



Veterans and Human Services Levy

2012 Mid-Year Performance Evaluation and Financial Update



Department of Community and Human Services
Community Services Division

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Overview

The 2012–2017 Veterans and Human Services (VHS) Levy Service Improvement Plan (SIP) was approved by the Metropolitan King County Council on December 6, 2011 by Ordinance 17236. It included a requirement that a Veterans and Human Services (VHS) Levy mid-year report on performance and financial status covering the period of January 1, 2012 through June 30, 2012 be provided to the County Executive, County Council, and general public. This 2012 Mid-Year Performance Evaluation and Financial Update meets that requirement and is the first report submitted to the King County Council for the 2012–2017 VHS Levy. The next report on the 2012–2017 VHS Levy will cover the period January 1, 2012 through December 31, 2012 and will include an annual report, performance evaluation and annual financial report.

Experience gained during the prior 2006–2011 VHS Levy highlighted the importance of developing performance measures for individual activities that link to the overarching strategies and goals of the levy. Using baseline data gathered during the first VHS Levy, performance targets were established for all activities and are included as part of the 2012–2017 Levy Evaluation Plan. This Mid-Year Performance Evaluation Update provides a first look at the data on levy activities' success in meeting their performance targets during the first half of 2012. The Performance Evaluation Update includes a narrative and, as appendices, a chart detailing mid-year performance (Appendix 1), the 2012–2017 Levy Evaluation Plan (Appendix 3) and the Activity Level Evaluation Templates (Appendix 4).

The second component of the mid-year report is the financial update. The Annual Financial Report will provide a detailed financial plan, information on levy revenues and the status of funding commitments, administrative costs associated with managing the VHS Levy and expenditures for the entire 2012 calendar year. The Mid-Year Financial Update provides a snapshot of the funding commitments and expenditures for the first half of 2012. It includes a narrative on the financial status and the Financial Status Update with activity level allocations and expenditures (Appendix 2).

The 2012 Mid-Year Performance Evaluation and Financial Update documents that the VHS Levy made a smooth transition from the prior 2006–2011 VHS Levy. Levy activities were implemented, targets established and these targets included in service contracts. The Performance Evaluation Update shows that levy programs are serving a high number of clients and have been very successful in meeting their performance targets. Despite some challenges in using the County's new Enterprise Business Suites (EBS), the financial update demonstrates the VHS Levy is making progress in expending its 2012 allocations. Together the Performance Evaluation Update and Financial Update describe a successful first half-year for the 2012–2017 VHS Levy.

**Mid-Year Performance Update
For the period January 1, 2012 through June 30, 2012**

Veterans and Human Services Levy Performance Measurement and Evaluation

Throughout the life of the original Veterans and Human Services (VHS) Levy, performance measurement and evaluation was an integral aspect of levy implementation and management. Performance measurement reports documented and demonstrated the service results and outcomes for over 40 unique VHS Levy activities and services to more than 128,000 clients from 2006 through 2011. In August 2011, the voters passed a renewal of the VHS Levy for 2012 through 2017.

The levy performance measurement and evaluation team assisted in the development of the 2012-2017 VHS Levy Service Improvement Plan (SIP) which was adopted by the King County Council in November 2011. A critical element in the SIP was the continuation and, in some cases, refinement of VHS Levy evaluation and performance reporting requirements, based upon the lessons learned from the prior levy.

For the 2012–2017 VHS Levy, the SIP affirms the purposes of evaluation of levy activities are to:

1. Provide information for the public and policymakers regarding the impact of Levy-funded activities on the overall goals and strategies of the levy.
2. Provide the Veteran Citizens Levy Oversight Board and Regional Human Services Levy Oversight Board with the information they need to provide sound and informed oversight of levy activities.
3. Provide County program managers with the information they need to continually improve the quality of the levy activities they manage.

The levy evaluation team has developed performance measures for all individual activities that are explicitly linked to the overall goals and strategies of the levy. These measures include performance targets and use current benchmark or baseline data as a starting point wherever possible. This approach will provide a standard against which to evaluate performance over time. The new levy evaluation framework is being implemented in three stages:

1. Establish targets (completed).
2. Align contracts with established targets (completed).
3. Report on each activity's performance against targets (presented in this report).

The SIP calls for a schedule of semi-annual reports that detail performance to stakeholders, including oversight boards, partners, the public, media, and others. These two reports will be provided to the County Executive, County Council, and general public, as described in the SIP.

1. Performance Evaluation Report

The Annual Performance Evaluation report covers January through December of the previous year and will be submitted to the King County Council by June 30. This report will provide data on the performance of levy-funded activities, including progress toward meeting overall levy goals and strategies.

2. Mid-Year Performance Update

In addition to the Annual Performance Evaluation Report, the levy will also publish a Mid-Year Performance Update to provide interim data that can be used to make necessary program modifications to improve performance. This report covers January through June of the year of submittal and will be transmitted by December 1, 2012.

This report is the first 2012-2017 Levy Mid-Year Performance Update for the period January 1, 2012 through June 30, 2012. Many projects are a continuation of those initiated under the prior levy. Some of the projects are new or being reconfigured during 2012, with meaningful reporting pending until a full year of services is completed by the end of 2012. The first comprehensive levy performance evaluation will be the annual report that will be provided June 2013 for the entire year 2012.

Mid-Year Performance Update – Levy Implementation Status through June 2012

Evaluation framework

The renewed VHS Levy required the development of performance measurements and targets which were included in all Memorandums of Agreement (MOA's) with other King County agencies and service contracts with community-based service providers. By December 2011, the Performance Measurement and Evaluation Unit of the Community Services Division (CSD) established an overall evaluation framework, as well as individual evaluation templates, performance measures and targets for every levy activity. In spring 2012, the completed 2012-2017 VHS Levy Evaluation Framework was presented to the levy boards. The Framework included the structure for reporting on overall levy goals and objectives as they related to King County strategic goals and objectives, plus an appendix that delineated detailed performance measurement structure and targets for every activity.

The 2012-2017 VHS Evaluation Levy Framework is included in this update as an appendix along with the 2012 VHS Levy Activity Level Evaluation Templates.

Renewing continuing levy activities – establishing performance targets

The SIP and levy-enabling ordinance were adopted by the King County Council in November 2011. The MOA's between the CSD and Public Health-Seattle & King County, the Mental Health, Chemical Abuse and Dependency Services Division (MHCADSD), and the Housing and Community Development program were completed by first quarter 2012 with new targets and performance reporting established. These MOA's were primarily for continuing prior levy activities.

The MOA between the levy and MHCADSD was updated after June 2012 due to funding of new activities and the establishment of new roles on existing projects, such as regional Veterans Justice Outreach Project oversight. Outcomes reporting and targets for new projects managed by MHCADSD were established after June and will be reported in the 2012 full year performance report.

The King County Veterans Program (KCVP) has been funded as Activity 1.1 and is managed internally by CSD. During the spring of 2012, the project was reorganized and merged with the Employment and Education Resources (EER) program of CSD. The funding level has stayed relatively steady in the new levy. One of the goals of the reorganization is to increase the emphasis on increasing self-sufficiency.

Mid-Year Highlights of Changes at the Activity Level

The purpose of the mid-year update is to ensure that contract managers and stakeholders are routinely reviewing performance and identifying challenges, mid-course corrections or refined targets based on performance. An activity level performance matrix for the first six months of 2012 is included with this report. Some of the notable changes in levy service performance or changes at the activity level made during the first six months of 2012 include:

- The King County Veterans Program (KCVP), which recently merged with EER, is refining the case management logic model towards self-sufficiency to be more aligned with EER's approaches. Whereas the prior model served a large number of veterans with annual financial assistance; the new model will tie financial assistance to increased assessment and case management planning. Thus targets will likely change before the end of the year to reflect fewer clients, but more substantive outcomes.
- During the summer of 2012, unspent prior levy funds were allocated to some existing levy projects, PEARLS and some new ones (e.g. Aerospace and Veterans Employment Training) – effective late September 2012. The annual performance targets will be expanded or created to reflect the service impacts of these new or expanded activities.
- The Justice Outreach Project and new contracts between the MHCADSD and the Washington State Department of Veterans Affairs (WDVA) for the Veterans' Incarcerated Project will result in modified performance measurement for the Veterans' Incarcerated Project and Veterans Court.
- A number of the targets under Strategy Two and Strategy Four seem to be modest and contractors are significantly over-performing. These targets will be reviewed for validity and appropriateness prior to negotiating 2013 contracts.

Mid-Year Performance Update

The 2012 annual performance report for the entire year will highlight overall accomplishments and progress towards meeting overall levy goals. The Performance Evaluation Update that follows shows that most projects are meeting mid-term goals, targets and service objectives. In the latter half of 2012, capital housing projects funded in the 2012 round and new levy services

funded through request for proposal processes (such as homeless employment services) will come on line. In addition, there are some 2012 projects expanded or newly funded by the additional allocation of unspent prior levy funds appropriated by King County Council in late September 2012.

As the following table indicates, a total of 30,902 individuals in King County received VHS Levy funded services during the first six months of 2012.

Number of Clients Served by Overarching Strategies January-June 2012	Number Served
One: Enhancing Services and Access for Veterans and Their Families	3,271
Two: Ending Homelessness Through Outreach, Prevention, Permanent Supportive Housing and Employment	6,979
Three: Increasing Access to Behavioral Health Services	6,316
Four: Strengthening Families at Risk	14,336
Total Served	30,902

As the next chart shows, over half of the clients with known residences in the first six months of 2012 were from Seattle. Of note is that 2,688 of these individuals were served by the Dutch Shisler Sobering Center, with a presumption of Seattle residence (over 2,500 were homeless).

**Clients served in the Region
January-June 2012**

Region	Number of Clients Served	Percent of Clients Served
East	1,670	9.8%
North	561	3.3%
Seattle	8,550	50.2%
South	5,589	32.8%
Out of County	669	3.9%
Unknown	13,862	
Total Clients	30,902	100%

Over 3,900 veterans and close to 500 veterans' spouses or minor dependents were served in the first six months of 2012. Of these clients, 3,271 (83.8%) were served under Strategy One services.

Veterans Status of Clients Served January-June 2012	Number of Clients Served
Veteran	3,986
Veteran's Spouse	371
Veteran Minor Dependent	113
Total Served	4,470

**Mid-Year Financial Update
For the Period January 1, 2012 through June 30, 2012**

Veterans and Human Services Levy agencies have been very successful in providing services. Using baseline data gathered during the first VHS Levy, performance targets were established for all activities included in the 2012-2017 VHS Levy and these targets were included in all service contracts. The data from agency reporting available at mid-year 2012 demonstrates agencies providing levy services performed well in the first half of 2012 and are serving people at a higher rate than expected.

The Mid-Year Financial Update also demonstrates the VHS Levy's progress during the first half of 2012. It includes information on new contract monitoring and reporting procedures and practices, a description of the implementation of a new contract allocation period, and new procedures for year-end closing. In addition it provides a report on the status of expenditures for the first half of 2012 for the VHS Levy.

Contract Monitoring and Reporting

The CSD is implementing additional contract monitoring and reporting procedures for the renewed VHS Levy. Among these are additional financial management practices and a revised contracting period as described below:

- 1) *Additional Financial Management Practices:* To better track expenditures of VHS Levy funds, the CSD is implementing improved procedures that include timely monitoring of contract and program expenditure variances. The new business process includes the following:
 - a) VHS Levy Service Improvement Plan (SIP) expenditure variances are reviewed and analyzed on a monthly basis by the levy fiscal staff and program administrators.
 - b) All levy activity expenses and administrative costs will be divided into monthly increments and adjusted as appropriate to facilitate monthly and quarterly monitoring and analysis by VHS Levy fiscal staff, administrators, and responsible program managers.
 - c) On a quarterly basis, formal meetings will be held where SIP expenditure variances will be discussed and analyzed with input from program and contract managers from the responsible County agencies. These quarterly review sessions will enable corrective action and reporting on expenditure variances in a timely and efficient manner.
- 2) *Clarification of VHS Levy award Period of Availability:* Contracts and MOA funding allocations for the 2012–2017 VHS Levy are now made on the basis of annual awards. This will permit review and reallocation of unspent funds on an annual basis as part of

the adopted budget process. All annual VHS Levy Financial Reports submitted to the Executive and Council will include under-expenditure information.

Additional Financial Management Practices

The CSD has implemented the additional contract monitoring and reporting procedures as described above. Below is the three-step process used to implement the additional contract monitoring and reporting procedures including:

- 1) *Enterprise Business Suites (EBS) Financial System Update*: Raw expenditure data was pulled from the new King County financial system, EBS. The data was reorganized and compiled by individual SIP activities within the four overarching strategies, and put into a report that included the 2012 SIP budget, actual expenditures, and percent of budget spent.
- 2) *Quarterly Reports*: The data from the EBS financial system was used to create quarterly expenditure reports that included data down to the activity level and compared budget to actual expenditures. These data served as the basis for the formal budget variance reviews and analysis of all SIP expenditures by activity. The variance between budgeted levels and actual expenditures was calculated for each activity.
- 3) *Program Manager Review*: The variances provided in the quarterly reports identified those activities that needed additional review and clarification by the program managers. The program managers of activities with significant variances were each contacted. Most variances were the result of late submission of invoices or payments pending the correction of data reports that accompanied invoices. These program managers all anticipate their program funds to be expended by 2012 year end. The program managers are also aware of the new contracting protocols being implemented with 2012-2017 VHS Levy, specifically that all allocations are annual. All VHS Levy funds unspent by 2012 year end will be re-captured and returned to fund balance for reallocation.

Contracting Period

The CSD has implemented the new contract period based upon annual allocations instead of six-year allocations for each activity. To reinforce this new process, a letter was sent to each program manager implementing a VHS Levy activity. The purpose of the letter was two-fold:

- 1) Remind program managers implementing levy activities of the importance of efficient, timely billing and monitoring of their program's expenditures.
- 2) Remind the program managers that any VHS Levy funds unspent by 2012 year-end will be re-captured and returned to the County for reallocation.

Mid-Year Financial Status

Expenditures of VHS Levy activities are generally accounted for on a cost reimbursement basis. Therefore, levy expenditures are always recorded after services have been rendered and invoices received. In reviewing VHS Levy expenditures, it was determined that recorded expenditures occurred at a slower rate during the first half of this year due to a variety of reasons including challenges experienced with the newly implemented King County EBS financial system during the first half of the year. The divisions within DCHS and Public Health - Seattle and King County (PHSKC) were delayed in submitting invoices for levy-funded activities because of issues such as data accuracy, expenditure report delays, and other EBS system issues.

In addition, almost all levy-funded activities invoice on a quarterly rather than monthly basis. Second quarter invoices are not received until July, resulting in significant expenditures not being recorded until one quarter later than services were provided (as opposed to a one-month lag if activities invoiced monthly). This one-quarter lag created a false under-reporting of expenditures in the EBS financial report for the first half of 2012. As a result, third quarter data is included in the mid-year report to more accurately reflect the actual expenditures through the first half of 2012 (this one quarter lag will also mean that accurate year-end expenditure data will not be available until the 13th month). The one-quarter lag in expenditure recording coupled with the EBS system issues described above is reflected in particularly low expenditure rate for the first half of 2012.

For example, as the table below shows, as of June 30, 2012 the EBS financial data shows that ten percent of Human Services Levy 2012 allocations and 19 percent of Veterans Levy allocations had been billed to the VHS Levy, for an average expenditure rate for the two funds of 14.5 percent. The third quarter 2012 EBS financial data, also provided, indicates that 54 percent of Veterans Levy 2012 allocations and 59 percent of Human Services Levy allocations have been billed, for an average expenditure rate for the two funds of 57 percent. This indicates that the EBS system is moving towards more complete functionality and that program managers are catching up with their delayed billing to the VHS Levy funds.

Levy Fund	2nd Quarter Cumulative	3rd Quarter 2012 Cumulative
Veterans Levy	10%	54%
Human Services Levy	19%	59%
Grand Total Average	14.5%	57%

Expenditures reported in the third quarter are almost four times that reported in the first half of 2012 indicating that the difficulties using the new financial system have diminished significantly. It is anticipated that any remaining delayed billing issues will be resolved by 2012 year end.

However as indicated above, the one-quarter lag in expenditure recording will result in an under-reporting of expenditures throughout the year until 13th month data is available.

New Procedures for 2012 Year-End Closing

At 2012 year-end closing, 13th month data will be used to determine if there are any unspent 2012, allocations for levy activities. Any unspent VHS levy funds for 2012 will be re-captured and returned to fund balance for reallocation. The program managers implementing levy activities have been advised of the new contracting protocols being implemented with 2012-2017 VHS Levy, specifically that all allocations are annual and that funds unspent by 2012 year end will be re-captured and returned to fund balance for reallocation.

Conclusion

Several new policies and procedures have been implemented in 2012 to better track the expenditure of VHS Levy funds; in particular, the regular review of expenditure variances by levy fiscal staff and program administrators with program managers from the responsible County agencies. Difficulties with the new EBS system were experienced early in 2012, but those problems have largely diminished and it is anticipated any remaining delayed billing issues will be resolved by 2012 year end. While the quarterly invoicing procedure for VHS Levy activities results in a one-quarter lag in the recording of actual expenditures, the third quarter 2012 expenditure data included as part of this report indicates the levy is on track to spend its allocation by year-end. Any funds not expended by the end of the year will re-captured for reallocation.