

UFA Committee Meeting Minutes 9.24.2019

- **Meeting Date and Time:** Tuesday, September 14, 2019, 1:00 – 3:00 pm
- **Type of Meeting:** Second Full Committee Meeting
- **Location:** All Chicago
- **Chair:** Jackie Edens
- **Facilitator:** Steve Gaydos, All Chicago
- **Membership Attendance:**
 - Jackie Edens (Inner Voice)
 - Art Bendixen (Retired ED of CHH)
 - Lashonda Milton (Facing Forward)
 - Tom Eagan (La Casa Norte)
 - Flora Koppel (Unity Parenting)
 - Kim Davis (Inspiration Corporation)
 - Perry Vietti (Interfaith Housing)
 - Jeri Linas (Ignite)
 - Jim Cunnea (Catholic Charities)
 - David Sinski (Heartland Human Care)
 - Chris O’Hara (LEC)
- **Other Attendees:**
 - Carolyn Ross and Ashley Ganbold, All Chicago
- **General Agenda:**
 - Review and discuss workgroup findings
 - Next Steps
- **Meeting Highlights:**
 - The purpose of the meeting was to review and discuss the findings of the survey, governance and capacity workgroups. All members had previously been provided with a UFA Committee Summary of Workgroup Findings (“Summary”), which had been prepared by Steve Gaydos and reviewed by the three workgroup leaders: Jackie Edens, survey; Art Bendixen, governance; and Lashonda Milton, capacity. This Summary is attached as Exhibit A.
 - Steve started with introductions and turned the meeting over to Jackie Edens, committee chair.
 - Jackie commented that she was very pleased with the work done by the committee and its workgroups as facilitated by Steve and All Chicago. This sentiment was echoed by other members.
 - Each workgroup leader presented their workgroup findings, starting with the Jackie (survey), followed by Art (governance), and finishing with Lashonda (capacity). The key findings in the

Summary were reviewed. Dialogue ensued throughout, and Jackie paused at key junctures to poll all members who were on the phone to ensure that everyone was heard.

○ **Key Discussion Points and Comments:**

- Jackie noted the HUD increase in UFA funding in the 2019 NOFA from \$750,000 to \$1,250,000.
- The group discussed the potential benefits of grant consolidation, which is made easier by the UFA model. Benefits include outcome data being reported over a larger population, more flexibility in making changes within a larger project, and fewer grants to administer.
- The group discussed various grant start dates, with varying opinions.
- Jackie noted that the survey group still needed to contact LA and NY to see whether they have considered the UFA. The group decided to add Houston to this list.
- The group wanted more detail regarding the nature of the Chicago CoC unspent funds as reported in the Summary. Steve is to provide this detail.
- The underspending formula was discussed and how this relates to current policies in the CoC. Art emphasized that reallocated funds due to underspending would be restored to the original provider for the following year. Tom was concerned about underspending by new projects, and Art noted that the underspending policy did not apply to new projects.
- All three surveyed UFAs reported LOCCS issues. The group discussed the impact on provider payments if the UFA had a LOCCS issue. Lashonda noted that a “contingency plan” was needed to address these types of issues.
- Lashonda presented some other examples explored by the capacity workgroup that could impact provider cashflow, including a government shutdown.
- The group discussed a line of credit for the UFA as part of a contingency plan. Art noted that some providers may have financing issues because they will no longer have a direct HUD contract.
- Lashonda also reiterated the importance of having automated systems to facilitate provider payment and reporting.
- Jackie noted that she had presented preliminary findings to SPC a few weeks earlier and there was much interest in the topic.
- The group discussed next steps for the committee now that the core work was completed. The group decided not to make a recommendation to the Board at this time. Rather, the group believed that the next step was to convene the CEOs of the providers to report the findings and answer any questions. The group decided that Jackie would organize the convening and that La Casa Norte would provide the facilities. All Chicago would be invited, with the possibility of the group holding an

executive session without All Chicago at some point during the meeting. The meeting would occur in October.

- **Action Steps:**

- Organize a UFA informational meeting for provider CEOs in October.
- Prepare minutes for the CoC Board and request spot on the October Board agenda
- Contact NY, LA and Houston CoCs regarding the UFA
- All Chicago will work on its payment contingency plan to address the payment concerns.
- All Chicago to provide additional detail regarding unspent funds.

**UFA Summary of Workgroup Findings
9.13.2019**

• **Survey Workgroup**

- The UFA survey was conducted by Urban Labs and we obtained responses from three existing UFAs (Columbus, Cincinnati, and Long Beach) and three subrecipients of the UFAs. The largest UFA, Pittsburgh did not participate as they are just starting the UFA contracting process. The profiles for the surveyed UFAs are as follows:

	Cincinnati	Columbus	Long Beach
Entity Type	501(c)(3)	501(c)(3)	Gov't Agency
First Year	2013	2015	2013
ARD	\$19,476,832	\$12,763,762	\$8,467,853
Planning Grant + UFA funding	\$830,000	\$700,000	\$390,000

- The survey confirmed that each UFA is receiving the maximum funding for both the planning grant and the UFA.
 - Cincinnati originally noted that the UFA funds were not adequate to meet its responsibilities. They later noted that 2019 NOFA increased the UFA funding by 1% of the annual renewal demand (ARD), which they noted would be adequate. The other UFAs reported that the funding was adequate.
- The survey validated the benefits of the UFA.
 - Cincinnati and Columbus have been able to effectively eliminate unspent funds within their systems. Long Beach is just now establishing a reallocation policy.
 - While the transition year presents contracting challenges, the contracting and budget modification processes appear to be manageable thereafter, if not better under the UFA. All three subrecipients reported that contracting and budget modification were easier under the UFA.
 - All the UFAs reported that their grants had the same starting date, and they all reported that they were able to consolidate multiple grants with the same subrecipient.
 - The Annual Performance Report (APR) process under the UFA shifts the reporting burden from the subrecipients to the UFA. All three UFAs reported that the process was time consuming for the UFA, but manageable.
 - Other reported benefits include improved system compliance, improved system collaboration, and community-wide match.
- The survey also identified some of the challenges of the UFA.
 - All the UFAs reported that the payment timeline was longer under the UFA model. Cincinnati and Columbus reported a turnaround of 5 -7 days. Long Beach reported

that they pay within 45 days. A subrecipient of Long Beach reported that actual payment turnaround was 7 days. All subrecipients indicated that the payment timeline of the UFA was acceptable.

- All three reported issues with eLOCCS.
- Both Columbus and Cincinnati stated that they had to repay funds to HUD due to subrecipient noncompliance. Cincinnati stated all amounts have been recovered from subrecipients. Columbus UFA reported an \$11,000 repayment that could not be recovered from the subrecipient.
- We learned different approaches to program and financial monitoring. Columbus utilizes a continuous transactional monitoring approach and Cincinnati utilizes a once per year site visit approach.
- The survey workgroup has noted the following areas for follow-up.
 - Start a conversation with the local HUD office, sooner than later.
 - Update the SPC on the findings of this committee.
 - Develop metrics for measuring UFA success.
 - Consider how the UFA helps the system achieve high performing community status.
 - Continue to gain knowledge from the surveyed UFAs, and from the Pittsburgh as they start the transition to the UFA.
 - Contact LA, NY or another comparable system to see if they have considered the UFA.

- **Governance Workgroup**

- The governance workgroup has developed three draft documents:
 - UFA Memorandum of Understanding
 - Temporary Reallocation of Funding Due to Underspending Policy
 - Permanent Reallocation of Funding Policy
- **UFA Memorandum of Understanding** overview
 - The MOU only covers the specific tasks of the UFA. This MOU would be in addition to the Collaborative Applicant MOU, which covers the tasks specific to the CA. The specific UFA tasks are:
 - Contracting with HUD
 - Contracting with subrecipients
 - Payment of subrecipients
 - Monitoring of and technical assistance to subrecipients
 - Reallocation of funds
 - Matching funds
 - Annual performance reports

- The document references three other policy documents that also govern UFA operations:
 - CoC Financial Policies and Procedures
 - Temporary Reallocation of Funding Due to Underspending Policy
 - Permanent Reallocation of Funding Policy
- The four major provisions addressed in this document are:
 - **Oversight:** Two existing bodies and two new bodies will have authority and oversight over the UFA:
 - The CoC Board will have final authority over UFA activities.
 - The Project Prioritization workgroup will be responsible for ranking project applications, which lead to the awarding of contracts with subrecipients.
 - A newly formed UFA Oversight Committee will be designated by the CoC Board to oversee, monitor and evaluate the performance of the UFA under the MOU.
 - A newly formed CEO Advisory group will consist of CEOs of subrecipient partners to provide a high-level assessment of the impact of the UFA model on subrecipient operations and to the overall system and its performance.
 - The UFA will retain the legal right to authority to take any actions it deems necessary with respect to its obligation to perform its contracts with HUD, including the imposition of subrecipient sanctions in accordance with 24 CFR 578.107(c).
 - **Term:** The term will coincide with the effective date of the first UFA contract with HUD and will terminate with the lapse of the final UFA contract with HUD. The CoC Board has the right to discontinue operating under the UFA model and the right to replace the UFA/CA.
 - **Performance Reporting and Monitoring:** The UFA Oversight Committee will monitor system performance monthly and report to the Board bi-monthly.
 - **Budget:** An approved UFA budget will be attached as an exhibit to the MOU.
- **Temporary Reallocation of Funding Due to Underspending Policy** overview
 - The workgroup drafted a separate reallocation policy for underspending, which is temporary in nature and needs to be rapidly redeployed, and a separate policy for all other funding reallocations, which are permanent in nature and may not require rapid redeployment.

- Per HUD reports, underspending for the Chicago CoC for the past two completed NOFA years are as follows (by number of years the grants have been in place):

# of Grant Years	Unspent Funds	% of Total
NOFA Year: 2014 (contracts through 12/31/2016)		
1	\$166,246.69	2.4%
2	\$122,664.21	1.8%
3	\$671,096.52	9.6%
4	\$203,601.58	2.9%
5	\$282,875.53	4.1%
6	\$96,142.41	1.4%
7	\$816,751.74	11.7%
8	\$4,607,528.37	66.1%
Total	\$6,966,907.05	100.0%
NOFA Year: 2015 (contracts through 2/28/2018)		
1	\$10,941.50	0.2%
2	\$341,865.84	7.3%
3	\$69,328.25	1.5%
4	\$534,079.36	11.3%
5	\$80,800.59	1.7%
6	\$208,699.75	4.4%
7	\$97,183.44	2.1%
8	\$733,973.62	15.6%
9	\$2,632,925.85	55.9%
Total	\$4,709,798.20	100.0%

- Based on the above chart, most of the underspending is attributable to mature grants.
- The underspending policy imposes specific spending expectations on the subrecipients and permits the UFA to reallocate funds if a project does not meet expectations. If spending is below the target, the subrecipient must present a plan to spend the funds by the end of year, otherwise the funds will be reallocated to another project. Much of the language was borrowed from the Cincinnati reallocation policy. The spending expectation (based on a June 30 year-end) is as follows:

	Review Date	Expected % spent:	Recapture of funding if actual spending:	Discussion with UFA about spending plan in following Quarter if actual spending between:
Quarter 1: July-Sept	October 15	25%	< 15%	15-24.9%
Quarter 2: Oct-Dec	January 15	50%	< 40%	40-49.9%
Quarter 3: Jan-March	April 15	75%	< 70%	70-74.9%
Quarter 4: April-June	Final billings are due 40 days after the close of the operating year.			

- When recaptured funds are identified, UFA does not need to obtain approval provided it follows the policy. The UFA will issue a Funding Request to the community and will try to quickly match the reallocated funds to an appropriate project.
 - Reallocated funds will be restored to the original subrecipient in the following grant year (unless permanently reallocated under the “permanent” policy).
 - Reallocation decisions will be documented and reviewed by the UFA Oversight Committee (after the fact) as part of its ongoing monitoring of UFA performance.

- **Permanent Reallocation of Funding Policy (overview)**
 - This reallocation policy addresses reallocations which are permanent in nature, both voluntary and involuntary. The policy lists likely scenarios where funds may be permanently reallocated, including chronic underspending, and capacity and compliance issues with the subrecipient.
 - A voluntary reallocation is either initiated by the subrecipient or the subrecipient agrees to a recommendation to reallocate by the UFA or CoC. The reallocation process is straightforward as the subrecipient agrees to the reallocation.
 - An involuntary reallocation is a reallocation that is contested by the subrecipient. The policy details the procedure for making a final determination to reallocate. The recommendation is initially reviewed by the UFA Oversight Committee and the final decision rests with the CoC Board.
 - Once funds are permanently recaptured, the process for reallocating the fund varies based on the timing of the reallocation:
 - If the funds need to be reallocated within a grant year, the reallocation process will be similar to the underspending policy process.
 - If the funds will be reallocated in the following grant year, the reallocated funds can either be added to the funding pool for new project applications, or

a separate Funding Request can be issued, with expanded notice provisions that align with the availability of the funds.

- **Capacity Workgroup**

- The workgroup was introduced to the CoC Financial Policies and Procedures, which were developed by an ad hoc CFO workgroup in 2018. The purpose of the policies was to address all the financial capacity requirements detailed Appendix B of the HUD UFA Discussion Guide. A few members of the CFO workgroup are on the capacity workgroup.
- To better understand the needs of the providers, All Chicago conducted a financial requirements survey of the CoC providers. 21 of 41 CoC providers responded and the following is a summary of the responses.
 - 52% of the providers responded that it is essential to receive funds within two days of a draw request.
 - 43% of the providers keep supporting documentation with the draw package.
 - HUD has monitored 62% of the agencies within the past three years.
 - 28% of the providers charge no indirect costs to grants. 48% charge the de minimis rate. 5 providers charge a federally negotiated rate, of which 4 providers noted that HUD was their cognizant agency.
 - Most providers prefer the same start date for contracts versus staggered start dates.
- The capacity workgroup reviewed the key provisions of the financial policies, namely contract and payment administration and monitoring, and discussed several capacity issues. Some of the issues, such as reallocations and oversight, have been addressed by the governance workgroup. The following is a summary of the discussion of the significant remaining capacity issues in a question and answer format.
- **In light of the claim by a majority of providers that a 2-day payment cycle is essential, how will All Chicago be able to meet this expectation on a regular basis?**
 - The surveyed UFAs indicated a 5 -7 business day payment cycle . All Chicago discussed the cycle in detail with Cincinnati, which is summarized as follows:
 - Draw submitted by subrecipient and reviewed – 1 -2 days.
 - Draw submitted to eLOCCS and HUD pays UFA - 2 days.
 - Wire transfer made to subrecipient upon receipt from eLOCCs – 2 days from initiation of funds transfer to funds availability in the subrecipient’s account.
 - All Chicago proposes to reduce this payment cycle as follows:
 - All Chicago has received a commitment from its bank to provide 1-day wire transfer clearance, which will reduce the above time frame by one day.
 - All Chicago intends to submit draws on the same day to eLOCCs, provided that draw is submitted by 3 pm, which will reduce the above time frame by one day.
 - For beginning of the month rent payments and perhaps all other draws, All Chicago plans on drawing the anticipated amounts one or two days in advance of the subrecipient draw requests so the eLOCCs funding can be received

coincident with the subrecipient draw requests. This technique would allow All Chicago to issue the wire payment to the provider on the day of the draw or the next day at the latest. With one day wire transfer turnaround, the payment would be received no later than 2 days after the draw.

- We would need to work with HUD to approve this process, which is allowed under Uniform Guidance rules.
- **What is the process for the transitioning of grants under the UFA, and how will the UFA affect grant administration in general?**
 - Based on the UFA survey response, the contract transition process is summarized as follows:
 - The UFA and the CoC work closely with HUD to determine the best grant year for the new UFA contact.
 - Once that grant year is determined, HUD works with the existing providers to transition their grants to coincide with the UFA grant year.
 - During this transition year, grants that do not align with the UFA grant year will either be renewed/amended for less than 12 months or extended beyond 12 months, depending on where the provider grant year ends in relation to the UFA grant year.
 - If desired, multiple projects of the same model type and with the same provider will be consolidated into a single grant.
 - The UFA will then have two grants with HUD, one for renewal projects and one for new projects.
 - Some Chicago CoC providers have reported contracting delays with HUD, which have resulted in payment delays during the beginning of the grant year. All Chicago would begin the contract renewal process with HUD and with the subrecipients well in advance of the renewal date to ensure that the grant is operational before the start date.
 - Budget modifications would go through the UFA and would only need to go through HUD if the modification resulted in a 10% change in a budget category. The budget category thresholds are system wide and will be much higher under the UFA, so we expect most if not all budget modifications would not require HUD approval. This process should make the budget modification process quicker and easier.
- **Is the \$750,000 maximum amount available for UFA funding adequate to fulfill UFA responsibilities and what is the backup plan if this funding is not awarded now or in the future?**
 - **Important Update: the 2019 NOFA has increased funding to 3% of the ARD, with a maximum of \$1,250,000. All Chicago would expect to receive \$1,250,000.**
 - The surveyed UFAs confirmed that they all receive maximum planning grant and UFA funding. Based on all current information, All Chicago believes it is highly likely that it will receive maximum funding from HUD.
 - Columbus and Long Beach indicated the funding was adequate, while Cincinnati indicated that the funding under the old formula was not adequate, but under the new formula the funding will be adequate.

- All Chicago presented a budget based on pre-2019 maximum funding of \$750,000, plus 25% match. This budget dedicates 10 FTEs for UFA responsibilities. All Chicago believes it can fulfill the responsibilities based on this budget. All Chicago is even more confident that it can fulfill its responsibilities based on the expanded \$1,250,000 funding amount.
- All Chicago has not yet developed a backup plan if funding falls below \$750,000, and would require the cooperation of the entire CoC system to work within a lower budget constraint. At this time, we do not believe this scenario is likely.
- **Will the UFA impose a significant administrative burden on the subrecipients?**
 - Based on our survey, most of the Chicago providers are currently compiling the draw documentation that will be required by the UFA, so the draw submission will not impose a significant burden.
 - The UFA model imposes an annual monitoring requirement. We have already instituted financial risk assessments to identify low risk subrecipients who will be “lightly” monitored. We will be tweaking our initial monitoring protocols based on feedback from the Cincinnati UFA, which emphasizes once-per year monitoring versus continuous monitoring. Our goal is to reduce the monitoring burden as much as possible while retaining high overall system compliance.
 - The additional burden of annual monitoring will be offset by several administrative benefits of the UFA:
 - Ongoing technical assistance to subrecipients with compliance issues.
 - No APRs for subrecipients.
 - An easier budget modification process that goes through the UFA, not HUD, and has much higher budget modification thresholds requiring approval as all modifications are based on the total system budget.
 - Potential project consolidation, resulting in fewer grants to administer.
 - Same start dates for grants (viewed as a benefit by most providers).
 - The subrecipients surveyed from other UFAs all reported that the extra administrative burdens were worth the system-wide benefits.
- **What is the All Chicago succession/backup plan for UFA leadership?**
 - All Chicago has just hired a new CEO with a proven track record for leading large social service organizations and is committed to the UFA concept.
 - With the procurement of the increased planning grant in 2017, All Chicago has significantly increased its UFA capacity with the development of a strong financial team, the creation of strong program and financial monitoring team, and the expansion of its overall CoC team.
 - The daily financial operations of the UFA will be overseen by the All Chicago CFO, co-managed by its Director of Finance, and supported by a three – four-person team. Both the CFO and Director will have full knowledge of the financial operations and will serve as backups to each other. The contracting and compliance side will be overseen by a full-time compliance manager, and a team of five – six people. The existing Director of CoC programs will provide supervision and backup to this team, along with the CFO and Director of Finance.

- **What is the impact of the UFA model on provider indirect cost rates?**
 - Based on our survey, well over half the providers either charge the 10% de minimis indirect cost rate to the grant or do not charge any indirect cost. The change to the UFA model would not affect their indirect cost rate.
 - 4 respondents indicated that they charge a federally negotiated indirect cost rate and that HUD is the cognizant agency, that is the agency that determines the indirect cost rate.
 - At least one agency has reported a concern that if the UFA model is adopted, due to technical issues beyond the scope of this summary, the change may result in a change in its cognizant agency to another federal agency. This change would require extra work to establish a new rate with the other agency and could potentially alter the rate.
 - This issue has not been fully explored and it is important to note that the change to the UFA model will not change the ability of an agency to apply the federally negotiated indirect cost rate. We will have conversations with HUD regarding this issue.