinued. They reduced staffing levels and reduced the salaries for the staff that remained.
3. **Restructure their balance sheet and deal with the large amount of debt that had accumulated over the previous six years.** They negotiated a direct debt reduction plan with their lenders. Their largest lender, the Gildea Foundation, forgave \$1 million in principal and \$126,000 in interest, and they agreed to reduce the interest on the remaining \$1,153,900 from 5% to 3% on a fully amortized 10 year loan. They also agreed to donate \$75,000 per year for 10 years to help offset interest expense and repayments of the balance on their loan. The other foundation debt totaling \$391,172 was previously interest only at 5%, with no provision for systematic repayment. Casa Esperanza has restructured these to be fully amortized and repaid by June 30, 2024, and they have a small Business First Line of Credit (\$39,352 at June 30, 2014) which is anticipated to be fully repaid by August 2015.

In addition to the debt described above, Casa has an outstanding mortgage with Business First totaling \$994,212 at a 7% interest rate with a balloon payment due on August 1, 2017. They plan to refinance as soon as possible and obtain a 20-year or 30-year amortized loan, which will reduce their monthly mortgage expense.

At the end of Fiscal Year 2014, Casa Esperanza's debt totaled \$3,578,636 (Table 3). Of that amount, \$1,000,000 was forgiven by the County of Santa Barbara and the City of Santa Barbara on September 30, 2014 per the deed of trust. Their debt is now approximately \$2,578,636.

This restructuring plan will allow Casa to fully pay all outstanding debt, excluding mortgage, in ten years in amounts that are less than they budget for depreciation. They feel that this will allow them to effectively fundraise for current and future programs.

Table 3
Long Term Liabilities as of June 30, 2014.

	Long Term Liabilities	Amount
Note Payables		
	County of S.B.	500,000
	City of S.B.	200,000
	City of S.B.	300,000
	Business First	994,212
	Gildea Foundation	1,153,900
	Other Foundations	391,172
	Business First LOC	39,352
Total		3,578,636

5. Staffing

As mentioned in Section 4, in the summer of 2014 Casa Esperanza reduced their staffing levels and reduced the salaries for the staff that remained. They also laid off their top two management positions, the Executive Director and the Operations Manager. Since March 2014, Casa Esperanza has been operating under two separate unpaid volunteer Interim Directors, first Bob Bogle and now Joe Tumbler. Casa has recently recruited a new full time Executive/Managing Director, Jessica Wishan, who will begin this month. Jessica comes to Casa with significant experience dealing with the homeless population. Her most recent position was Project Director for the San Diego Continuum of Care. Prior to that, she was the Director of PATH’s San Diego homeless shelter. Her professional summary is attached as Exhibit B.

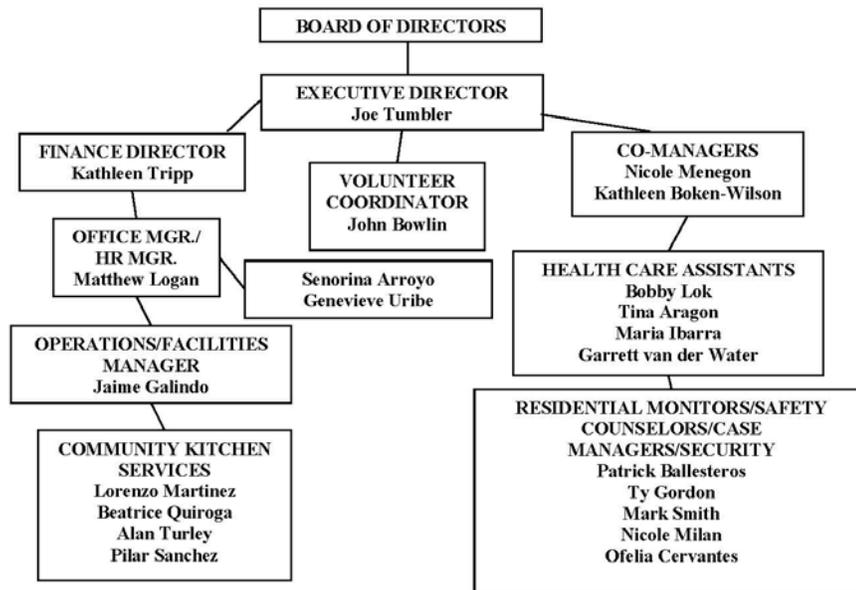
Casa employs fourteen (14) full-time and eight (8) part-time employees (see Organization Chart below). The positions are broken down as follows:

Administration:	3 FTE	Executive Director, Finance Director & Office/HR Manager
Operations/Facilities:	1 FTE	Operations/Facilities Manager
Program Support:	3.25 FTE	2.25 FTE Community Kitchen/1FTE Volunteer Coordinator
Program:	7.5 FTE	Case Managers/Residential Monitors/Health Care Assistants
Off Site Program:	.5 FTE	Family Advocate, La Cumbre Jr. High School
Security:	1.75 FTE	Security Counselors

Hourly rates range from \$11.00 per hour to \$34.85 per hour (excluding Executive Director).

In addition, as mentioned in Section 2, Casa currently has 6 volunteer Navigators who work one-on-one with clients to support the weekly goals made by their case manager; 4 have completed training and 2 who are almost midway through the training; most are from the Psychology Department at UCSB.

**CASA ESPERANZA HOMELESS CENTER
ORGANIZATIONAL CHART**



6. Shelter Comparisons

Four homeless shelters were chosen from the California Homeless Shelters and Social Services website (<http://www.homelessshelterdirectory.org/california.html>) for comparison purposes (see Table 4). Selection was based on counties comparable to Santa Barbara by population, number of beds, and those that served individuals, not just families. This was a somewhat difficult process as there are many different shelter models.

Three of the four comparison shelters receive a smaller percentage of overall government funding than Casa Esperanza. The Santa Cruz shelter receives proportionately an equal percentage of overall government funding, as well as local (county, cities) and federal/state funding as Casa. The bed rate for Casa Esperanza is higher than each of the four comparison shelters; however their cost for the comparison year includes the day center and open lunch programs. Casa's bed rate is calculated at \$38 per night for Fiscal Year 2015, which is more in

line with the comparison shelters and reflects the operational changes that have been made during the past few years.

Casa submitted their own list of comparable shelters; however they were much larger organizations in larger counties, with budgets averaging \$6 million per year. For this reason, they are not included in the review.

Table 4
Shelter Comparisons by County

	Casa Esperanza	Homeless Services Center	Mission Solano Rescue Mission	The Gathering Inn	Committee on the Shelterless	Casa Esperanza
County	Santa Barbara	Santa Cruz	Solano	Placer	Sonoma	Santa Barbara
	7/1/12-6/30/13	7/1/11-6/30/12	1/1/12-12/31/12	10/1/12-09/30/13	7/1/12-6/30/13	7/1/14-6/30/15
# of Beds	100-200	180-280	269	60	234-339	100-200
Revenue						
Government grants	\$ 920,791	\$ 946,819	\$ 664,122	\$ 154,420	\$ 807,444	\$ 767,380
Other contributions, gifts, grants	1,093,228	847,406	1,178,824	446,500	1,063,580	1,065,140
Capital fundraising	-	798,690	-	-	-	-
Rent & Fees income	5,900	184,627	-	14,157	167,557	-
Donated auto sales	-	-	121,562	-	-	-
Thrift store	-	-	344,618	-	-	-
Investment income	7	35	-	220	74,661	-
Fundraising events	-	-	44,308	112,311	708,988	-
Other income	50,414	95,422	105,080	-	-	-
Total Revenue	\$ 2,070,340	\$ 2,872,999	\$ 2,458,514	\$ 727,608	\$ 2,822,230	\$ 1,832,520
Expenses						
Payroll	\$ 1,202,894	\$ 1,294,442	\$ 1,095,264	\$ 543,186	\$ 2,051,590	\$ 1,006,079
Fees for services	147,891	-	137,295	-	185,455	21,000
Office expenses	5,994	9,918	26,274	36,553	100,154	4,436
Occupancy/Utilities	142,413	158,140	480,077	47,050	272,236	129,465
Travel/Transportation Services	19,412	43,908	1,793	50,601	53,185	4,933
Interest	198,234	-	50,464	50,950	37,892	130,247
Depreciation	144,760	227,490	131,161	46,577	294,718	139,012
Insurance	32,618	23,224	35,362	20,850	29,554	109,000
Equipment and supplies	12,292	-	37,828	50,054	72,175	4,331
Food & related supplies	6,694	53,972	-	-	-	22,284
Repair & Maintenance	81,515	155,339	-	-	-	25,000
Auto and truck expense	4,268	-	80,234	-	-	6,386
Taxes and licenses	-	-	9,541	-	-	-
Ten-Year Plan	103,150	-	-	-	-	-
Client Housing Assistance	110,202	-	-	-	-	11,190
Community Kitchen	407,712	-	-	-	-	-
Other expenses	195,916	198,106	137,573	45,366	118,400	219,135
Total Expenses	\$ 2,815,965	\$ 2,164,539	\$ 2,222,866	\$ 891,187	\$ 3,215,359	\$ 1,832,498
Net Income (loss)	(745,625)	708,460	235,648	(163,579)	(393,129)	22
Annual Cost/ Bed	21,496 ²	\$ 12,025 ¹	\$ 8,263	\$ 14,853	\$ 13,741	13,989
Daily Bed Rate	59	\$ 33	\$ 23	\$ 41	\$ 38	38
Total Government Grants	44%	46%	27%	21%	29%	42%
Fed/State Government Grants/Total Revenue	24%	24%	unknown	21%	12%	12%
Local Government Grants/Total Revenue	20%	22%	unknown	0%	17%	30%
1 Excludes Capital fundraising						
2 Includes day center and open lunch programs						

7. Challenges and Opportunities

Merger Potential

In order to realize operational and cost effectiveness, Casa Esperanza is exploring the possibility of a merger with People Assisting the Homeless (PATH), a 501(c)(3) organization based in Los Angeles. Any merger would be conditioned on community and funder acceptance and further conditioned on all funds raised in Santa Barbara staying in Santa Barbara.

PATH is a family of agencies working together to end homelessness for individuals, families, and communities throughout Southern California. They provide housing and supportive services from San Diego to San Luis Obispo, although they are relatively new to the Central Coast.

PATH is in the process of reviewing and considering the overall status of Casa Esperanza. The two organizations are also in discussions regarding entering into a Management Agreement for PATH to provide programmatic advice and support while merger talks progress. Whether or not this merger is completed, Casa Esperanza must be on solid financial ground moving forward.

Neighborhood Relations

Largely due to Casa Esperanza's programmatic and administrative changes, their relationship with the Milpas neighborhood has greatly improved over the past year. Casa's semi-annual report the City Planning Commission was held on October 16, 2014. There were no members of the public speaking in opposition of the shelter as they have in past years. In addition, the Milpas Action Task Force (MATF) report was favorable and indicated a much better relationship between Casa and the neighborhood.

Ongoing Funding

Casa Esperanza has described a funding plan for the future that includes:

- Applying to prior funders, describing Casa's improved circumstances, and asking for ongoing support for their shelter operations.
- Applying to new funding sources that have not been available due to Casa's previous programs and outcomes.
- Approaching the City, County and Cottage Hospital with a clear description of their costs of operations and ask for reimbursement at levels that cover their costs of service delivery.

8. Conclusions/Recommendations

Casa Esperanza has undergone significant changes during the past year. After operating for six years in a deficit, they ended Fiscal Year 2014 with a slight surplus, and they have adopted a realistic balanced budget for Fiscal Year 2015. They have made progress in strengthening their finances and operations, and they are dealing with their outstanding debt. The changes have made them better neighbors in the Milpas community. They have recruited an experienced Director and are considering a merger with a well- established homeless service organization.

In light of the progress Casa Esperanza has made to turn its organization around and become financially stable, our recommendation is that the County and City release the restriction on the extra one-time funding allocated for Fiscal Year 2015 and allocate the remaining funds on a monthly basis through June 2015.

Should Casa Esperanza require additional funding for Fiscal Year 2016 and beyond, our recommendation is that they approach the County and City during their respective budget processes and provide each jurisdiction an update on the merger discussions and Casa Esperanza's current financial status, including success in obtaining budgeted contributions and private grants.

There has been much debate as to how much government support is needed to make Casa Esperanza viable for the long term. The Urban Institute's *Human Service Nonprofits and Government Collaboration* report in 2010, reported that "although human service nonprofits have a myriad of revenue sources, such as fees, donations and investment income, government revenues are the largest single source of funding for three out of five nonprofits". Forty-three percent of nonprofits with budgets over \$1 million report that government is the single largest source of income for their agencies. The report did not, however, indicate specific percentages of government funding or the government funding source (federal/state or local county/city). Other sources that did indicate specific percentages of government support were not comparable because they include health and educational non-profit organizations that generate significant user fees.

Neither the research or shelter comparison information was useful in determining an overall level of funding that local government should provide for Casa Esperanza. Rather, it will be up to each jurisdiction to make its own policy decisions.

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Casa Esperanza Homeless Center ^{Exhibit B}

Offering hope and help every day!

Jessica Wishan, Managing Director, Casa Esperanza Homeless Center

Professional Summary

Jessica is a graduate of UC Santa Barbara and has dedicated her career to ending homelessness for individuals and communities. Jessica returned to Santa Barbara to serve as Managing Director of Casa Esperanza Homeless Center in November of 2014.

Most recently, Jessica was the Project Director for San Diego's Continuum of Care where she focused on regional planning efforts across 18 cities, promoting systems-change to increase collaboration, and decrease homelessness in the region.

Jessica also worked for PATH (People Assisting the Homeless) for several years, most recently as the Director of Community Engagement in Southern California where she concentrated on fundraising and communications, strategic partnerships, veterans programs, re-entry projects, and employment and job-training initiatives.

Jessica was also responsible for managing and opening PATH's project, Connections Housing in Downtown San Diego, in her role as Director for PATH San Diego. Connections Housing is a 14-floor integrated service and residential community that provides housing, services and healthcare to 223 chronically homeless individuals. The project opened in an atypical part of the community – the centre city core of downtown San Diego, where many of the financial businesses are located. Working closely with community stakeholders, the project was responsive to neighborhood concerns and was able to decrease homelessness by more than 50 percent in the quarter mile radius surrounding the building.

In Los Angeles, Jessica helped PATH lead campaigns in 5 cities under the national 100,000 Homes Campaign which aimed to identify and house vulnerable homeless individuals. She also lead *Our Faith Matters*, an interfaith alliance that mobilizes faith leaders to promote ending homelessness through housing solutions.

Before PATH, Jessica worked for an LA-based nonprofit called Chrysalis, where she spent time on employment services and social enterprise programs serving low-income and homeless adults.

Jessica is honored to return to the town of her alma mater and help work with the community to find creative solutions to decrease homelessness and help neighborhoods thrive.

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Casa Esperanza Homeless Center



Review of Operations
November 25, 2014



Background

- ◆ Fiscal Year 2015 Funding Request
- ◆ Council Direction
 - Approved \$125,000
 - \$60,000 up front
 - \$65,000 pending Review of Operations
 - Directed Staff to work with County Staff on Review



Background

- ◆ Current City Funding Agreements
 - \$51,000 CDBG
 - \$39,000 Human Services
 - \$202,100 General Fund
 - \$77,100 Winter Shelter
 - \$125,000 Extra Funding



Review

- ◆ Program
- ◆ Finances
- ◆ Debt Overview/Restructure Plan
- ◆ Staffing
- ◆ Shelter Comparisons
- ◆ Challenges & Opportunities
- ◆ Recommendations



Program Changes

- ◆ Sober Only Shelter
 - 100 Beds Year-round
 - Increase to 200 Beds from Dec - March
- ◆ No Day Center
- ◆ No Drop-In Lunches
- ◆ 850 Unduplicated Individuals



Program Outcomes

- ◆ Placement in Treatment Facilities-70
- ◆ Permanent Housing-70
- ◆ Reunification with Families-70
- ◆ Obtain Employment/Benefits-300
- ◆ Retain Employment/Benefits-200



Financial/Debt Overview

- ◆ Borrowed Money – 6 year period
 - \$2.5 million total
- ◆ Building Debt
 - \$1 million (\$1 million forgiven in September)
- ◆ FY 2014 Actual
 - Ended with slight excess
- ◆ FY 2015 Budget
 - 67% Budgeted Revenues secured to date



Financial Overview

- ◆ Revenue Sources
 - 34% Foundation
 - 24% Contributions
 - 42% Government
- ◆ Government Funding = 42%
 - 13% City General Funds
 - 17% County General Funds
 - 12% Federal/State Funds



Restructure Plan

- ◆ Raise Funds Immediately
 - \$300,000 goal/\$428,000 actual
- ◆ Develop Reasonable Budget for FY14
 - Reduced by approx. \$1 million
 - Closed Day Center and Drop-In Lunch
 - Reduced staff and salaries
- ◆ Restructure Balance Sheet



Restructure Plan

- ◆ Restructure Balance Sheet
 - Negotiated Direct Debt Reduction Plan
 - \$1.1 million forgiven
 - Fully Amortized Loans
 - Reduced Interest from 5% to 3%
 - Donation of \$75,000 per year to offset payments
 - Plan to Refinance Mortgage to reduce monthly expense



Staffing

- ◆ March 2014
 - Laid Off Management Team
 - Operating Under Volunteer Interim Directors
- ◆ New Managing Director – Jessica Wishan
 - 14 Full-time
 - 8 Part-time

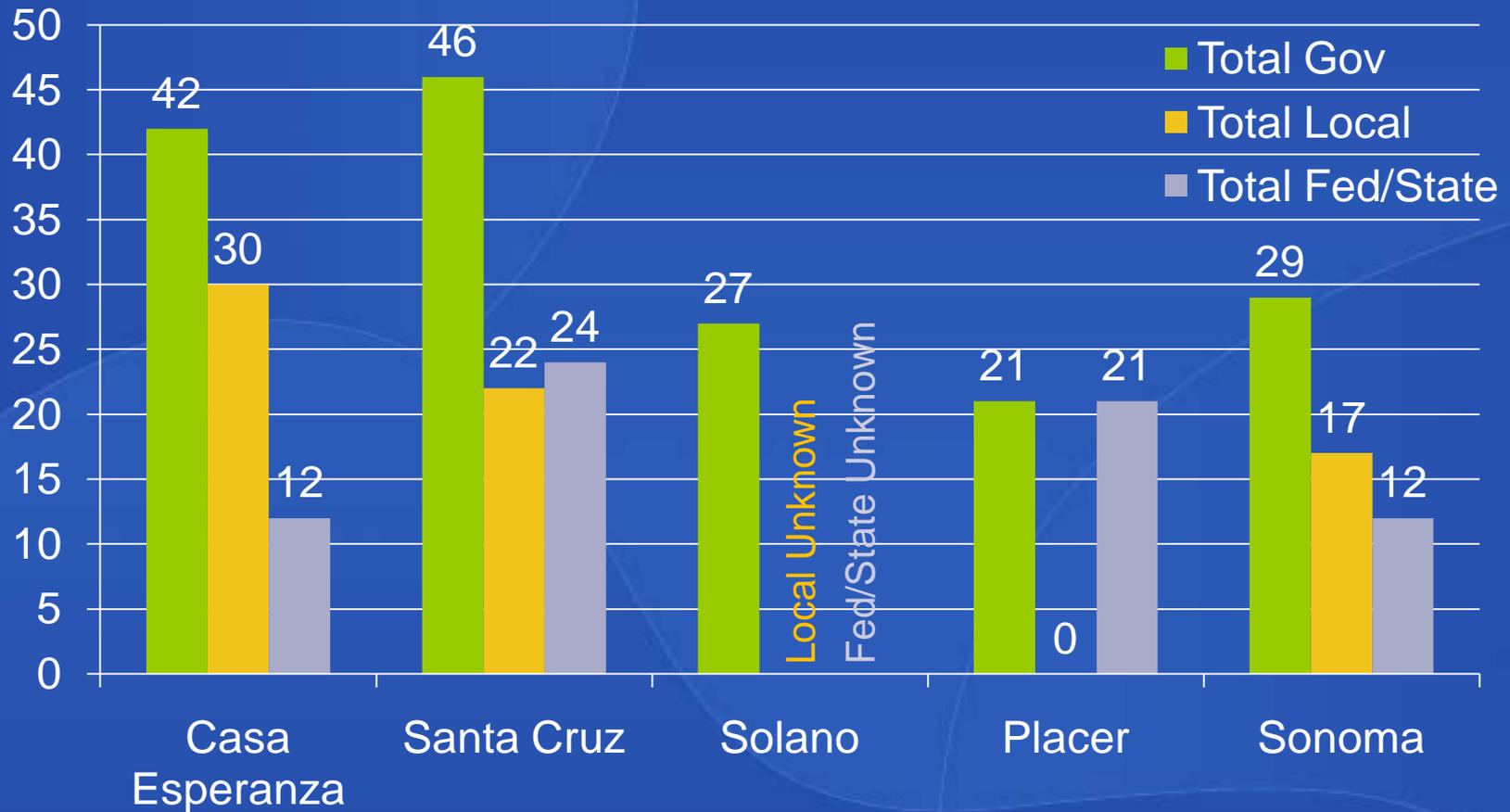


Shelter Comparisons

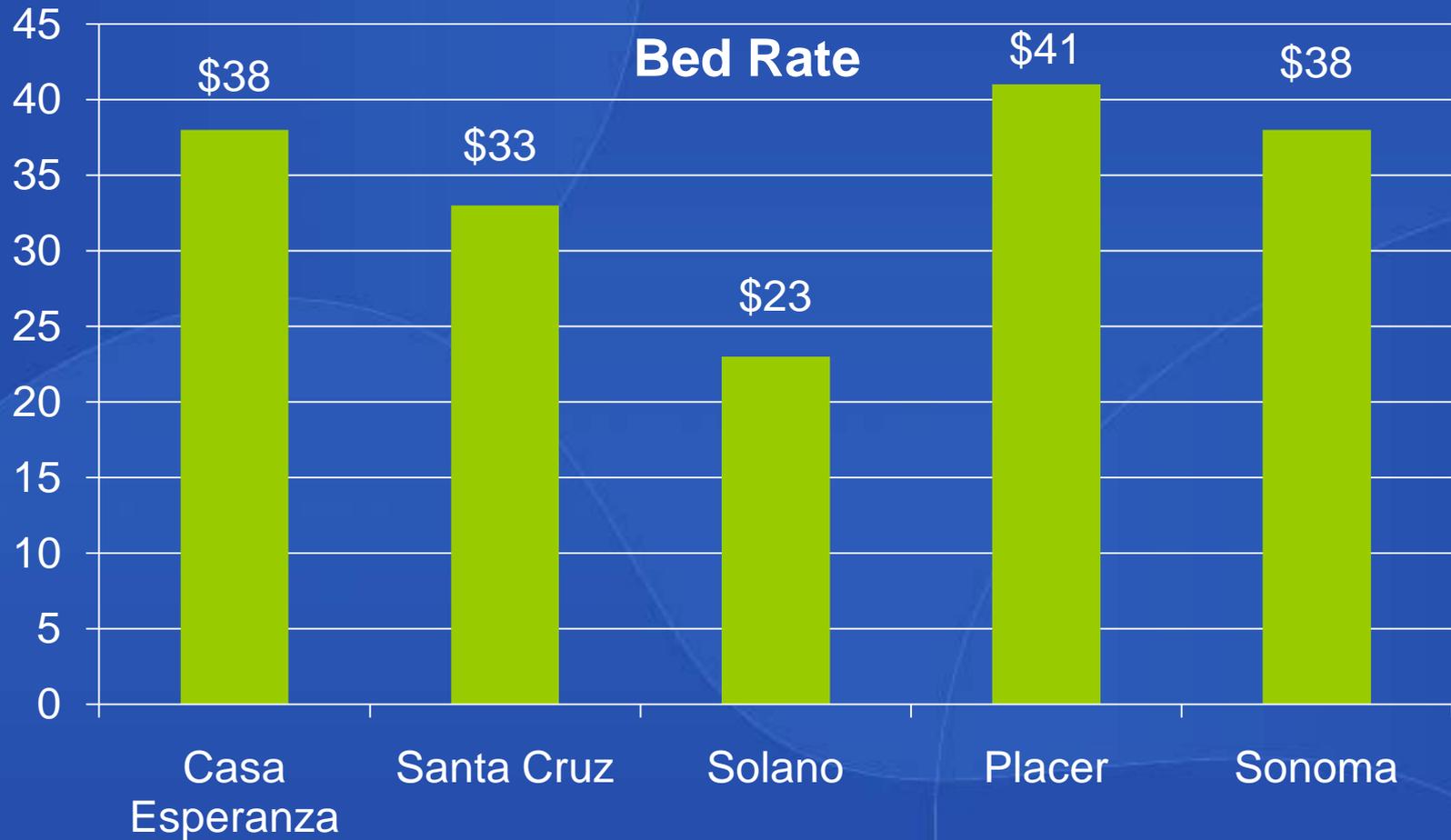
- ◆ Four Chosen for Comparison based on:
 - Population
 - Number of beds
 - Individuals served, not just families
- ◆ Difficult Process
 - Shelter Models

Shelter Comparisons

Percentage Government Funded



Shelter Comparisons Daily Bed Rate





Challenges/Opportunities

- ◆ Merger Potential
 - People Assisting The Homeless (PATH)
- ◆ Neighborhood Relations
 - Planning Commission Report
 - Milpas Action Task Force
- ◆ Ongoing Funding
 - Prior Funders
 - New Sources
 - Reimbursement Levels
- ◆ Council Policy Decision – City Contribution



Conclusions

- ◆ Ended FY 2014 with a slight surplus
- ◆ Adopted realistic budget for FY 2015
- ◆ Strengthened finances and operations
- ◆ Dealing with outstanding debt
- ◆ Become better neighbors
- ◆ Recruited experienced Managing Director
- ◆ Considering merger



Recommendations

- ◆ Release restriction on additional funding for Fiscal Year 2015
- ◆ Allocate remaining funds on a monthly basis
- ◆ Require Casa Esperanza to return to Council with request for additional funding for Fiscal Year 2016



Questions?



Next

- ◆ Casa Esperanza Representatives
 - Jessica Wishan, Managing Director
 - Joe Tumbler, Interim Executive Director



Casa Esperanza Homeless Center



Review of Operations
November 25, 2014