



Exhibit B

MEMORANDUM

To: Portland City Council

From: Children's Levy Staff

RE: Ordinance to Approve small grants renewal funding recommendations made by Children's Levy Allocation Committee for Small Grants portfolio for January 1, 2024 - June 30th, 2026.

Background

In November 2002, Portland voters approved the Portland Children's Levy (PCL). The Levy was recently renewed by voters in May 2023 to run from July 2024 through June 2029. The Levy generates \$20-23 million annually for programs benefitting Portland children in early childhood, after-school, mentoring, child abuse prevention and intervention, foster care, and hunger relief.

An Allocation Committee governs PCL and grants funds to programs serving children and families residing in the City of Portland. The Allocation Committee is comprised of a member of City Council (Commissioner Dan Ryan), a County Commissioner (Commissioner Julia Brim-Edwards), a representative of the business community appointed by the mayor (currently vacant; new appointment is in process), a citizen member appointed by the County Board (Felicia Tripp Folsom), and a citizen member appointed by the mayor (Traci Rossi).

The Allocation Committee created the Small Grants Fund in 2019 in response to recommendations emerging from 2018 community engagement and grantmaking improvement processes. The purpose of the Small Grants Fund is to increase equity of access to PCL funds by investing in programs of small organizations that have not had access to PCL funds before, and that arise from marginalized communities including people who identify as Black, Indigenous, People of Color, immigrant and refugee, LGBTQ2SIA+, and people with disabilities. The first portfolio of Small Grants Fund was awarded in November 2020 by the Allocation Committee and approved by City Council in December 2020. The 7 grants totaled \$1 million over 3 years and end on December 31, 2023.

Request for City Council Approval

PCL requests that City Council accept the recommendation of the Allocation Committee to fund 7 renewal grants in the amounts specified in the Ordinance, Exhibit A: Portland Children's Levy Small Grants Renewal Recommendations Jan. 1, 2024 – June 30, 2026. This memo provides background on the funding process for the initial 3-year grants, and the process leading up to the Allocation Committee's 2.5-year grant renewal recommendations.

Development of Small Grants Fund

Response to Community Feedback 2018-19: PCL contracted with Portland State University's (PSU) Center for Improvement of Child and Family Services to review PCL's 2014 grantmaking process and recommend improvements in advance of its 2019-20 competitive grant round. PSU's qualitative evaluation and report, [Portland Children's Levy: Review of the Grantmaking Process](#) provided 30 recommendations focused on improving transparency and equity practices in its grantmaking, and included the creation a small grants fund for small organizations that have not accessed Levy funds. PCL also contracted Empress Rules Equity Consulting to conduct a 9-month community engagement process to inform PCL's 2019-20 funding priorities. Empress Rules surveyed 400 community members and 100 service providers. The [Portland Children's Levy Community Engagement Report](#) findings focused on equity priorities such as culturally relevant and responsive services; direct service staff that reflect the cultures of and languages spoken by families served and the inclusion of marginalized communities in Levy funding decisions. These results guided PCL's 2019-20 grantmaking process and led to the creation of its Small Grants Fund.

2020 Small Grants Participatory Grantmaking Process: The process included the features outlined below.

- **Design Team:** Ad-hoc committee with program, policy, and lived experience in communities of focus for PCL small grants. Design Team met Jan- July 2020 to develop small grants materials and process.
- **Community Conversations:** 8 events (in-person and virtual) between Feb- Mar 2020, attended by people from 31 small organizations, providing input for how to shape an equity-driven, strengths-based grantmaking process. Findings used by Design Team.
- **Two-Step Application Process:** Design Team and PCL staff crafted a two-step application process that occurred June – Oct 2020. *Step 1:* short, written application minimizing time/resource burden on applicants and helped narrow the applicant pool; *Step 2:* a smaller applicant pool completed a written application and oral interview to balance against PCL's mainstream, typical written-only application processes.
- **Role of Reviewers in Grant Recommendations:** The 6-member Design Team and 6 volunteer community reviewers read and scored applications and interviews. Reviewers met with PCL staff and guided which applicants moved from Step 1 to Step 2, and in Step 2 they provided funding recommendations to PCL's Allocation Committee.

PCL received 31 Step 1 applications, requesting \$ 4,414,500. Twelve applications to move to Step 2, requests totaling \$1,759,500. Using the process above, the Allocation Committee recommended 8 applicants for funding. In Ordinance 190237 City Council approved the Allocation Committee's funding recommendations for \$1 million over 3 years.

In spring 2021, one grantee withdrew their application in the contracting process, resulting in the current portfolio of 7 organizations. After the grantee withdrew their application, ad-hoc Design Team members met and suggested that the Allocation Committee redistribute funds among the existing grantees. The Allocation Committee recommended increasing amounts to 6

of the 7 grantees, and City Council approved their recommendations on August 18, 2021 in Ordinance 190535. One grantee, Brown Girl Rise, did not receive an increase in funds since they had already reached the maximum award for which they were eligible.

2023 Small Grants Renewal Process

PCL offers renewal grants to allow grantee partners, pending performance, to continue delivering the same or substantially similar services as funded in the initial 3-year grant.

Grant Renewal Process Overview

1. **June 13th AC Meeting:** The Allocation Committee approved the formula for calculating renewal funding recommendations for small grants (same as the large grants, renewed in spring 2023, under Ordinance number). The formula uses 40% of the grantee's 3-year grant amount as the base plus 4% compounded COLAs for each renewal grant year. This method accounts for increased inflation rates since 3-year grants were made in 2020. Staff continue to monitor grant performance and spending of current grants. Staff will negotiate grant agreement goals and budgets, and may negotiate annual budgets less than the maximum renewal amount based on final spending and performance during these final 2 quarters of the 2023.
2. **Annual Report Review & Analysis:** Staff reviewed and analyzed annual data and narrative reports submitted by grantees for FY23. Staff met individually with grantees to discuss progress toward grant agreement goals and questions about the renewal process.
3. **Staff's Grant Renewal Recommendations:** Staff sent renewal recommendations to each grantee on September 15th. When staff sent renewal recommendations to grantees, we notified grantees that significant and ongoing issues in meeting grant agreement goals and/or underspending through the current year may result in staff negotiating annual grant budgets that are less than the maximum allowed. All grantees acknowledged receipt of the renewal recommendations, and only 1 provided written comments on the renewal recommendation documents. Comments supported staff's grant renewal recommendations.
4. **October 17 AC Meeting:** PCL staff provided the Allocation Committee with individual grant performance summaries, annual grant performance and financial review data, and renewal recommendations. At their October 17, 2023 meeting, the Allocation Committee recommended 2.5-year renewal of the 7 small grants, totaling \$1,090,083, as outlined in Exhibit A.

Annual Performance Data

Grantee reports for July 1, 2022 through June 30, 2023 reflect positive results. All grantees met or exceeded goals for the number of people served and met most of their service activity goals. Overall, nearly 70% of youth served met grantees' program attendance goals, and grantees met all outcome goals on which data was available to report at year-end.

Disability Inclusion Goals

Small Grants Fund has a particular focus on the capacity-building of small organizations to better serve children with disabilities. Small Grants grantees created disability inclusion goals

to make their programming more accessible to children with disabilities from their communities. Each grantee has 1-2 goals per year. Collectively, they had 8 disability inclusion goals for FY23, 4 had been met and 4 were in progress.

Grant Spending

6 of 7 of grantees spent 93% - 100% of their funds in FY 2022-23. One grantee was underspent due to a staff vacancy and ongoing pandemic recovery issues. Grantee is hiring to fill the vacancy and working with PCL staff to address any concerns.

Small Grants Financial Review Process

Six of the seven small grantees receive more than \$25,000 annually from PCL and were required to participate in a financial review process with Merina & Co., PCL's external auditors. Merina reviewed internal documents and processes considering ten metrics of financial health including:

- Financial practices around accounts payable, accounts receivable and bank reconciliations.
- 3 years of financial statements, current budget and financial forecasts.
- Internal processes used to create 2 quarterly invoices and expense reports for PCL.

Overall, results were positive: one grantee with no concerns, four grantees with one minor concern, and one grantee with four minor concerns. There were no major concerns, and no concerns surfaced in the invoice/expense report preparation process for any grantees.

Merina made suggestions for improvements based on the individual reviews and will lead two training sessions for grantee financial staff: one on preparing for a financial statement audit and one on internal controls. Additional follow up is planned to address concerns that surfaced in the reviews.