



Town Staff Questions for IFC on Inter-Local Agreement Request

- 1. The local governments receive significant interest and requests for funding from community partners doing important work in the community. Can you tell us more about how this request is different than other requests from nonprofits working to meet community needs who currently go through the human services process?**

Across the U.S., we are seeing a rise in deaths related to homelessness (<https://amp.theguardian.com/us-news/2022/feb/07/homelessness-is-lethal-deaths-have-risen-dramatically>). We are not immune to that here, as we have tragically learned recently. Our services are literally a matter of life and death. The services we provide aren't just 'nice to have' - they are vital services, as IFC stands in the breach between people dying and living. IFC's facilities are the only shelters in all of Orange County. We meet basic needs that no other organization is providing for. Dedicated funding will allow us to sustain those services.

- a. Related to this question, one of the main reasons for establishing the Interlocal Agreement with Community Home Trust was because CHT was created by the local jurisdictions specifically to implement the local government policy of inclusionary housing. Is there a similar determining factor that separates this request from others?**

IFC is providing essential social services that would have to be provided by the local governments if we did not exist. If IFC is unable to afford to continue providing shelter services, the local governments will need to do so or find someone else who can. Staff at IFC possess the necessary expertise and experience to deliver these services. IFC is able to provide these services at a lower cost than the local governments could since we are able to leverage quite a bit of private funding and in-kind services, which local governments would be less likely to have the ability to do.

- 2. Thank you for submitting the table analyzing how a similar type of structure is being implemented in other jurisdictions. Are there other relevant examples of this type of structure you can provide? Is this a best practice or are these 3 communities different than most setups?**

We chose to compare ourselves to other college towns believing we have similar characteristics that are distinct from other communities (higher levels of education on average, open minded

with respect to helping people who have been marginalized, and less likely to take a NIMBY stance).

Having researched several college town-located organizations, we identified six that were similar in size and scope to the work that we do. The data that you see is from the three organizations that were willing to have a 30 to 60 minute discussion to make sure we had their information correct and that our work was, in fact, a fair comparison.

- a. For the Gainesville example, the asterisk says the County now funds a different shelter. Does this mean what is shown in the table is not currently how it's structured? If so, how does it work now?**

The Gainesville row in the spreadsheet is accurate except for the Town/County split. The correct split now is 100/0 town/county, but that does not reflect the contribution that the county is making to support homeless people in Gainesville at a new location.

- b. For communities that don't partner with a nonprofit for these services, what role do the municipalities play or is it solely a County function?**

We have not undertaken research on this particular component.

- 3. If the local governments were to create an interlocal agreement to provide ongoing funding support to IFC, what additional oversight of IFC are you anticipating from the local governments?**

We would expect to have a contractual agreement with the local governments around expectations for services (bed nights provided, services rendered), as other government contracts do. We would report on these goals as we report on goals now.

Would IFC be willing to have a staff or elected member of each jurisdiction on their board?

IFC is very selective in how we fill seats on our Board of Directors. Most importantly, we have committed to preferentially recruiting potential board members with lived experience of poverty, homelessness and/or from historically excluded populations. Our next priority is to recruit board members with specific expertise to fill upcoming vacancies as board members time off the board (our board seats are currently full). Our current board structure does not specifically designate seats for funders of our services, and that model may not be consistent with our focus on social justice and race equity.

In addition, we are aware of a new state law stipulating that members of elective offices are not to serve on nonprofits when they also vote on budgetary decisions for those nonprofits. While we

understand that municipalities are interpreting this new law differently, we view this as another reason for not including elected officials on our board.

- 4. Your 2020 audit shows over \$13M in net assets. It would be helpful if you would provide us with the financial documents that indicate you're operating at a loss. Please show all income, including donations, grants, revenue and all expenditures for the organization, including personnel and programmatic expenses for the IFC and then a separate budget accounting sheet for the shelter.**

With respect to our net assets, our buildings represent about 74% of that. Most of the remaining 26% is financial assets. We have two endowments totaling ~\$2.75 million. Each year, we are permitted to withdraw 4% of the average balance of the last three years from each of them. We also have a Capital Reserve account balance of ~\$330k, which is used for items that break down in our buildings. Finally, we have Board Restricted reserves of ~\$800k. It is conceivable that we could deplete the Board Restricted reserves entirely in less than 3 years.

We'd also like to note that during the pandemic, our community has been very generous to IFC (some community members even donated their entire stimulus check to us). We cannot expect this level of giving to continue as we emerge from the height of the pandemic.



Additional Town of Chapel Hill Questions for IFC on Inter-Local Agreement Request

1. What are the specifics of IFC's budget that indicate such a structural deficit and what is IFC doing to address this issue?

IFC has been operating with a structural deficit for years, caused by several factors:

- **IFC was founded in 1963 and, from the beginning, has not had sufficient local funding to sustain basic human services** (food and shelter). Congregations and individuals have supported IFC's services over the years at 70% of funding or more.
- **The need to move shelter services to dedicated buildings (HomeStart and Community House) has increased operating costs over time.** As mass homelessness became a reality in the early 1980s (caused by the decline of federal public housing funds), communities responded to the best of their abilities given the resources available. IFC was fortunate to partner with the Town of Chapel Hill for use of Old Town Hall for our shelter services, but this was never a long-term solution. The building was old, in disrepair, and not dignified or large enough to meet the need. IFC opened HomeStart (for women and families) more than 20 years ago and Community House (for men) in 1995. We moved our food and emergency assistance programs into IFC Commons last year and now have dedicated spaces for all our programs. This allows us to (with sufficient funds) provide dignified, sustainable services into the future – and it also means we are now responsible for all the costs of operating buildings that get a lot of use. The costs of making elevator, plumbing, and other repairs on a regular basis adds up. As the buildings continue to age, we also have to be prepared for larger structural and systems replacement and repair.
- **With larger spaces and increased need comes the need for staffing that is safe and sustainable.** It is not best practice to operate a shelter of 52 men with only one staff person on a shift, and we increased staffing to a safer level over the past few years. We cannot operate our buildings without janitorial staff, which we did until about two years ago. Providing services around-the-clock, 365 days/year and during a pandemic takes resources, and staffing such programs is becoming more difficult given that the wages we are able to offer do not allow someone to live in the community where they work. Most of our staff travel long distances (some up to 90 minutes each way) just to come to work.
- **The cost-of-doing business increases every year.** Certain operating expenses (telecom, insurance, employee benefits, maintenance and repairs, etc) routinely go up and are not within our control. We have looked for ways to decrease our expenses and will continue to do so.

Budget shortfalls have to-date been addressed by the use of reserve funds. Given the large amount of reserve funds that have been required to keep operations maintained the past several years, this is not a sustainable solution. At this rate, our reserves will soon be depleted, and IFC started three years ago attempting to get ahead of this by approaching local government for sustainable funding through an inter-local agreement as well as by increasing our fundraising activities. We also apply for any and all federal or state funding available to us. Now is the time to act to assure that IFC's programs can continue as long as they are needed.

2. As far as I can tell an additional \$650,000 added to IFC's budget would be a budget increase for the organization of between 25 and 30%. Is this accurate?

The additional local funds requested will be used to offset current costs in the budget and are not meant to be in addition to the budget. We currently do not bring in enough revenue on an annual basis to offset our annual costs, thus the structural deficit. We need to correct that and are asking for local governments to increase investment into these services commensurate to what other similar communities do (see the chart included with the request).

3. What specifics would the additional \$650,000 appropriation address for IFC? Do they need to hire more people to increase program services? Are current expenses for their current programs going up so much that they need significantly more funding just to keep providing the same level of services? Will they be starting new programs? Do they anticipate serving more people? How many more people are they serving already - as a result of the pandemic and other economic changes? I'm just trying to get some specifics on the needs which I am sure are great.

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Each night, IFC's shelters have the capacity to serve 116 people - 14 single women, 10 families (up to five family members in each room), and 52 men. During cold weather months (typically November – April), we have the capacity to serve an additional 17 men (14 during Covid) and 3 women. The shelters generally operate at capacity, and there is a list of people waiting to get in. Space limitations and the Good Neighbor Plan do not allow us to expand capacity. However, the acuity of those who stay with us has increased over time (due to the age and fragility of residents, medical needs, and mental health and substance use issues), requiring more care and attention to residents struggling to meet their basic needs.

Note: IFC's food and emergency assistance programs have seen an increase in need and numbers and have increased capacity to address the need. While this impacts IFC's overall operating budget, these programs are not included in this request for an inter-local agreement.

4. What effect- if any - does IFC feel NC's failure to expand Medicaid has on their operations given the large role Medicaid plays in funding consistent mental health services for adults as

well as other health care? What about NC's last in the nation unemployment insurance system - is that a factor? Or other actions by NC such as the elimination of the state earned income tax credit?

State policy has a significant impact on IFC's members and residents. Our community is desperately in need of behavioral health services (mental health and substance use), which could be provided through Medicaid expansion. Unemployment policy and tax policy are also important to people's ability to meet their household budgets. We have seen the negative impact of current policies on our members, residents, and essential staff. This causes greater need for basic safety net services.

5. What effect - if any -does IFC feel Congress' failure to extend the child tax credit has had on their operations?

While we don't have specific data on this, we know that federal, state, and local public policies directly impact the financial security of our shelter residents, members, and essential staff. Need for basic safety net services has gone up in our community, and it gets more difficult to live here sustainably all the time.

Thank you for your attention to these essential programs in our community! We are grateful for our longstanding partnerships with the Towns and County and are proud of the funds and in-kind donations that IFC leverages each year through our community of supporters – individuals, congregations, foundations, and businesses. Thank you!