<table>
<thead>
<tr>
<th>Page</th>
<th>Section</th>
</tr>
</thead>
<tbody>
<tr>
<td>03</td>
<td>LETTER FROM CHAIR</td>
</tr>
<tr>
<td>04</td>
<td>NOW IS THE TIME TO ACT</td>
</tr>
<tr>
<td>05</td>
<td>INTRODUCTION</td>
</tr>
<tr>
<td>07</td>
<td>PARTNERSHIP PITFALLS</td>
</tr>
<tr>
<td>10</td>
<td>SURVEY RESPONDENTS</td>
</tr>
<tr>
<td>14</td>
<td>NONPROFIT CHALLENGES</td>
</tr>
<tr>
<td>18</td>
<td>CITY CONTRACTING</td>
</tr>
<tr>
<td>22</td>
<td>RECOMMENDATIONS</td>
</tr>
</tbody>
</table>
Resilient.
Innovative.
Persistent.
Thriving.

Denver’s nonprofit sector, which employs nearly 121,000 people and generates $20 billion in revenue for the city, embodies these qualities – and so many more. In addition to the clear economic value the sector offers, Denver’s nonprofits work tirelessly to provide services, supports and programs for a wide-range of Denver residents – including some of the City’s most vulnerable individuals and families. The Commission for the Office of Strategic Partnerships is honored to be in a position to advise the Mayor on strategies to better engage and support the nonprofit sector, and to increase opportunities for nonprofits and other small businesses to partner with the City. As part of this role, the Commission worked with the Office throughout 2019 and 2020 to complete the evaluation that informed the writing of this report. This report highlights the challenges faced by the sector – including those faced when attempting to contract with the City – and offers recommendations that we hope will encourage the Mayor and the City to continue to find ways to support and lift-up the sector.

While we know that the COVID-19 global health pandemic has changed – and will continue to change – everything, we also know that the resilience, innovation, and persistence of the nonprofit sector will allow it to continue to thrive and to provide much-needed support to the residents of Denver.

In community,
Julia

"...IN ADDITION TO THE CLEAR ECONOMIC VALUE THE SECTOR OFFERS, DENVER’S NONPROFITS WORK TIRELESSLY TO PROVIDE SERVICES, SUPPORTS AND PROGRAMS FOR A WIDE-RANGE OF DENVER RESIDENTS...”

– Julia Alvarez
DOSP Commission Chair
NOW IS THE RIGHT TIME TO ACT

DOSP put a lot of information and study into this report of the dynamic relationship between Denver’s social sector and its city government in addressing human needs and quality of life for residents. With the COVID-19 crisis at hand, many might ask, “why not delay all this?” or “why should we use a crisis as an opportunity for positive change?” To answer these questions, we consider rationale for action now from a major research institution.

RAPID PROBLEM SOLVING AND INNOVATION
Plato is credited for coining the phrase “Necessity is the mother of invention,” and often a crisis acts as the forcing mechanism to compel expeditious innovation, leading to rapid advances in technology, policy, and/or procedures.

INCREASE RESILIENCY FOR THE NEXT EVENT
The measures taken to survive and eventually end a crisis often make an organization or country stronger and more resilient for future events.

NEW LEVELS OF COOPERATION - EVEN AMONG RIVALS
Large scale crises that challenge multiple interests and equities have a way of pulling together diverse partners— allies and rivals alike—to solve the crisis. If nurtured, these relationships then can be parlayed into cooperation in other areas.

DRAMATIC POLICY SHIFTS
Sometimes the fear generated from a crisis and corresponding public outcry enables and even forces leaders to make bold and often difficult policy moves.

FROM CRISIS TO OPPORTUNITY
Once a crisis is in motion, turning it into an opportunity often requires new ways of seeing, thinking, and responding. Applying traditional responses could lessen the pain temporarily, but often is insufficient to solve the underlying problem.

The Denver Office of Strategic Partnerships (DOSP), an office in the Human Rights and Community Partnerships agency (HRCP), was created in 2004 by then-Mayor John Hickenlooper. DOSP’s purpose is to serve as an intentional bridge between the City and County of Denver and the nonprofit sector. The Denver Office of Strategic Partnerships Commission advises the Executive Director of the Agency for Human Rights and Community Partnerships and the Mayor and is made up of representatives from the nonprofit, government, and for-profit sectors.

The Commission is appointed by the Mayor and periodically makes recommendations regarding issues that affect the City and County of Denver and the nonprofit sector in Denver. Commissioners provide strategic direction and oversight of DOSP and its work.

“THERE IS NOT A MORE POWERFUL ACT OF EXPLORING WHAT MATTERS TO NONPROFITS THAN ASKING THEM DIRECTLY THROUGH OUR SURVEY. NONPROFITS ARE CRITICAL PARTNERS WITH THE CITY IN MEETING THE NEEDS OF DENVER CITIZENS. THIS REPORT SUMMARIZES WHAT WE LEARNED AND HELPS US TO IMPROVE OUR COLLABORATION WITH THEM AND HELPS US BECOME AN EVEN BETTER PARTNER.”

- Wil Alston
Director, Office of Strategic Partnerships
DOSP has offered different programs since its founding. It now serves as a resource center for systems change (through policy and best practices) to enhance the relationship between nonprofits and the City and County of Denver. DOSP’s core belief is that by working collectively, the public, and nonprofit sectors can be more efficient and effective in strengthening Denver’s communities.

With the recent onset of COVID-19, this report is timely, urgent, and can drive effectiveness and efficiency to create partnerships that serve the needs of the most vulnerable populations suffering most from the current crisis. The current crisis is a great opportunity to accelerate these reforms and build on them going forward.

The purpose of this report is to create a blueprint for DOSP and Denver Office of Strategic Partnerships Commission’s work moving forward. This report provides a cumulative look at DOSP’s research findings and policy and programming recommendations for the Mayor of Denver and the City and County of Denver government.

“IF WE WANT TRUE PARTNERSHIPS TO SERVE THE COMMUNITY WE NEED TO BUILD TRUST AND CANDOR BY WORKING TOGETHER TO DETERMINE NEEDS AND DESIGN SOLUTIONS WITH ADEQUATE RESOURCES. ‘IF NOT NOW, WHEN?’”

- CEO of Non Profit, Respondent
The Mayor’s Office tasked DOSP and its commission with creating initiatives and funding streams to combat the complex social problems facing the City and County of Denver. In order to do this work efficiently, DOSP fosters relationships with thousands of community-serving organizations and nonprofits and works to improve public-private partnerships. As such, DOSP and the Commission are investigating the City and County of Denver’s role as a partner in removing barriers to nonprofit success.

In order to provide a variety of community services, the City and County of Denver partners with many nonprofits and social enterprises annually. As DOSP has engaged with these organizations, it’s become apparent that these public-private relationships are becoming increasingly strained. DOSP conducted a qualitative research study “Are We Partners, or Are We Not: An Analysis of Nonprofit Partnership Pitfalls with the City and County of Denver” to investigate the City and County of Denver’s contracting process with nonprofits.

This analysis identified six overarching problems that make working with the City of Denver challenging and one asset that highlights the resilience and adaptability of nonprofits. The findings illustrate the interconnectedness of each of these problems and how they ultimately contribute to greater costs for the City and its partners.

“THE CITY KEEPS ASKING US TO DO MORE WITH LESS. WE CAN ONLY DO MORE WITH MORE. WE ARE CAPABLE OF DOING MORE, BUT NOT WITH FEWER RESOURCES.”

- Interview respondent
PITFALLS TO PARTNERSHIPS

INEFFICIENCIES
Nonprofits expressed frustration with the way the City encouraged competition among nonprofits rather than collaboration. Since nonprofit organizations already feel pressured to compete for funding – particularly funding that covers the full cost of services – they felt particularly passionate about the City’s responsibility to not contribute to this competition.

TRANSPARENCY & COMMUNICATION
Survey participants reported difficulty navigating City resources. Multiple organizations expressed not knowing who to contact, difficulty getting timely or accurate information, or conflicting information from different City and County of Denver government agencies.

BIG DOG MENTALITY
Survey participants shared a perception that the City views itself as a powerful and entrenched organization that dictates how other entities should behave with little room for negotiation (ex. “It’s ‘jump’ and ‘how high’”).

DELAYS
Nonprofits stated frustration with the City being behind in the contracting process and producing payments for invoiced services.

TRUST / SUSPICION
Survey participants voiced a lack of trust between partners, evidenced by behaviors such as “nickel-and-dimming” reasonable expenses, not promising deliverables and dates, and refusing to put things in writing. There is a belief that the City is not operating from a place of good faith toward its partners.

TRUE COST
Nonprofits expressed the true or full cost of running a program (executive time, supplies, overhead, interest, and personnel costs) is often not covered by the contract, making it difficult to operate effectively and efficiently.

"ULTIMATELY, IT COSTS DENVER MORE TO DO BUSINESS POORLY. IF WE WANT TO KEEP DENVER DIVERSE, CREATIVE, AND THRIVING, WE NEED TO SWITCH OUR MINDSET TO ONE OF TRUST AND COOPERATION WITH OUR SERVICE ORGANIZATIONS – OR ELSE WE RISK LOSING THEM."

- Interview respondent
All partners are trying to make Denver a better place to live and work by leveraging the strengths of all sectors to enhance the quality of life of Denver's community members. When thinking about why the City engages in cross-sector partnerships, what matters most is the direct outcomes for community members and their overall impact.

KEY TAKEAWAYS

All partners are trying to make Denver a better place to live and work by leveraging the strengths of all sectors to enhance the quality of life of Denver's community members. When thinking about why the City engages in cross-sector partnerships, what matters most is the direct outcomes for community members and their overall impact.

- Denver nonprofits have expressed considerable difficulty in finding funding that will cover the full costs of doing business.

- The City of Denver's arduous contracting process is potentially precluding small, minority-owned nonprofits from partnering and operating with the City.

- Many nonprofits find partnering with various City agencies to be a frustrating and difficult process and would consider ceasing services with the City if steps are not taken to improve the process or the relationship.
DOSP wanted to better understand how Denver area nonprofits are currently faring. This survey was comprised of various questions to gauge nonprofit financial stability, demand for services, and staff capacity. DOSP will use the results from this survey to help nonprofits and inform the Denver Office of Strategic Partnerships Commission on setting priorities and making recommendations to the Mayor.

In addition, the survey results provide the City and County of Denver with a better understanding of the nonprofits that serve its residents. These organizations differ in experience of partnering with the city, represent various providers within the sector, and represent a range of budget sizes. This survey explored those intersections to further examine the issues uncovered in the qualitative study previously outlined and asked nonprofits directly about the problems they face, what they need, and the potential role the City and County of Denver in supporting the social sector.
The focuses/areas most represented were:

- **Community Involvement**
- **Education**
- **Youth**
- **Health**

*Top mentioned: Religion/Spiritual, Community Development, and Safety.*

72% of respondents primarily or exclusively serve under-resourced clients.

“IF YOU’RE A SMALL NONPROFIT – IF YOU’RE A GRASSROOTS ORGANIZATION – I DON’T KNOW HOW YOU CAN AFFORD TO DO BUSINESS WITH THE CITY...”

- Interview respondent
The Well-Being of Nonprofits in Denver

Nonprofit Annual Budget Expenses in 2018

- 41% of respondents have operating expenses less than $500,000.
- 59% of respondents have operating expenses between $500,000 and $5 million.
“WE RECENTLY DECIDED NOT TO APPLY FOR SOMETHING FOR WHICH WE ARE COMPLETELY PERFECT FOR BECAUSE THE PROCESS WAS SO BURDENSOME AND WOULD OVERWHELM OUR SMALL STAFF.”

- Interview respondent

KEY TAKEAWAYS

- Almost three fourths of the nonprofit respondents serve under-resourced clients

- Respondents were community-based service organizations serving a broad range of social needs

- More than half of the respondents had annual budgets below $1 million

- More than half of the respondents had less than 10 staff

- About one third of respondents had 20 or more staff
For the past several years, nonprofits across the nation have consistently reported that achieving long term financial sustainability and an increased demand for services are two of their greatest challenges. There are several strategies an organization can use to achieve financial sustainability, but those strategies cater to private sector businesses and do not address the varied nuances of the social sector.

Many nonprofits operate in a starvation cycle; they tend to keep low operating expenses and reserves to appear more attractive to funders. Because of the ways nonprofits are typically discouraged from amassing savings, most nonprofits tend to keep less than three months of operating expenses on hand, making them more unprepared for unexpected costs and emergencies.

Further compounding this problem, nonprofits report that the public sector only pays upon completion, does not cover the full cost of running programs, and frequently delays payments. These kinds of disconnects make paying fixed overhead costs such as staff compensation, rent, and utilities difficult to meet when combined with the lack of savings/reserves.

Considering the rapidly rising cost of operations and other organizational challenges being faced in Denver, it’s imperative that the City investigates solutions to help its nonprofit partners continue to operate within the communities they serve.
STAFFING CHALLENGES

Organizations focused on philanthropy/grant making were more likely to state lack of diversity in leadership as a staffing challenge than nonprofits providing direct service.

Other challenges included were: Providing benefits, employee turnover, and finding qualified staff.

CHALLENGES MENTIONED THE MOST:

- OFFERING COMPETITIVE PAY
- EMPLOYING ENOUGH STAFF
- ENGAGING DIVERSE LEADERSHIP/STAFF/BOARD

71% of all respondents saw an increase in demand for services.

54% of all respondents witnessing an increase in demand were not able to meet the demand.

CHANGE IN DEMAND FOR SERVICES (2017-2018)

Organizations report competitive pay as the greatest challenge.
Small organizations with budgets of less than $1 million were more likely to state financial sustainability and reliable cash flow as the greatest challenges, whereas larger organizations with budgets of more than $1 million were more likely to state unrestricted revenue as a challenge.

Nonprofits contracting with the City and County of Denver were also more likely to state unrestricted revenue as a challenge than those who do not contract.

Challenges mentioned the most:

- **FUNDING FOR ALL ACTUAL COSTS**
- **ACHIEVING FINANCIAL SUSTAINABILITY**
- **MANAGING/PURSUING GROWTH**

"Other" challenges mentioned the most were: Staffing/volunteer recruitment and retention and timely reimbursement from government partners.
Overall, organizations reported the inability to pay competitive salaries as a major challenge. Organizations also reported having various staffing challenges. Almost three fourths of nonprofits reported seeing an increase in demand for services and over half of those reported an inability to meet the increased demand for services. Organizations reported that most challenges were financial, including a lack of funding to cover actual program costs, inadequate funding for operational costs, and long-term sustainability. Specific financial problems mentioned include a lack of access to capital, poor cash flow due to late payments from government funders, and lack of adequate cash reserves. About a quarter of organizations had an annual budget deficit in 2018.

"LAST YEAR GOT A LITTLE DESPERATE WHEN THE CITY GOT MORE THAN THREE MONTHS BEHIND. THAT PUTS US IN A SITUATION OF POTENTIALLY NOT BEING ABLE TO MAKE PAYROLL WHEN THEY GET THAT FAR BEHIND."

- Interview respondent
According to a recent study of City and County of Denver contracts, the City and County of Denver has committed $58 million to 113 nonprofit organizations just in 2020 alone to provide critical services essential to building a vibrant community.

As a city, Denver elects to work with the nonprofit community to meet needs that the City does not have the capacity, resources or expertise to address. As a result, the City and County of Denver is able to more effectively connect residents to programming and services.

Unfortunately, nonprofit organizations continue to face hurdles when navigating City and County of Denver processes, managing complex requirements, and receiving sufficient funds for services.
REVENUE SOURCES

The main sources of revenue for nonprofits come from government contracts, individual donors, and foundations.

PERCENTAGE OF ORGANIZATIONS CONTACTING WITH THE CITY BY BUDGET EXPENSES IN 2018

Organizations with larger budgets ($1 million and higher) are more likely (62%) to have previously or are currently contracting with the City and County of Denver than smaller organizations (26%).

WHAT WERE YOUR NONPROFIT ANNUAL BUDGET EXPENSES IN 2018?

The top revenue sources for respondents were:

- **GOVERNMENT (CITY/STATE/FEDERAL)**
- **INDIVIDUAL DONORS**
- **FOUNDATIONS**

76% of respondents are interested in contracting with the City and County of Denver.

61% of respondents never contracted with Denver.

39% of respondents have contracted with or are currently contracting with the City and County of Denver.

"THE WAY THAT THE CITY DOES BUSINESS REALLY PRECLUDES SMALL BUSINESSES FROM BEING ABLE TO CONTRACT WITH THEM. IT REALLY MEANS THAT CITY CONTRACTS ARE THE SAME OLD PEOPLE OVER AND OVER BECAUSE SMALLER ORGANIZATIONS RUN BY PEOPLE OF COLOR ARE SHUT OUT BECAUSE THEY DON'T HAVE THE SAME KIND OF ACCESS OR RESOURCES THAT THESE BIG OLD ORGANIZATIONS DO."

- Interview respondent
Time-consuming report requirements
Complex application requirements
Payments not covering full costs of services
Late payments
Other
Changes to already approved contracts
Have not contracted with the City and County of Denver

**Most Common Contracting Complications**

Most frequently mentioned issues include:
- time-consuming report requirements
- complex application requirements
- payments that did not cover the full cost of providing agree upon services

"Other" categories mentioned were that contracts were not being executed on time.

"There might just be things baked into the system that we can’t get around, but nobody knows why those are and so everyone’s just left feeling like the City of Denver is incompetent when it comes to this..."

- Interview respondent

**The Big Problems Out of Common Contracting Complications**

- Time-consuming report requirements: 40%
- Payments not covering full costs of services: 36%
- Complex application requirements: 28%
- Late payments: 28%
- Changes to already approved contracts and grants: 13%
The top revenue sources for those surveyed were government, individual donors and foundations as opposed to earned income, corporate or investment income.

Almost two thirds of large nonprofits with budgets over $1 million were more likely to contract with the City of Denver.

Small nonprofits with budgets less than $1 million have more trouble in contracting or even contemplating contracting with the City.

Major complaints about contracting with Denver were excessive reporting requirements and complex applications.

Other complaints frequently mentioned were insufficient funds to cover the scope of work, consistently late payments, and late execution of contracts in place to match the start of the work.

Survey respondents that have not contracted with the city reported it is because of no central place to learn about funding opportunities, very cumbersome processes to apply, and, for smaller nonprofits, insufficient staff required to conduct the necessary and extensive contract management.
The DOSP Commission formulated recommendations with DOSP staff support based on the information gathered from the following reports:

- Nonprofit Partnership Pitfalls with the City of Denver (2018)
- Denver Nonprofit Well-Being Survey (2020)

The Recommendations are presented in three tiers to help facilitate actions and planning:

**Tier 1 (1-6 months)**
IMMEDIATE ACTIONS TO TAKE TO IMPROVE CONDITIONS AND SOLVE PROBLEMS

**Tier 2 (6-12 months)**
SECONDARY ACTION BASED ON FURTHER RESEARCH

**Tier 3 (1-2 year)**
LONG-TERM PLANNING FOR FUTURE ACTION

DOSP also makes the overarching recommendation to form a Mayor-appointed task force to review the three tiers of recommendations in this report and develop an action plan to follow through on these recommendations in collaboration with the DOSP Commission.
TIER 1

Meet with DOSP Commission to review and discuss the findings and recommendations in this report and agree to convene a task-force within the City to develop an action plan. Task force members should include city agency representatives, nonprofit leaders from large, medium, and small organizations and, representatives from the DOSP Commission and DOSP.

T 1.2

Develop an inventory of nonprofit organizations that contract with the City or serve the city in other capacities by City agency.

T 1.3

Convene a team of city employees in the PEAK Academy to create a “Social Sector Action Lab” that includes DOSP staff, and city agencies’ staff that do significant contracting with the social sector. This Action Lab would address Tiers 1, 2 and 3 planning design needs and support for changes needed in policies, practices and partnerships.

T 1.4

Focus on desired outcomes and performance contracting, reduce the time-consuming reporting requirements under City control, and if required by state or federal agencies, seek waivers and exemptions to shift to performance and results.

T 1.5

Assure timely payment for contracted services with a goal of two weeks from invoice, but never to exceed 30 days.

T 1.6

Assure nonprofit contractors that any changes in scope and costs to contracts would allow for time and funding modifications for adequate compensation.

T 1.7

Expand and adequately staff the Funding and Contracting Effectiveness (FACE) initiative that currently resides in DOSP and HRCP to serve as the catalyst to convene and train nonprofit staff and city staff together to develop prototypes for best practices that could support real world examples for the Peak Academy Social Sector Lab.

T 1.8

Organize a single information resource for the city’s nonprofits perhaps on the DOSP website that clearly maps assistance and resources available from the City for Denver nonprofits.
RECOMMENDATIONS FOR FURTHER RESEARCH

TIER 2

T 2.1
Determine what constituted the 33% of service demands that were not met and set strategies to meet those needs given time and funding.

T 2.2
Determine the gap in funding the full costs needed by nonprofits for service demands, sustainability, and managing growth, and create alternatives to modify the scope and funding levels to address such gaps in the contracting process.

T 2.3
Develop a streamline, centralized, and standardized application process. (see New York City Human Services model).

T 2.4
Develop topical focus groups to improve contract services and human relations for city staff and nonprofit partners.

T 2.5
Improve access to capital for nonprofits.
TIER 3

Increase transparency, internal accountability and eliminate unnecessary paperwork through efficiency and effectiveness evaluation of the contracting and grant making processes.

Consolidate the entry points for social sector contractors through one department that would also be the central place for RFPs and NOFAs for all city funding opportunities for services offered by nonprofits.

Reinvent the relationship between nonprofits, contractors, and city agencies as a partnership to avoid treating community-based organizations like vendors.

Expand the role and staffing of DOSP to create an equity-informed approach that supports the social sector by leveraging business input with volunteers and philanthropy helping to develop nonprofit enterprises with the city.

Explore the issues of space costs and organizational displacement reported in the 2018 and 2020 Nonprofit Displacement Study provided by Radian. Explore more efficient use of social sector shared space and how the city might help provide space for carrying out some of these functions (e.g. libraries, recreation centers, vacant city space, etc.).

Dedicate a first point of contact at DOSP, with help from other city agencies, for nonprofits facing displacement that could provide information, technical assistance, and planning support to find space, move operations, or merge with other nonprofits in new ventures.