

# STABILITY AND EQUITY

A plan of action to support the community development and capacity building functions of Toronto's not-for-profit community services sector

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## Community-City Working Group on Stable Core Funding Community Representatives' Final Report

Submitted to the Community Services Committee, City of Toronto, November 2004

### Purpose

To report on the activities and findings of the Community-City Work Group on Stable Core Funding, and to make final recommendations for stabilizing Toronto's not-for-profit community services sector, broadening its capacity to strengthen civic engagement, community building and service delivery within all of Toronto's diverse communities.

### Recommendations

To enable civic engagement and community-building activities in all of Toronto's diverse communities, new not-for-profit social infrastructure needs to be developed and properly supported. In this regard we recommend:

- 1. That the City establish an Organizational Capacity Building Program to support the development of new and emerging not-for-profit community groups, especially minority ethno-racial groups, that are serving otherwise under-serviced communities.** Such support would be multi-year funding intended to assist groups to develop their core functions such as volunteer mobilization and governance, financial management and fundraising (including application for charitable status and accessing Federal and Provincial funding), human resources, civic engagement, capacity-building, planning and coordination, networking and advocacy.
- 2. That the City allocates \$500,000 for the Organizational Capacity Building fund starting with the 2005 budget.**
- 3. That all of the City's Community Partnership and Investment Programs be directed to review and report by June 2005 as to how their allocation practices are responsive to the needs of traditionally marginalized communities, ethno-racial communities and new organizations, and how**

**these allocation practices support emerging community needs.**

- 4. That the City mandate and fund a separate Community-City Working Group on Ethno-racial Community Access to City Resources beginning in January 2005.** This Working Group would go beyond the mandate of the Community-City Working Group on Stable Core Funding to: identify the barriers facing minority ethno-racial organizations in securing equitable access to the City's funding programs and other City resources; recommend measures to overcome those barriers; review the practice of trusteeships; examine mainstream agencies' responsiveness to minority ethno-racial, new and emerging communities; provide direction regarding the implementation of the Organizational Capacity Building Program; and other related considerations.

Just as the City invests in multi-year physical infrastructure supports, there is a need to provide multi-year social infrastructure supports that build the capacity and stability of the not-for-profit community service sector. In this regard we recommend:

- 5. That the City's Community Partnership and Investment Programs' budgeting process be reconfigured to enable multi-year funding commitments and allocations, similar to the City's capital budgeting process.**

In order to better support the capacity of not-for-profit community service organizations across the City to build strong communities and deliver programs effectively we recommend:

- 6. That city programs providing ongoing funding allocate a reasonable allowance to support the core administrative functions of not-for-profit community sector organizations, similar to the Community Services Grant Program (CSGP) which allows 25% of its total funds to be allocated to agencies' core administrative functions (see page 9 for CCWG definitions of core functions).**
- 7. That the City's project funding programs be reviewed and a report submitted by June 2005 demonstrating that they are covering the full cost of their projects.**
- 8. That the Grants Program Standards include mechanisms to enable multi-year funding agreements and the funding of agency core functions.**
- 9. That the Grants Program Standards review and justify accountability requirements and where possible streamline application and reporting requirements so that they are commensurate with funding levels and the size and administrative capacity of community organizations.**

To maintain existing program capacity in the not-for-profit sector minimally requires increases in funding levels that cover inflation. The lack of an economic factor increase to the City's not-for-profit community agency partners over the last decade has meant an effective loss of 16% in programming dollars, resulting in cuts to services as program funds have been diverted to pay for increased fixed costs (e.g. utilities, insurance). In this regard we recommend:

- 10. That the City's Community Partnership and Investment Program budgets automatically receive the same yearly economic factor increases that are provided to City departments and the City's agencies, boards and commissions.**

A central element of community building involves facilitating the decision-making of local residents, and their engagement in the management of local community assets. Not-for-profit community organizations enable this practice through their structure that includes a volunteer Board of Directors working on behalf of a broader membership to develop and direct community-led initiatives. These structures that enable direct community control should be considered as a potential management model whenever the City develops new community facilities. In this regard we recommend:

- 11. That the City reinstate its "Appendix F" process whereby the building of new community facilities involves a community process enabling local residents to indicate whether they wish the facilities to be operated using a not-for-profit management model, a Board of Management model, or managed as part of a City department. (See attachment #1 "Appendix F")**

Toronto's not-for-profit community services sector relies on funding and supports from all levels of government as well as individual donations, foundations and corporate donors. The City's action plan must therefore involve commitments to work with the sector in advocating for funding reforms amongst all the stakeholders. In this regard we recommend that:

- 12. That the City forward this report to the Strong Neighbourhoods Task Force with the request that core funding issues affecting the stability and equity of Toronto's community agency infrastructure be addressed in their proposals for tri-partite funding agreements involving all levels of government.**
- 13. That the City develop an action plan to work with other funders to establish shared funding programs and other initiatives that support the core capacities of community organizations and ensure that civic engagement, community building and locally-directed services can flourish in all communities.**

Finally we recommend:

- 14. That this report be forwarded to the City's Policy and Finance Committee, as it concerns broad policy issues regarding the City's relationship with the City's not-for-profit community sector partners.**
- 15. That the City continue to work in partnership with the not-for-profit community services sector to analyse and address issues affecting the sector.**

Compounding the core funding challenges examined in this report, agencies and community groups have faced increased barriers to accessing affordable public spaces needed to run their programs, and there remains a complete lack of public program and activity space in many of Toronto's neighbourhoods. Though beyond the scope of this Working Group's mandate to examine core funding issues, we would urge the City to actively pursue strategies to increase the access to and supply of community space.

## **Summary**

To achieve policy directions set out in the City of Toronto's Official Plan, Strategic Plan and Social Development Strategy the City works collaboratively with not-for-profit community based organizations. The City's Community Partnership and Investment Programs are a critical and strategic mechanism through which the City partners with these agencies to pursue key objectives, including Council's current priorities to "Strengthen at-risk Neighbourhoods" and "Increase Public Involvement in Civic Affairs".

The City's not-for-profit community service partners in Toronto are currently facing a number of pressures. These include challenges associated with the worsening economic circumstance of many residents, evidenced by a significant increase in the number of high-poverty neighbourhoods, persistent and racialized poverty, and a growing gap between rich and poor.

The capacity for Toronto's existing community service sector to respond effectively to these realities is being constrained by fundamental changes in the way not-for-profit organizations are funded. Over the past decade government and private funders have all but abandoned funding mechanisms that support the core functions of organizations – those central components that enable local programs to be implemented with the value-added expected of community organizations – including volunteer mobilization, community-directed planning and management, civic engagement, networking and advocacy, and the capacity to bring together diverse stakeholders in shared ventures to build stronger communities.

Research undertaken by the City to support the work of the Task Force concluded that the not-for-profit sector in Toronto is experiencing great instability as a result of these conditions (Cracks in the Foundation, 2003). Detailed research analysis of current funding conditions conducted by the Community Social Planning Council of Toronto to support the work of the Task Force confirms this growing instability (Community Capacity Draining, 2004). As currently structured, most government-funded programs in community agencies are not even covering the complete costs of program operation, let alone contributing their fair share towards an agency's core functions. As a result, the delivery of government funded services are in fact draining community organizations of their discretionary and locally raised funds as agencies cover the difference between government funding and the full costs of running programs.

This erosion of core funding and agency infrastructure has coincided with a period when the ethno-cultural diversity of communities in Toronto has increased significantly. Organizational supports for new and emerging communities, as well as longer-standing immigrant and racialized communities in the City, have not kept pace with the requirements of these growing populations. The civic engagement functions provided by not-for-profit community service organizations are not being nurtured and strengthened across Toronto's diverse communities. This is reinforcing serious and unsustainable inequities in our city.

The recommendations of this final report of the **Community-City Working Group on Stable Core Funding** (CCWG) provide the City with a plan of action that would help to stabilize the not-for-profit community services sector, and broaden its capacity to strengthen all of Toronto's diverse communities, particularly its racialized and disenfranchised constituencies.

## **Community-City Working Group on Stable Core Funding**

At its February 21, 2000 meeting, the Grants Sub-Committee recommended to the Budget Advisory Committee that a joint City and community task force be struck to develop a long-term plan to ensure stable core funding to the community service sector in Toronto. The group's Terms of Reference are:

- A review of the various forms of City support, core funding, project/program funding, purchase of service and in kind support, and the implications of each funding mechanism for both the funder and community based agencies;
- A review of the current relationship between core and project/program funding in the community sector;

- A review of the current allocation of core funding in an equity context (both community of common interest and geographic equity);
- Undertake a cost/benefit analysis of various funding mechanisms and levels; and
- Develop options, models and recommendations for consideration of the Grants Sub-Committee regarding changes in City funding policy and funding levels (see Attachment 2 for the complete terms of reference).

Membership of the group took into consideration the City's various Community Partnership and Investment Programs, geographic locations of agencies across the city, varying sizes and mandates of agencies, from small to large and a focus on a single issue or population to multiple service centres, and agencies responding to the particular needs of a multi-racial and multi-ethnic community (see Attachment 3 for a list of community and city staff participants).

The work of this group has included research initiatives undertaken by the community, supplemented with research by the City. The community members of the CCWG also carried out a number of initiatives to inform and engage a broad cross-section of community organizations in examining the issue of stable core funding. These initiatives included:

- Developing a contact list of over 1000 community agencies in Toronto from the 211Toronto database. This list enabled the CCWG representatives to inform agencies across the city of the working group's activities and engage agency representatives in critical analysis and discussions.
- October 15, 2002 formal community agency consultation where representatives from over 60 community agencies provided input to inform the Interim Report from the CCWG titled "*Issues Report on supporting the capacity of Toronto's Not-For-Profit Community-Based Sector*" dated November 4, 2002. This Interim Report was circulated to the entire community agency mailing list and went to the November 18, 2002 meeting of City of Toronto's Grants Sub-Committee.
- January 2003 Special Meeting where representatives of the Federal Government's Voluntary Sector Initiative (VSI) and the City Summit Alliance met with the CCWG. This discussion explored the need for all levels of government to work together to expand community agency infrastructure and core funding in the city.
- June 18, 2003, CCWG conducted a second community consultation where 45 participants considered initial findings of the City's community agency survey (later published as "Cracks in the Foundation") and reviewed a number of models for core funding. This discussion helped to inform the analysis of the survey

results as well as shape the core funding research undertaken by the Community Social Planning Council of Toronto on behalf of the Working Group.

- October 19, 2004, the community representatives of the CCWG held a formal community agency consultation reviewing the draft recommendations of this report. Over 50 attendees from a wide range of Toronto community services organizations discussed the final reports' recommendations and expressed general agreement with them.

## **The Role of Toronto's Not-for-profit Community Based Sector**

Government run services and programs and not-for-profit community service agencies work interdependently to deliver the full range of social infrastructure supports necessary for maintaining healthy, vibrant and supportive communities.

The City's involvement in the direct provision of this social infrastructure includes the delivery of essential municipal services such as public health, recreation, children's services, senior care, shelters and libraries.

These City services work in conjunction with a large network of community-based agencies that receive funding from all levels of government to implement community-centered components of our City's social infrastructure.

Led by community-based boards of directors, these organizations shape initiatives from the ground up, mobilize trained volunteers and skilled staff, and secure government funds and private donations to achieve community-defined objectives. As skilled and experienced practitioners in community building, these organizations are often most effective in addressing public social policy objectives "on the ground".

These organizations provide a critical vehicle for the City to connect with diverse constituencies, especially to youth, recent immigrants, seniors, people living with disabilities, people with low incomes and the homeless and other residents who are marginalized or isolated.

In carrying out this work, community agencies also make critical contributions to community cohesion and economic well being through both the mobilization of volunteers and the promotion of civic participation.

Their work is far reaching and supports all sectors of the community. Some examples of community agency activities include: settlement services, drop-in centres for people with disabilities, cross cultural health services, pre-school programs, child care, before and after-school programs, community education and town hall meetings, graffiti removal

programs, building and managing affordable and supportive housing, community festivals, anti-violence programs, anti-poverty and homeless programs, food programs for children, social recreational programs for youth and seniors, life skills, leadership training, pre-employment workshops and job search programs, mural design projects, community arts initiatives, and community economic development.

The unique contributions provided by local voluntary organizations as they develop and deliver these programs and services include their capacity to:

- Involve diverse communities in building solutions to shared concerns and sustain ongoing community problem identification, discussion, planning and ownership;
- Develop appropriate responses to address poverty and social exclusion through the delivery of services to populations who are most isolated and vulnerable, and through increasing access and equity by bridging language and cultural barriers to institutions and public services;
- Promote preventive approaches to issues;
- Connect the community with other resources, acting as catalyst to get all sectors (public, private and not-for-profit) working together and responding effectively to local issues.

Extensive research verifies the long-held assumption that community-based interventions are the most cost-effective strategies for promoting community health and well-being, as they prevent the more costly use of institutional services (e.g. hospitals and the criminal justice system) and expensive crisis intervention strategies after the fact.<sup>1</sup>

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<sup>1</sup> Data from the Canadian Tax Foundation indicate that crime is consuming more of our financial resources than the government of Canada commits to old age pensions (\$15.8 billion), the Child Tax Benefit (\$5 billion), the Canada Assistance Plan (\$7.4 billion), and child care (\$5.5 billion) combined, and twice as much as is spent to support unemployed people through the Unemployment Insurance program (\$18.1 billion). The National Crime Prevention Council Canada's 1996 report states, "The evidence is conclusive that the most effective way to prevent crime is to ensure healthier children, stronger families, better schools and more cohesive communities. Crime prevention through social development is a sound investment. The dividends include less violence, safer communities and significant cost savings in the criminal justice system and in almost every other area of public and private spending." [National Crime Prevention Council Canada – 1996]. As well, findings in some of the more developed areas of longitudinal research and analysis give strong indication that community interventions are directly related to the increased health, safety well being of individuals, families and communities. [Berkman, L., & Glass, T. (2000). *Social integration, social networks, social support, and health*. In L. F. Berkman & I. Kawachi (Eds.), *Social epidemiology* (pp. 137-173). New York: Oxford University Press. World Health Organization (1998) *Social Determinants of Health: The Solid Facts*].



## Defining Core Functions

The Community-City Working Group on Stable Core Funding has developed the following definition of core organizational and administrative functions. These are costs not associated directly with program delivery, and may be broadly categorized as follows:

- **Keeping Doors Open** (admin occupancy; reception; personnel) examples include:
  - **Occupancy costs:** rent, utilities, cleaning staff, cleaning supplies, repairs, elevator inspections/licensing, HVAC tune-ups, occasional painting, signage
  - **Human Resources:** (including management of staff, staff development, staff or consultant time working with collective bargaining and union matters, time spent on pay equity, employment equity, time spent administering Worker's Comp, administration of benefits, coordinating hiring processes)
- **Volunteer Management**
  - **Managing program and Board volunteers:** recruiting, screening - police reference checks - training, supervising, problem-solving, recognizing/maintaining, covering Board costs including food, childcare and transportation for some Board members
- **Civic Engagement and Advocacy**
  - **Community Education and Development:** staff and material costs (e.g. flyers, posters, reports, mail-outs) to support public education workshops, town hall meetings, policy discussions, advocacy, community discussion and problem-solving
- **Planning, Networking and Coordination**
  - **Needs assessments, environmental scans, strategic planning, service coordination**
  - **Best practices monitoring and new program development** to respond to emerging community needs
- **Accountability** (Financial/funder; Community; Legal) examples include:
  - **Administration:** (including staff/consultant time ensuring compliance with all regulatory and statutory obligations such as submissions to Consumer and Corporate Affairs, Canada Customs and Revenue Agency, organization of membership and Annual General Meetings)
  - **Finance:** (includes payroll, coordinated purchasing, accounting, audit, internal controls, budget preparation and monitoring)
  - **Accountability/Management:** (includes overall coordination, evaluation, supervision, problem-solving, relations internal and external to the organization)

## Context and Challenges Facing the Sector

The Community-based not-for-profit sector is clearly a critical partner in achieving the goals of the City. However, the sector's ongoing capacity to fulfill its role effectively is severely undermined by a number of key barriers.

The overarching conditions of growing poverty and disadvantage in Toronto are taking a great toll, and community agencies must respond by dedicating more and more energy to address peoples' needs for shelter, food, income support and access to basic health services. While some agencies have continued to maintain an enabling "hand up" instead of "hand out" approach to their work, this objective is now more often subsumed by the urgency to address primary needs.

- In 1981 the incidence of poverty in Toronto was the same as the Canadian average (at 13%). Twenty years later family poverty rates in Canada remain similar (12.8%), while the Toronto rates have climbed to 19.4%. At present then, almost one in five families are living in poverty in the city.
- The distance between the incomes of richer and poorer families has continued to widen, as the benefits of the last decade of relatively strong economic growth have not been distributed equitably.<sup>2</sup> This gap between richer and poorer individuals and families is more extreme in Toronto than in any other region of the Country.<sup>3</sup>
- More than half of Toronto's population is now composed of immigrants, and the great majority of recent immigrants and refugees are people of colour. Increasingly, the pockets of poverty in neighbourhoods across Toronto are characterized by the skin colour of the people who live there. The incidence of poverty in non-European families is two to three times higher than that experienced by families of European origin. In this way, poverty has become racialized in our city to an extent that has not occurred before.<sup>4</sup>

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<sup>2</sup> The richest 10% of Canadians had their income grow by 14% over the 1990's, while the poorest 10% had only a slight increase of less than 1%. Incomes among the 20% of Canadians just below the median bracket (i.e. low-income working Canadians) actually fell over this period of time (2001 Statistics Canada census data, May 2003).

<sup>3</sup> The gap between the average income of the top ten percent of families in Toronto and the bottom ten percent in 2000 was \$174,729, which means that the highest average incomes were 27.3 times the lowest. The next highest ratio in Canada is 23.5 times for Vancouver (Statistics Canada, 96F0030XIE2001014 – data presented in Poverty by Postal Code; United Way of Greater Toronto and the Canadian Council on Social Development, April 2004).

<sup>4</sup> "In 1981, 67.6% of the family population in [higher poverty] communities were non-visible minorities, with visible minorities accounting for the balance (32.4%). Twenty years later the situation is exactly reversed. In 2001, the visible minority family population accounted for two-thirds of the total family population in higher poverty neighbourhoods, with non-visible minority families making up just one-third." (Poverty by Postal Code; United Way of Greater Toronto, April 2004).

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- In the past nine years the use of food banks in Toronto has increased by 50%.<sup>5</sup> Waiting lists for affordable housing<sup>6</sup> and childcare spaces continue to grow as little headway is been made with regard to low-cost housing construction or the expansion of affordable childcare programs.
- The location of families living in poverty has become more concentrated geographically. Twenty years ago there were thirty “higher poverty”<sup>7</sup> neighbourhoods in all of the municipalities that now make up Toronto. This number has grown to one hundred and twenty today, representing one out of every four neighbourhoods in the City.

A critical shift in the social fabric of Toronto’s neighbourhoods has occurred as a result of these poverty concentrations increasing at the same time as the City’s population has grown significantly with immigrants from non-European countries. Social stratification in our society has traditionally been along race and gender lines. However, while the total numbers of racialized people in Canada was relatively modest, this stratification remained tangential to society. As the numbers of immigrants and refugees grow, particularly from non-traditional source countries, this reality takes on a more potent social force.

Poverty in Toronto is, therefore, not just a newcomer phenomenon but also one of persistent and structural neglect of some groups in society, for example urban Aboriginals, Blacks, immigrants and refugees, women of colour etc. What is now also emerging as the latest trend in this history of social inequity is an increasingly stratified labour market of low wage unprotected employment and higher wage positions, again often structured along race and gender lines. Together with the difficulty of having overseas credentials recognized this labour market stratification has locked many immigrant families into longer-term conditions of poverty. This means that just when the reliance on community based social supports by immigrants, refugees and, by extension, people of colour is probably the greatest, social infrastructure is continuing to remain grossly under-funded, unequal and fractured.

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<sup>5</sup> The Daily Bread Food Bank reports rise of food bank use across GTA from 115,000 persons in 1995 to 175,000 in 2004

<sup>6</sup> Toronto’s social housing waiting list now stands at 71,000 households

<sup>7</sup> Poverty by Postal Code: “higher poverty neighbourhoods” were defined as census tracts with a measure double or greater than the national average poverty rate for economic families.

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## **Implications for Ethno-racial, Smaller and Emerging Organizations**

Any discussion of core funding of the not-for-profit social support sector in Toronto that remains race and gender “neutral” will inevitably end up perpetuating existing structural inequities within the sector. At a time when the population of immigrants and people of colour in Toronto are growing, ethno-specific social supports remain severely undeveloped. Funded ethno-specific agencies are few and far between in terms of sheer numbers, and they also are the least established organizations in terms of organizational stability, programming diversity and the adequacy of their funding.

At such a juncture in our history, immigrants, particularly women of colour, have non-existent supports in society even though they perform a critical role in filling “the cracks in our crumbling social infrastructure” by providing crucial services to their communities through in-house day care, elder care, etc. (If Low Income Women of Colour Counted in Toronto: Punam Khosla, 2003).

Shifts in not-for-profit funding trends over the past decade have seriously eroded the capacity for all but a handful of organizations to maintain community-building process as the central characteristic of their work. Many organizations find themselves preoccupied with direct service demands. The impact of this funding dynamic is even more debilitating when placed in the context of an uneven distribution of resources across the sector. In particular these funding trends are significantly undermining the ability of small community based ethno-specific agencies to be responsive to community needs while retaining stable and accountable organizational infrastructure for service delivery.

Very few funders now provide any flexible dollars that can contribute to the core operational capacity of the organizations, including their volunteer coordination, board development, human resource supports and financial management functions. Instead, a majority of funds are now structured as purchase of service or project funding, where the approaches are increasingly prescribed by funder-established outcomes and program structures. This shift towards project funding makes it particularly difficult for emerging and traditionally under-resourced groups to compete for funding contracts – a process which requires significant administrative staff time - further entrenching existing inequities within the sector.

It has been argued by existing and emerging small agency representatives that “accountability” is often defined by funders as a resource laden activity (elaborate reporting etc.) for which they are unwilling to pay as opposed to the quality of service the agency/group is delivering in response to the needs of the community in spite of limited resources. As such the lack of ability of smaller groups to meet funder driven requirements because they are resource challenged, is often construed as lack of accountability of performance. Funders must define the quantity and type of

accountability they require and link these requirements to adequate allocations that enable agencies to comply.

In addition, the restrictive provisions for charities under Canada's Income Tax Act essentially prohibit ethno-specific and particularly immigrant or women-focused organizations from obtaining charitable status. This means that whatever access to core funding is available at present (e.g. United Way membership) is made inaccessible to immigrant serving and emerging ethno-specific agencies or groups. Thus, while older and more established social service agencies have charitable status and therefore the capacity to raise charitable funds through donations or public funding, many immigrant and ethno-specific agencies have neither option available to them.

There is a great need for flexible funding supports that may revive or create new capacity for community agencies to engage in community building work but that also provide developmental or start-up funds for those communities and groups who have either been traditionally under-resourced or neglected all together.

## **Implications for Civic Participation and Community Development**

As all avenues of funding for non-for-profit community-based organizations continue to erode, the effects on those whose primary mandates are to serve by engaging in political advocacy are devastating. This is most visible when examining the working conditions of those who serve disenfranchised communities (such as new immigrants and refugees, racial minorities, low income women and children, Aboriginal and lesbians, gays, bisexuals and transgenders).

These chronically under-funded organizations usually operate with 1 to 1.5 paid staff persons, working overtime in high-pressure positions. The work performed by the staff and their volunteer board is important for the civic advancement of the community served, but due to the absence of core funding these organizations face high turnover that results in an interruption to the services delivered.

One poignant example of such service was performed by the Chinese Canadian National Council - Toronto Chapter (CCNCTO). CCNCTO is a 24 year old organization whose mandate is to encourage civic participation of Chinese Canadians through education and advocacy. Many members of Toronto's Chinese community faced discrimination during the Severe Acute Respiratory Syndrome (SARS) outbreak in Toronto. Discrimination reported to CCNCTO by the Chinese community ranged from non-Chinese parents demanding their children be removed from classrooms if Chinese students were in attendance, to Chinese office workers being asked to go home for no apparent health reasons other than misinformation purported by their bosses. In response, CCNCTO organized press conferences, met with elected federal and provincial officials, and

organized community gatherings to bring attention to the racialization of SARS and its discriminatory effects on this vulnerable community.

The deliverables of CCNCTO and others with similar mandates are difficult to measure as they often take place over time and require societal attitude shifts in core values. When reflecting on the City's motto of "Diversity Our Strength", it is important to recognize that the organizations protecting and promoting this "diversity" are often the most under-funded. Budget cuts have deepened cracks in the foundation of community organizations actively engaged in civic participation and community development. Community partnerships between the City and such organizations was illustrated when the City of Toronto's Chief Medical Officer of Health contacted CCNCTO for assistance upon her realization of what was happening to the Chinese community during the SARS outbreak.

## **Recent Research Documenting Funding Shifts and the Erosion of Core Funding**

The Alberta-based Kahanoff Foundation and Canada West Foundation identified many of the problems associated with program funding through their Alternative Service Delivery Project. This project produced "*Strings Attached: Non-Profits and their Funding Relationships with Government*" in 1999 and "*Building Better Partnerships: Improving Relations between Governments and Non-Profits*" in 2000. However, these reports were neither widely distributed nor well-known in Ontario.

At the same time that the City established the Community/City Working Group on Core Stable Funding, the federal government began the Voluntary Sector Initiative (VSI). Lynn Eakin, a Toronto consultant, prepared a series of papers for the VSI Secretariat that outlined problems in sustaining community service agencies. Her reports, "*Myths, Money and Service Provision: an overview of the funding of Canada's Voluntary Sector*" (September, 2001) and "*Supporting Organizational Infrastructure in the Voluntary Sector*" (May, 2002) were influential in alerting federal government officials to the significance of the funding problems. As a result, the Voluntary Sector Initiative produced an accord between the voluntary sector and the federal government committing both to the Code of Good Practice on Funding.

Meanwhile, CCWG worked with City Community and Neighbourhood Services staff to design and carry out two research projects examining the funding issues in the sector in Toronto.

### "Cracks in the Foundation" Agency Survey:

This first research project was a large-scale survey of Toronto non-profit community service agencies to examine service delivery, human resources and financial resources.

The survey was a snapshot of the sector in 2003 and is comparable to similar surveys carried out in 1995 and 1996. The City's final report "*Cracks in Foundation: City of Toronto's Survey of Agencies in 2003*" was presented to the City of Toronto Community Services Committee in March 2004.

"*Cracks in the Foundation*" is based on surveys of 316 agencies (1,324 were distributed with a 24% response rate). The completed surveys reflected the overall of distribution of services in Toronto by type of service, size of agency and geographic location of services. It is important to note that a number of smaller agencies expressed concerns about the survey, noting that they did not have the resources to complete it. The survey, then possibly over-represents agencies with more stable or core resources.

Key findings of "*Cracks in the Foundation*" include:

- The increasingly restrictive quality of funding is more of an issue than funding cuts. Funding cuts were the primary issue in the similar 1996 survey of agencies.
- Restrictive and time-limited funding effect the capacity and stability of agencies and programming, even as budgets and number of programs appear to be growing.
- Most funding does not cover core organizational costs such as occupancy costs, training and supervision of volunteers and staff and financial management and reporting.
- Budgets and programming are subject to fluctuations because of the short-term nature of much funding.
- The increased monitoring, reporting and evaluation requirements of most funders increased costs for agencies and these are costs that are typically not funded. In addition, funders have not coordinated applications and reporting requirements.
- There has been an increase in numbers of program staff, but agencies are struggling with high rates of staff turnover and burnout due to unstable and non-competitive employment conditions.
- Agencies are working with more volunteers, but the increase is largely due to "mandatory volunteering" programs such as Ontario Works Community Placements (workfare) and high school credit requirements. Many of these "volunteers" require more training, support and supervision and have high turnover rates, again increasing costs for agencies.
- Government funding is the main funder of community-based social services (72% of funding) to deliver responsive services to the public.
- Community agencies provide more than the services to individuals. Community agencies in the survey provided multiple examples of the many ways they engage citizens positively in public participation, in planning and coordination of services and in the strengthening of neighbourhoods by bringing diverse stakeholders together to work on shared concerns.

“Community Capacity Draining” Community Agency Financial Analysis:

The Community/City Working Group on Core Stable Funding then turned to a more in-depth financial examination of Toronto agencies. They commissioned the Community Social Planning Council with support from the United Way of Greater Toronto’s Social Research funding. Lynn Eakin was hired to develop a financial analysis tool to collect comparable financial data across agencies. This study used a structured framework to analyze data from ten agencies, both large and small, operating 155 funded programs totaling 36.5 million dollars. The study’s purpose was to better understand the agency-level impacts of current funding practices, pinpoint the areas of concern, and inform recommendations for funding reform so that they may better address the structural challenges agencies face.

The study found the majority of government funding for community agencies is not covering the entire cost of program operation. Agencies are relying on their discretionary funds to cover the balance. Using discretionary revenues (i.e. revenues not intended for programs), limits the resources available to respond to emerging community needs. Employee benefits, front line supervision and core organizational functions (including human resource functions and financial management) are three areas that are also suffering in particular as a result of systemic government under-funding. There is unwillingness among funders to recognize the real costs of employee benefits. Non-profit sector wages are far below those in the private, education and hospital sectors.

This research concludes that community agencies are operating government funded programs at a significant loss. As costs keep rising and funding remains inadequate, flat-lined community agencies are slipping away.

- 85 % of study agency revenues are from program funding, 13% comes from other sources including fundraising and undesignated grants and 2% from fees (no agency covered complete program costs through user fees).
- Organizations in this study receive 14% less funding, on average, than needed to cover operational costs.
- Agencies are fundraising as a coping strategy to support programs that are under government contract. Fundraised revenues are the most precarious of all revenue sources. The amount raised requires extensive staff and volunteer support.
- Smaller, newer organizations have less capacity to access alternative revenue sources.
- Employee benefits are, on average, under funded by 22% by program funders. Agencies, therefore, have to find other revenues to pay for the benefits provided to program staff.
- Only 53% of programs are providing funds for the supervision of front-line staff. The under-funding of supervision raises important policy issues of risk



- management and program quality standards for both agencies and funders, especially in light of recent court decisions on vicarious liability.
- Community-based organizations have reduced the number of staff in their organization to cope with rising costs and stagnant unreliable funding. Over the years, “other revenue sources” have not kept up with funding shortfalls. In addition to redirecting agency discretionary funds, agencies have cut back on staffing. Across the agencies, staffing is down to an average of 71% of budget from a norm of 85-90% in other human service sectors.

“Community Capacity Draining” identifies 5 best practices for funding that will promote the maintenance of organizational capacity and enable high quality and safe service delivery:

- **Funding the Full Cost of Programs**  
Funders, when contracting with a community organization to deliver a service should pay the full costs of service provision including a proportionate share of organizational operating costs and the actual operating costs of service delivery. In an optimal situation the funder would pay a community investment to help build local communities.
- **Moving to Global Budgeting**  
Funders should implement a global budgeting approach where they approve a total budget amount and let the service provider determine how best to spend the funds to achieve agreed service outcomes. Funders need to focus on accountability measures such as service outcomes and deliverables, not the day-to-day management of programs.
- **The Strategic use of Lead Funding**  
Governments should use a lead funding model (funding both program and organizational infrastructure) for services that further government policy objectives in a given service area, and in order to sustain long-term community capacity.
- **Providing undesignated funding to support organizational capacity and service innovation**  
Funders should provide undesignated funding that agencies can spend flexibly as a preferred means to build local capacity, encourage service innovation and meet local needs.
- **Fundraised funds, United Way and foundation funding should be used for service innovation, strengthening communities and addressing local needs.**  
Locally raised funds should be deployed toward community building activities, while government funds should fully support social service delivery.

It is crucial to note that neither “*Cracks in the Foundation*” and “*Community Capacity Draining*” were able to address all the issues faced by traditionally marginalized or emerging communities or smaller ethno-specific agencies because such groups had insufficient resources to participate in the research.

Other concurrent reports:

While CCWG generated Toronto-based research, a number of national and provincial reports on funding for non-profits also were produced, reflecting widespread interest and concern. The national media paid considerable attention to the 2003 report by Katherine Scott from the Canadian Council on Social Development entitled “*Funding Matters: the Impact of Canada’s New Funding Regime on Non-Profit and Voluntary Organizations*”. “*Funding Matters*” noted the increasing trend of funders to target funding to shorter-term special projects and programs instead of funding agencies to fulfill their mission. The report also noted the increase in reporting and administrative requirements imposed by funders, but not paid for by funders. The results are “volatility” in the non-profit sector, “mission drift” as agencies scramble for funding to stay operational, “reporting overload”, “human resources fatigue” and “advocacy chill”. Most notably, community non-profit agencies are becoming “a series of projects connected to a hollow foundation”. Similar findings were documented in the research report “*Shaken Foundations: The Weakening of Community Building Infrastructure in Toronto*” completed by Toronto Neighbourhood Centres in June 2003.

In January 2004 a number of community agencies across Ontario, along with CUPE, OPSEU and UNITE Here unions formed the Building Strong Communities campaign and produced the paper, “*Building Strong Communities: a Call to Reinvest in Ontario’s Not-for-profit Social Services*” which has recently been discussed with provincial ministers.

The Canadian Policy Research Network (CPRN) has also produced a series of reports on the human resources issues facing the not-for-profit sector, noting the impacts of various funding models on staffing.

Compounding these core funding challenges, agencies and community groups have also faced increased barriers to accessing affordable public spaces needed for programs. The impact of increased user fees were studied and reported on in the “*Survey on Community Use of School and City-owned Space*” carried out by the City of Toronto and the United Way of Greater Toronto in May 2002. As well, there remains a complete lack of public program and activity space in many of Toronto’s neighbourhoods.

## Conclusion

As support for core capacities diminishes, there is growing concern in the community sector that a line has been crossed, and that core funding has fallen to a level that places communities at risk. As a result the sector continues to contend with major inequities across communities including:

- Geographic inequities where many parts of the new City are less well served than others, even though they also have high needs;
- Worsening inequities in particularly vulnerable communities that are receiving fewer resources and have been hardest hit by federal and provincial funding cuts (e.g. new immigrants and refugees, ethno-specific and racial minorities, Aboriginal people, women, youth, people on low incomes);
- Less established, newer, and smaller community agencies responding to a demonstrated need in a community without a service infrastructure are especially struggling and are continually at risk in an environment of increased needs and reduced resources; and,
- No resources available to establish new community supports desperately required in many isolated and under-served areas of the city that have limited service delivery capacity at this time.

This erosion of core funding and agency infrastructure has coincided with a period when the ethno-racial diversity of communities in Toronto has increased significantly. Organizational supports for new and emerging communities, as well as longer-standing immigrant and racialized communities in the City, have not kept pace with the requirements of these growing populations. The civic engagement functions provided by not-for-profit community service organizations are not being nurtured and strengthened across Toronto's diverse communities. This is reinforcing serious and unsustainable inequities in our city.

The recommendations of this final report of the Task Force on Stable Core Funding provide the City with a plan of action that will help to stabilize the not-for-profit community services sector, and broaden its capacity to strengthen all of Toronto's diverse communities, particularly its racialized and disenfranchised constituencies.

## **Attachment 1:**

### **Excerpts from Appendix "F" of the 1982 Final Report of the Community Task Force on Neighbourhood, Social and Community Services, City of Toronto**

For many years, these procedures were known as the "Appendix F Process". The CCWG recommends resuming the use of this "Appendix F Process".

#### **Procedures for future development of City funded recreation and community centers:**

The guidelines place emphasis on the documentation of local needs and the thorough consideration of various alternatives to meeting identified needs, the promotion of the use of existing agencies, facilities and resources rather than the development of new facilities and clear opportunities for Council decision at critical planning stages. The guidelines assume that a variety of organizational forms could be developed at the neighbourhood level to achieve the requirements of these guidelines.

The process includes an initiation stage of forming a group of interested people and organizations around perceived issues and concerns, followed by the identification of needs and resources and a report on the consideration of service options. If the recommended service option is a new City facility, and Council approves it in principle, a detailed proposal must be developed containing the following:

1. Report on community consultation process followed.
2. The types of services needed and their priorities.
3. The reasons why a new agency and/or facility is required.
4. A review of various management/organizational models considered, a recommended model, the criteria used in making the recommendation and a description of how the model would fit into existing funding structures of the City.
5. The ways in which the proposed organization would co-ordinate its programs with existing organizations.
6. The nature and extent of non-City resources that will be utilized and the likelihood that these will be forthcoming.
7. Proposed methods of accountability to Council and users.
8. Estimated costs to the City of the proposal (both capital and operating\*).

\*Where Option 4 is approved, the determination of the initial staffing levels, whether the facility is to be a directly-operated recreation centre or a City-funded community centre, will follow the principle that sufficient staff are required to efficiently and effectively realize the physical and program potential of the facility.

## **Attachment 2:**

### **Community-City Working Group on Stable Core Funding TERMS OF REFERENCE**

A working group composed of community agency representatives and staff of the City of Toronto will undertake research and consultation to address the following issues:

- A review of the various forms of City support, core funding, project/program funding, purchase of service and in-kind support, and the implications of each funding mechanism for both the funder and community based agencies.
- A review of the current relationship between core and project/program funding in the community sector.
- A review of the current allocation of core funding in an equity context (both community of common interest and geographic equity).
- Undertake a cost/benefit analysis of various funding mechanisms and levels.
- Develop options, models and recommendations for consideration of the Grants Sub-Committee regarding changes in City funding policy and funding levels.

### **RESEARCH AGENDA**

In order to address the identified issues, the following key research questions provide the focus for the research work:

1. How has funding to the sector changed over the last 10 years?
  - From all sources (other orders of government, United Way, foundations, private sector, other fundraising)
  - Concurrent changes in the community service context (downloading, side loading, shifts in community needs/demands, demographic shifts, other policy changes)
  - Shifts in the core vs. program/project funding over the 10 year period
2. What impact do current funding arrangements have on the sector?
  - How do the impacts vary within the sector (agency size, location, sector, stage of agency development)
  - Impacts on agency effectiveness, specifically responsiveness to community need and organizational capacity
  - Quantify the impacts of stable/unstable funding in terms of achieving service goals and objectives
3. What is the optimum funding mix to create the conditions for efficient and effective community service delivery?
  - How to achieve optimum efficiency and effectiveness in terms of accountability, responsiveness and cost

- Determine fixed to variable capacity ratios for various kinds and scales of agencies

## **ADMINISTRATION**

### 1. Membership

The Working Group will be composed of five City staff representing a range of City grant programs. The community will be represented by up to 12 agency representatives.

### 2. Co-Chairs

The working Group agenda and meeting schedule will be the responsibility of Co-Chairs, one from the community and one from City staff. It will be the responsibility of the Co-Chairs to call meetings, ensure that a detailed work plan is developed and approved by the working group, and to monitor the achievement of the Terms of Reference.

### 3. Secretariat Support

City staff will provide secretariat support in the form of room bookings, minutes, and the production of reports. City staff will also provide research support, as resources permit, in conjunction with research supports available in the community.

### 4. Research Co-coordinating Group

A sub-group of the Community-City Working Group, the Research Co-coordinating Group, will develop a research plan with appropriate linkages to existing research initiatives and implement the required research. The group will be composed of three community agency representatives and three City staff.

## **REPORTING**

The Working Group will provide an Interim Report, summarizing the research findings to the Grants Sub-Committee in September 2001 and a final report with recommendations in February 2002.

## **Attachment 3:**

### **Participants in the Community-City Working Group on Stable Core Funding**

#### **Co-Chairs:**

Uzma Shakir	Council of Agencies Serving South Asians, Executive Director
Chris Brillinger	CNS

#### **Community Representatives:**

John Campey	Community Social Planning Council of Toronto
Elizabeth Cinello	Community Arts Sector
Darlene Clarke	
Debbie Douglas	Ontario Council of Agencies Serving Immigrants
Maureen Fair	St. Christopher House
Susan Fletcher	Applegrove Community Centre
Romona Gananathan	Central Neighbourhood House
Rob Howarth	Toronto Neighbourhood Centres
Hawa Jilao	Somali Immigrant Women's Association
Bob McIntosh	Toronto Seniors Council
Raymond Micah	African Canadian Social Development Council
Marion Newrick	Community Action Resource Centre
Duberlis Ramos	Hispanic Development Council
Helen Lai-man Poon	Chinese Canadian National Council, Toronto Chapter
Kristyn Wong-Tam	Chinese Canadian National Council, Toronto Chapter
Susan Wright	Toronto Arts Council

#### **City Staff Representatives:**

Yvonne Anderson	CNS, Community Resources Unit
Andrea Austen	CNS, Social Policy and Research
Janet Balfour	CNS, Social Policy and Research
Rudy Mumm	CNS, Social Policy and Research
Susan Shepherd	CNS, Social Policy and Research
Yamoa Apea	CAO, Diversity Management and Community Engagement Consultant
Priscilla Cranley	CAO, Community Engagement Consultant
Cassandra Fernandes	CAO, Access and Equity Consultant
Lorraine Giles	CAO, Diversity Management and Community Engagement Consultant
Ceta Ramkhalawansingh	CAO, Manager, Diversity Management and Community Engagement
Tim Rees	CAO, Access and Equity Consultant
Brad Eyre	EDCT, Culture Division
Cathy Forbes	EDCT, Culture Division