



Salt Lake County PFS Initiative

Transition Briefing Operations

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Ongoing Reporting/Governance

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Project Overview

- PFS initiative was kickstarted in 2014 with Development Fund to finance project design
- Two projects were developed, one tackling Criminal Justice and the other tackling Homelessness
- Private funders will fund the projects upfront, with the County making up to \$11.5m of Success Payments only if a rigorous evaluation shows results

Key Follow-up Reading

- 160419_SLCo PFS Initiative - Summary_vF. This contains more about each party and the operations of the projects. Note that the financing has changed since this summary.

Pay for Success Project Development Funders



JAMES LEE SORENSON



Morgan Stanley



Mark & Kathie Miller



J.P.Morgan



The PFS Initiative has benefited greatly from partnerships with multiple community stakeholders

Project Partners



Federal, County and State Partners

- **Department of Housing and Urban Development** (Federal)
- **Behavioral Health Services** (Salt Lake County)
- **Sheriff's Office** (Salt Lake County)
- **Department of Human Services** (Salt Lake County)
- **Department of Corrections** (State of Utah)
- **Department of Workforce Services** (State of Utah)

PFS will provide \$11.7m of upfront funding over 6 years to serve approximately 540 high need individuals

Homelessness PFS Project

At least 315 “persistently homeless” adults who have spent 90 to 364 days in emergency shelters in the past year will now receive high intensity Rapid Rehousing program

Criminal Justice PFS Project

At least 225 adult males at high risk of re-engaging in criminal behavior will now receive intensive suite of services targeted at criminogenic factors

Unique PFS Features

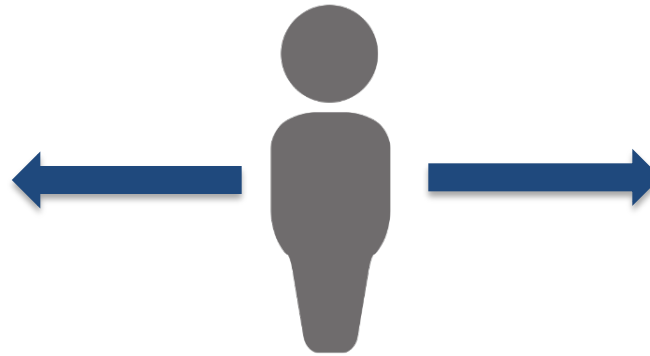
- Flexible multi-year funding not tied to a ‘recipe’, allowing for ongoing adaptation to what works
- Potential for provider success fees if providers achieve target impact level
- Additional capacity building for providers via full-time program manager from Sorenson Impact Center and rigorous randomized evaluation from University of Utah

A rigorous evaluation will be used to determine whether success was achieved

What would have happened in the absence of this program?

TREATMENT GROUP

- Receives services
- Completes treatment
- Does not recidivate, stabilizes in housing



CONTROL GROUP

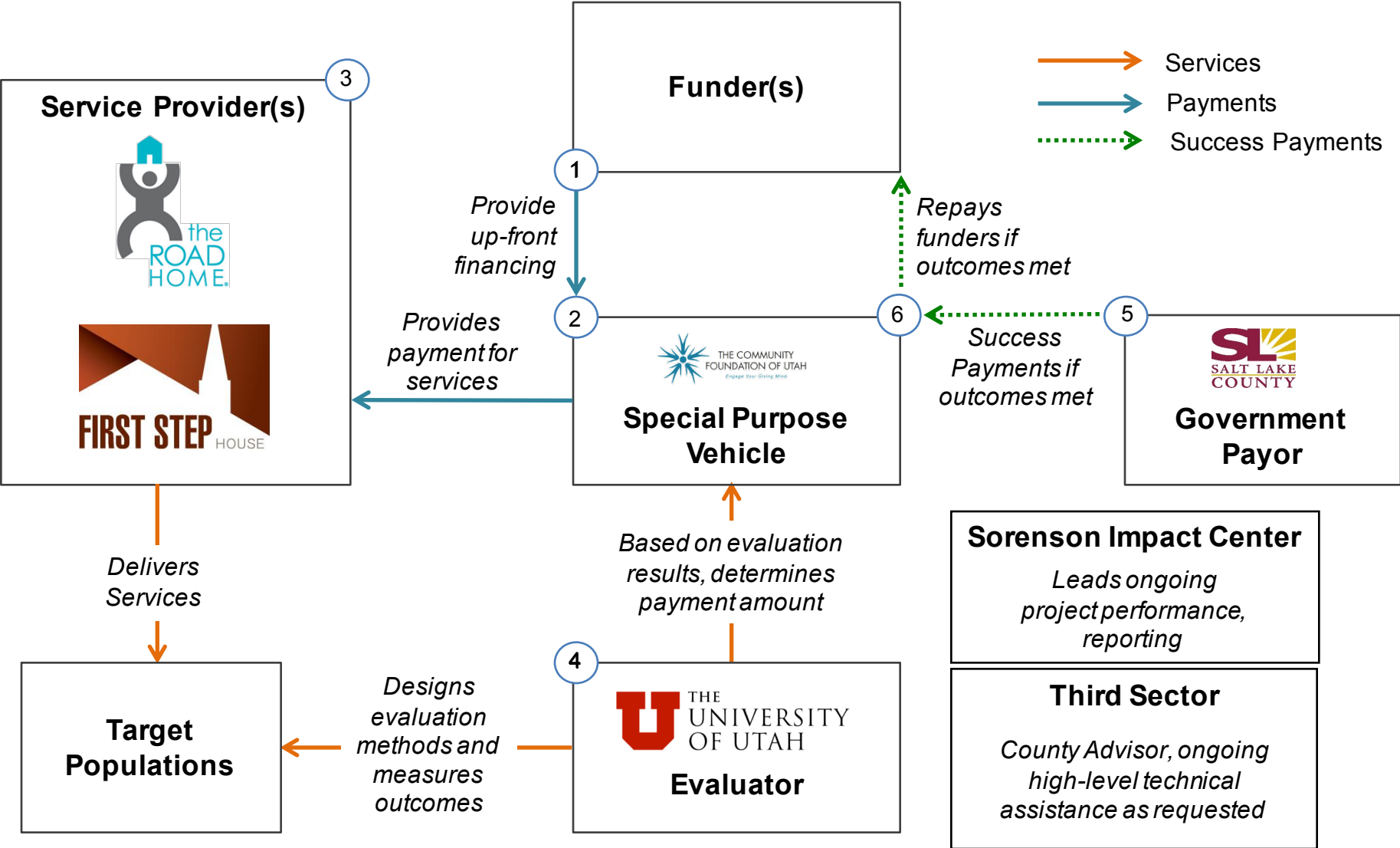
- Does not receive services
- Remains homeless?
- Re-offends?

Randomized control trials, by randomizing individuals into services or “treatment as usual” attempt to answer: what would have happened? This ensures that we isolate the **true impact** of services.

The evaluations will:

- (1) Determine whether agreed-upon levels of success were achieved in order to trigger success payments
- (2) Provide policy insights for Salt Lake County and communities across the nation on the effectiveness of these interventions for high-need populations

Salt Lake County PFS Project Structure



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Ongoing Governance Structure

Committees

Operations Committee

- **Scope:** Troubleshooting operational issues
- **Voting Representatives:***
 - Road Home
 - First Step
 - County (Mayor rep and Council rep)
 - Project Manager
 - SPV
 - Independent Evaluator
- **Meeting Frequency:**
 - Twice per month during pilot period
 - Once per month thereafter

Executive Committee

- **Scope:** Major financial and project decisions
- **Voting Representatives:***
 - Road Home
 - First Step
 - County (Mayor rep)
 - Project Manager
 - Funder rep
- **Meeting Frequency:**
 - Once per month during pilot period
 - Once every two months thereafter

Points of Contact

- Project Manager will be in charge of organizing these Committees and other responsibilities in Article 5 of PFS Contract
- Some voting items on the Executive Committee will require “Funder Consent” from 2/3 of funders. Program Manager will notify the Administrative Agent (Northern Trust), who will request this consent. (5.03 of PFS Contract)
- County has retained Third Sector as a resource during Pilot Period, to be available by County written request

*Note: Committee meetings are open to attendance by all parties although only the listed representatives have voting rights

Key Upcoming Milestones

- **Ramp-up:** both projects have a brief ramp-up period to hire staff/renovate. HNJ: December 1 2016 – December 31 2016. CJ: December 1 – March 31 2017
- **Launch:** the official Project Launch for each project, which is when services begin, will be HNJ January 1, CJ April 1
- **Pilot Period:** there is a philanthropically funded pilot period (2 quarters in CJ, 4 quarters in HNJ). At the end of the pilot period, a report will be produced (within 1 month) assessing whether the pilot met given performance thresholds. Only after this report will lender capital be drawn down. There is also the potential to amend the evaluation plan if the pilot shows that to be necessary.
- **Project End:** each project will end 6 years (24 quarters) after Project Launch



Points of Contact

- Project Manager leads ongoing project execution and several other key project events (e.g. certify that Conditions to Launch have been met, work with Independent Evaluator to create Pilot Report)

Key Follow-up Reading

- Pilot period performance metrics in Section 2.03 of PFS Contract
- Reporting Appendix D in PFS Contract shows what reports are due when

Important Items to Focus On

1. **Referral numbers:** ensure that agencies (DWS/APP) are sending sufficient individuals of the right profile to the programs, and help service providers troubleshoot/self-recruit if not. Note that if not enough referrals are made, project will wind down, and “County Pilot Failure” or “County Minimum Performance Threshold Failure” wind-down provisions may occur.
2. **Data for Success payments:** ensure that various agencies are sending data of sufficient quality and on time, per Article 10 of the PFS Contract, so that success payments can be made
3. **Pilot report:** ensure that project hits the performance metrics discussed in Section 2.03 of the PFS Contract so that lender capital can be drawn down at end of pilot period
4. **Termination Events:** ensure that project avoids any of the termination events in Article 11 of the PFS Contract so that there is no early shut-down of services

Key Follow-up Reading

- Referral sections of evaluation plans and referral pathways in Data Sharing section
- Reporting Appendix D in PFS Contract
- Article 5 of PFS Contract, discussing purview of each Committee and voting rules on various items
- Article 10 of PFS Contract, Covenants of the County, regarding referrals and timely data sharing
- Section 11.01 of PFS Contract, Termination Events
- Definitions section: “County Pilot Failure” and “County Minimum Performance Threshold Failure” regarding the referral thresholds. Section 11.02 of PFS contract describes how wind-down occurs in the case of County failure (vs normal wind-down).

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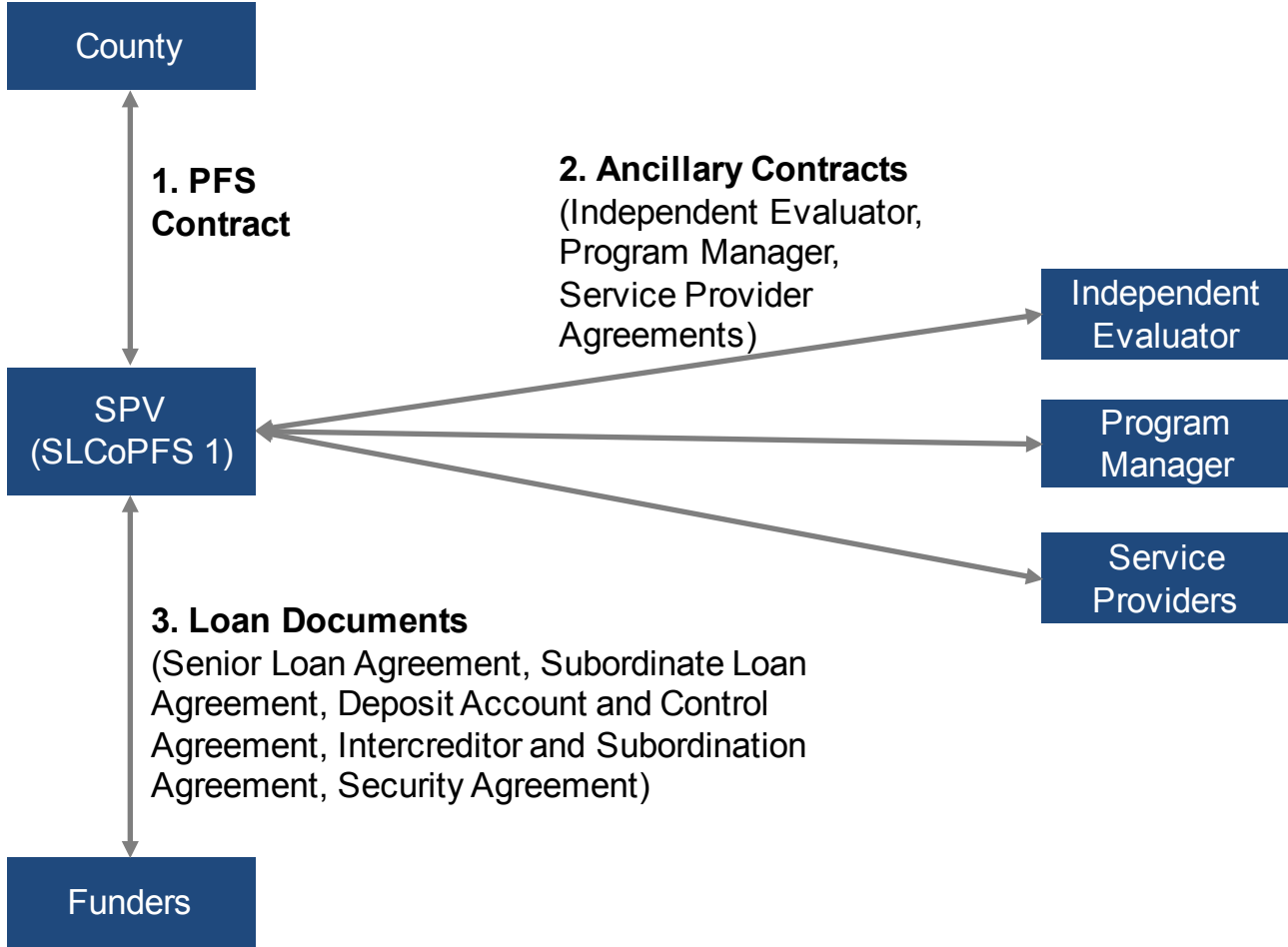
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Contract Overview

There are 3 main categories of contracts governing the projects, with most documents taking reference from the PFS Contract



Other Key Contracts

Contract	Signatories	Purpose
Development Loan Agreement	SPV, Sorenson Impact Foundation, Living Cities	Provided \$250k (Sorenson) and \$125k (Living Cities) of loans to the Development Fund Sorenson Development Loan has been modified so that there is no interest during pilot period, and repayment of principal is contingent on pilot success
Escrow Agreement	County, US Bank	Hold County appropriations in third-party location
Referral and Evaluation Data Use Agreements	UCJC and various parties	Provide data for referral and evaluation

Points of Contact

- Dorsey and Whitney are the SPV’s lawyers and led drafting of all the project documents.
- Melanie Mitchell, County Deputy DA, led agreements related to County (e.g. Escrow Agreement)

Key Follow-up Reading

- PFS Contract
- Senior Loan Agreement
- Service Provider Agreements
- Sorenson Development Loan modification

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Project Data Needs

- The Independent Evaluators, the University of Utah Criminal Justice Centre (UCJC), need data for two purposes in the project:
 - **Referrals:** Ensuring that individuals with characteristics that make them most likely to benefit from the program will be sent to the program
 - **Evaluation:** Observing whether specified outcomes are met. A broad range of outcomes are being measured for policy, and implementation purposes, a subset of which will determine success payments
- **Referrals: 2 Referral Data Sharing Agreements**, one for each project
 - Homelessness: signed by HMIS, UCJC, TRH, SLC
 - Criminal Justice: signed by APP, UCJC, SHERIFF, FSH, SLC
- **Evaluation: 8 Evaluation Data Sharing Agreements** in total
 - The County is signatory to those related to government agencies so as to help UCJC enforce them (HMIS, SLCo BH, UDC, BCI, Jail/OMS, DWS)

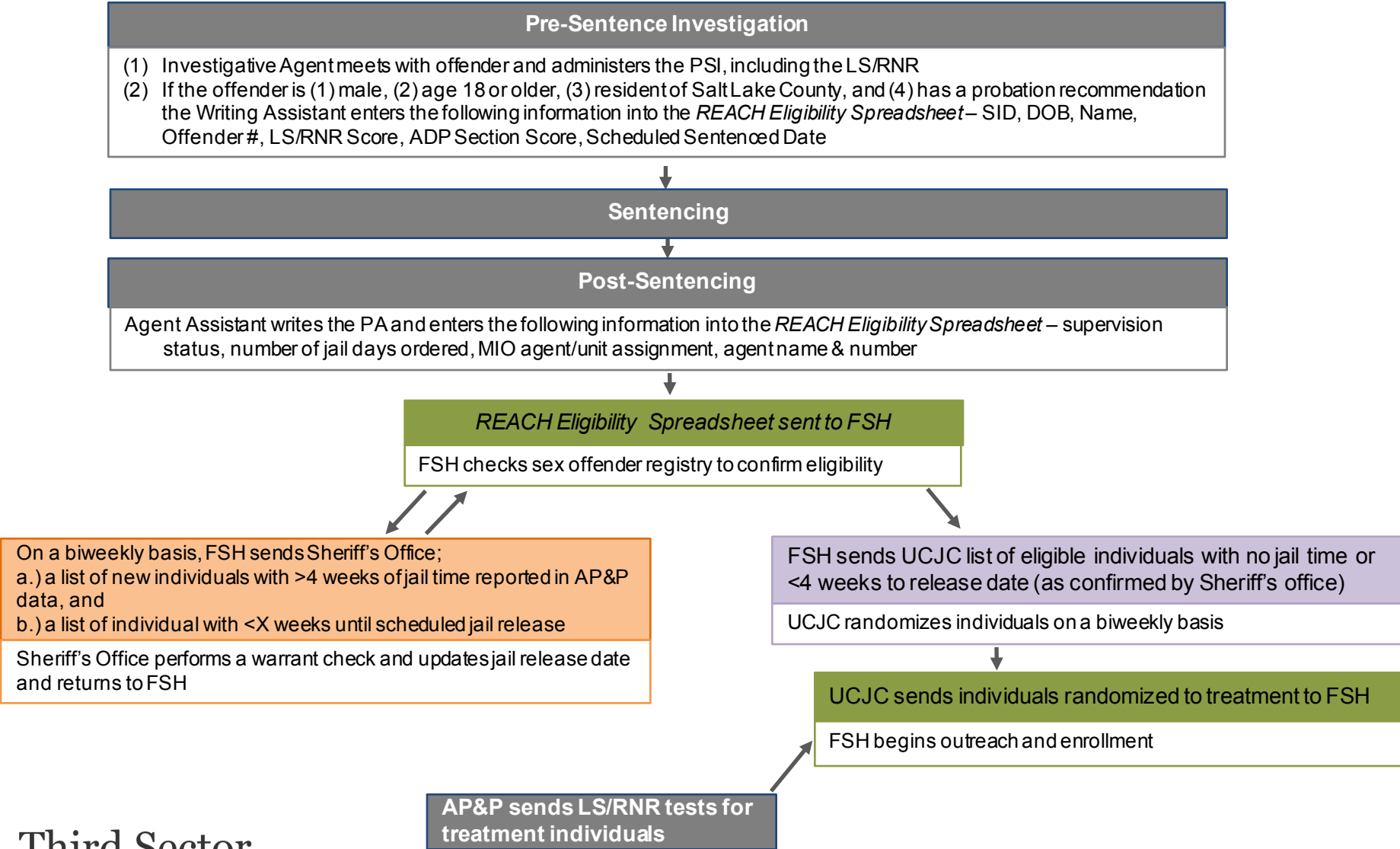
Points of Contact

- UCJC to be responsible for the obtaining of data, with Project Manager and County to assist when necessary

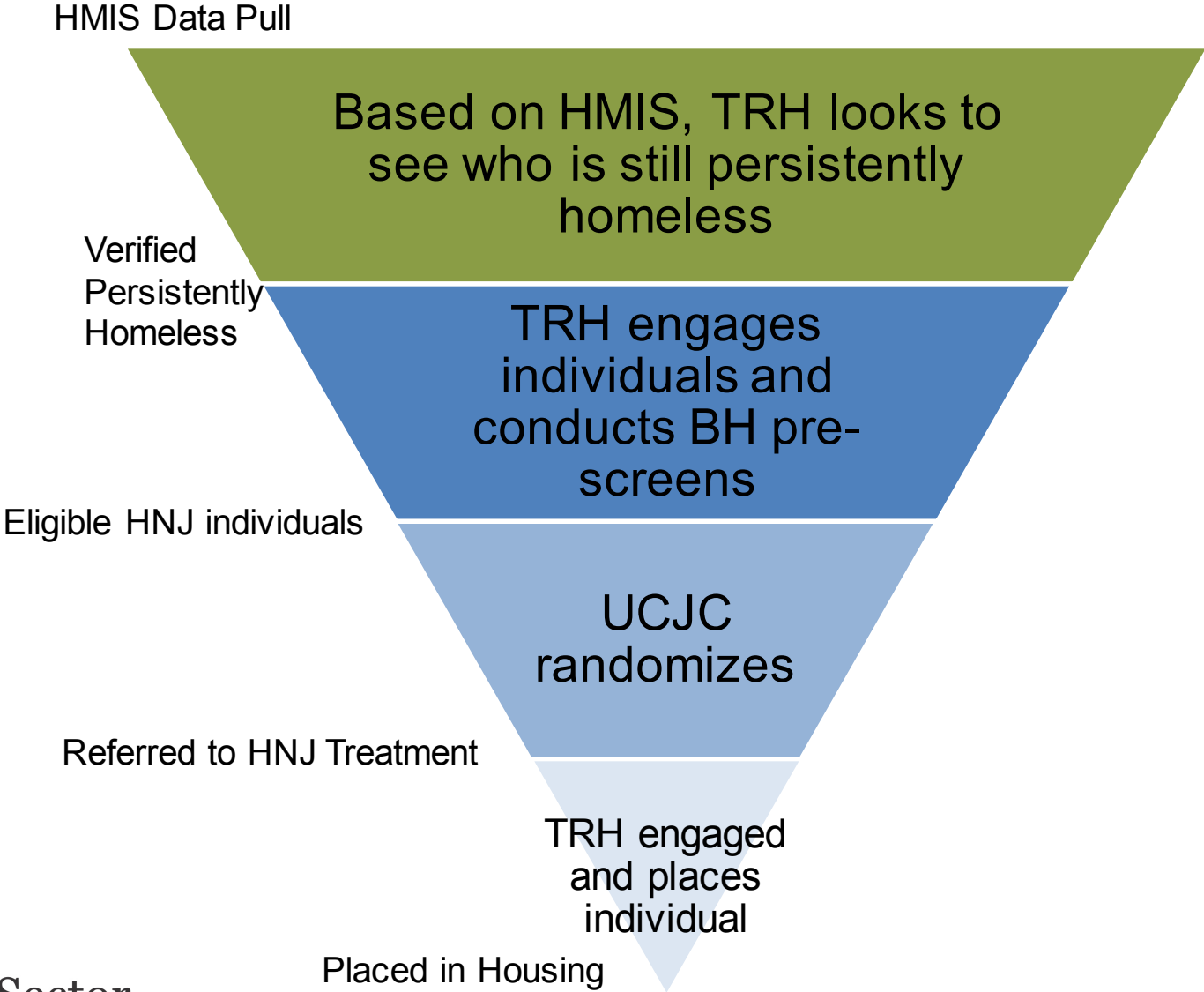
Key Follow-up Reading

- Homelessness and Criminal Justice Evaluation Plans, especially Data Map and Table 1
- Referral and Evaluation Data Sharing Agreements

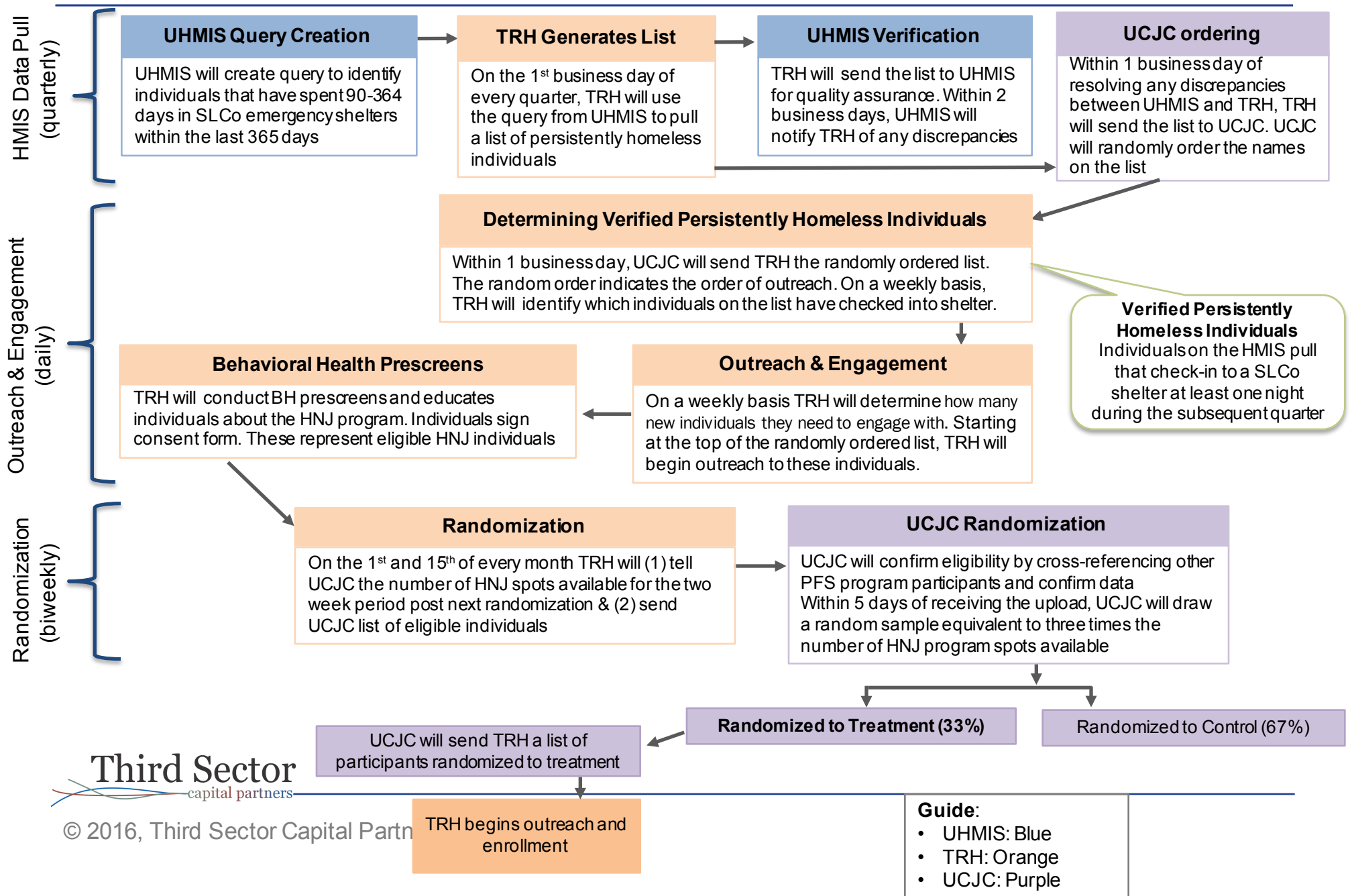
REACH Referral Pathway



HNJ Referral Pathway



HNJ Referral Pathway



Outcomes Measured in HNJ Project

Table 1: Outcome metric, payment, type, measurement start, data source, and reporting frequency

Outcome	Payable	Type	Measurement Start	Data Source	Analytic Approach	Reporting Frequency
Housing stability	Yes	Relative	Post Grace Period	UHMIS, YWCA, OMS	NB or Poisson regression	Annually
Mental health services	Yes	Relative	Randomization	SLCoBH	Logistic regression	Annually
Substance abuse services	Yes	Relative	Randomization	SLCoBH	Logistic regression	Annually
Graduation to permanent housing	Yes	Absolute	Randomization	UHMIS	Descriptive: number of clients	Every six month
Shelter Days	No	Relative	Post Grace Period	UHMIS, YWCA	Tweedie or ZINB regression	Annually
Chronic	No	Relative	Post Grace Period	UHMIS	Logistic regression	Annually
Jail days	No	Relative	Post Grace Period	OMS	Tweedie or ZINB regression	Annually
New charge bookings	No	Relative	Post Grace Period	OMS	NB or Poisson regression	Annually
Employment	No	Relative	Randomization ^a	DWS	Poisson regression	Annually
Benefits	No	Relative	Randomization	UHMIS	Regression/ Poisson Regression	Annually

^a Refers to the quarter following randomization.

Outcomes Measured in CJ Project

Table 1: Outcome metric, payment, type, measurement start, data source, and reporting frequency

Outcome	Payable	Type	Measurement Start	Data Source	Analytic Approach	Reporting Frequency
Statewide arrests	Yes	Relative	Randomization	OMS, BCI	Tweedie or ZINB regression	Annually
Incarceration days	Yes	Relative	Randomization ^a	OMS, UDC	Tweedie or ZINB regression	Annually
Employment	Yes	Relative	Randomization ^b	DWS	Poisson regression	Annually
Treatment engagement	Yes	Absolute	Enrollment	FSH	Descriptive: count of clients	Every six months
Education gains	No	Absolute	Enrollment	FSH	Descriptive: percent of clients	Annually
Mental health	No	Absolute	Enrollment	FSH	Growth model	Annually
Criminal thinking	No	Absolute	Enrollment	FSH	Growth model	Annually
Drug screen	No	Absolute	Screening	AP&P, FSH	Growth model	Annually
Stable housing	No	Absolute	Enrollment	FSH	TBD: growth model	Annually

^a Does not include days in jail as a condition of probation.

^b Refers to the quarter following randomization.

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There is \$11.7m of upfront funding across both projects, split into three tranches

Total: \$11.70M

Senior: \$7.00M

Impact: \$2.0 M

Grant: \$2.70M

Senior Loans

- Northern Trust Bank: \$4.7 million (\$2.35m CJ, \$2.35m HNJ)
- Ally Bank: \$0.8 million (\$0.4m CJ, \$0.4m HNJ)
- QBE Insurance: \$1 million (\$0.65m CJ, \$0.35 HNJ)
- The Reinvestment Fund: \$0.5 million (\$0.5m HNJ)

Impact Loans

- Program Related Investment from the Sorenson Impact Foundation: \$1.5 million (\$0.8m CJ, \$0.7m HNJ)
- Program Related Investment from Living Cities: \$0.5 million (\$0.5m CJ)

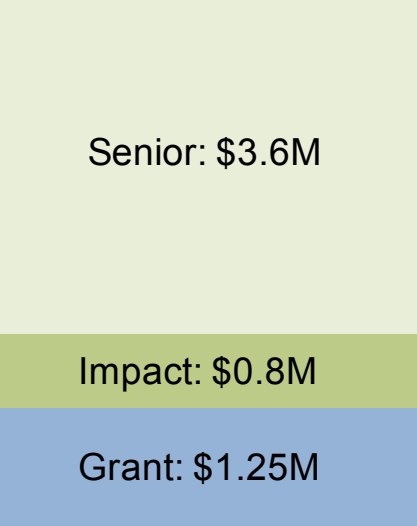
Committed Philanthropy (committed traditional, non-recoverable grants)*

- Larry H. and Gail Miller Foundation: \$1 million dollar for dollar match
- The Ray & Tye Noorda Foundation: \$750,000, paid over three years
- The George S. and Dolores Dore Eccles Foundation: \$250,000
- Nonprofit Finance Fund (confidential): \$250,000
- Synchrony Bank: \$250,000
- Zions Bank: \$200,000

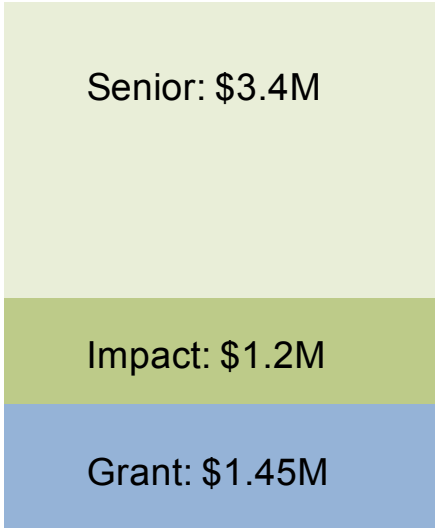
*excludes The Utah Department of Workforce Services Emergency Services Grant: \$125,000, which has been directly deducted from budget in HNJ project

The capital stack for each project is slightly different due to funder preferences

Homelessness: \$5.65M



Criminal Justice: \$6.05M



Key Follow-up Reading

- Commitment schedule 2.2.1 in Senior Loan Document and Subordinate Loan Document, which outlines the commitment of each funder in each project and their resulting percentage of the capital stack
- PFS Contract Section 4.03
- SLCo PFS models 161208

In both projects, the pilot period will be entirely philanthropically funded, after which lender capital will be drawn down

Impact lender capital will be drawn down before Senior lender capital...

Homelessness	Senior	Impact
September Drawdown*	Q8 – Q20	Q5 - Q8
Current Drawdown*	Q8 – Q20	Q5 – Q8

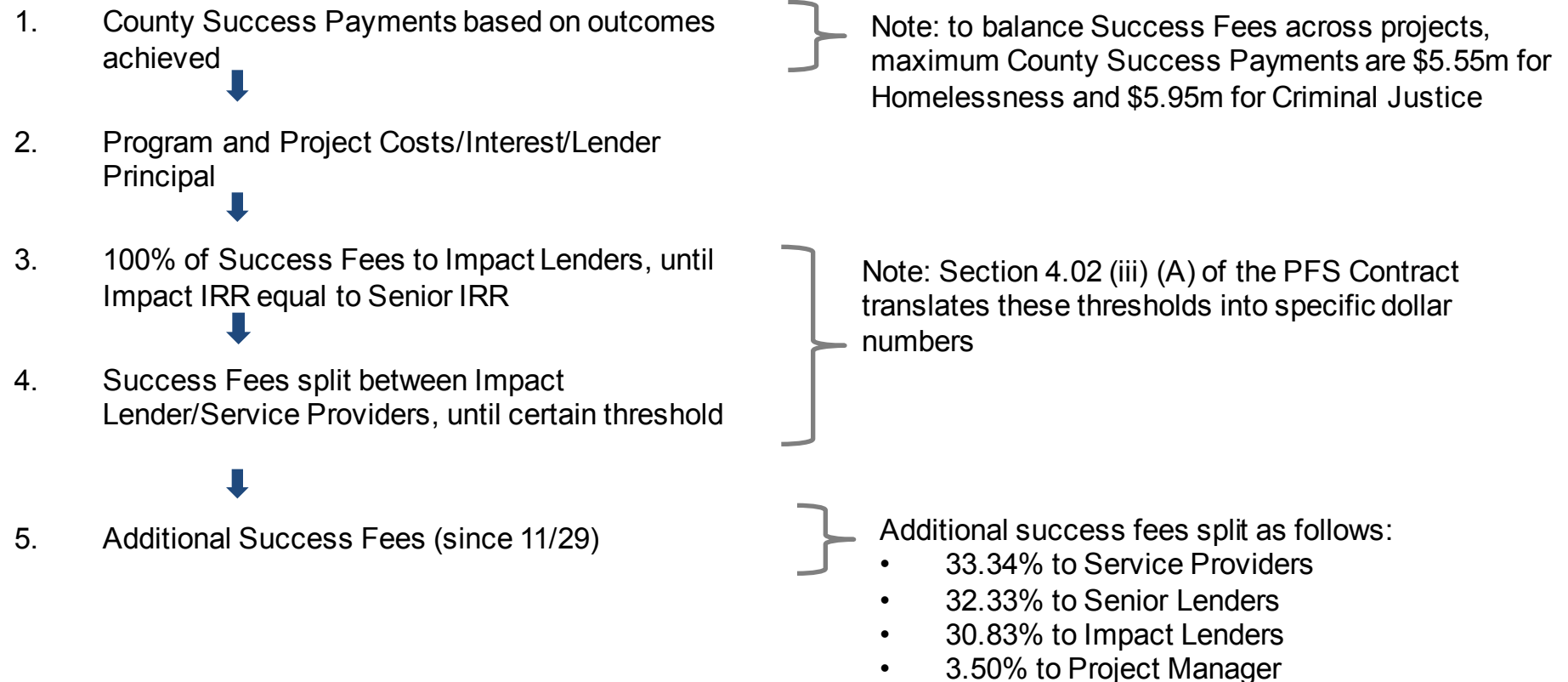
Criminal Justice	Senior	Impact
September Drawdown*	Q7 – Q21	Q3 – Q7
Current Drawdown*	Q7 - Q21	Q3 – Q7

...and all funders within a given tranche will be drawn down together pro-rata by project.

e.g. If \$1 is drawn down from the Senior tranche in the Homelessness project, then Northern Trust will have 65.28 cents drawn down (see Commitment Schedule in Loan Agreements for percentages)

In the event that the project achieves targeted impact levels, success fees will be distributed as follows

Success Payments Waterfall



Northern Trust has also asked for any success payments owed to them above a certain amount (principal + 2% interest) to be distributed 50/50 to the providers. See Senior Loan Agreement 2.4.5.

The County is advancing \$0.25m of escrow funds to help close the grant timing gap

Timing Gap	Proposal	Risk Mitigations
<ul style="list-style-type: none">• Total philanthropy needed to fund pilot period (year 1): \$2.35m• Total committed philanthropy: \$2.7m• However \$0.60m of Noorda funding will be available only after the pilot period ends• Pilot period funding gap is \$0.25 million*	<ul style="list-style-type: none">• County puts in up to \$0.25m of escrow funds into SPV• When Noorda funding is provided, SPV will use this funding to replenish escrow funds	<ul style="list-style-type: none">• Non-Funding: If Noorda does not deliver funding as committed, the County has agreed to make a request for other grant/appropriations funding, failing which the project will shut down.• Project Shutdown: If the project shuts down, Lenders will still have at least \$2m of buffer in escrow above what they are owed to date

*Pilot period funding: \$2.70m - \$0.60m = \$2.10m. Pilot period funding gap: \$2.35m - \$2.10m = \$0.25m

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County is currently envisioning a two-step press launch

Contract Announcement: 19th of December

- **Purpose:** Local event with key stakeholders to make contract signing 'official'
- **Attendees:** Mayor, Jim Sorenson, Providers
- **Event:** Announcement in County Council Chambers, Joint Press Release

Official Launch Party: 25th/26th of January

- **Purpose:** Broader celebration of innovation in PFS project involving all key stakeholders
- **Attendees:** All project stakeholders, all funders
- **Event:** Announcement during with the opening or closing remarks by the Mayor at the Winter Innovation Summit. Option for a breakfast the morning of the 26th.
- **Mayor Ask:** Preference for date

Publicity Agreement and Materials

- Project has made a **Joint Press Release, FAQ, Fact Sheet** for ease of reference
- These will be put in a consolidated location on County and TSCP websites
- All parties can have their own press events, although we would of course encourage referencing the 'official' documents
- As part of Publicity Agreement in PFS Contract, parties cannot disclose loan documents except in case of FOIA

Points of Contact

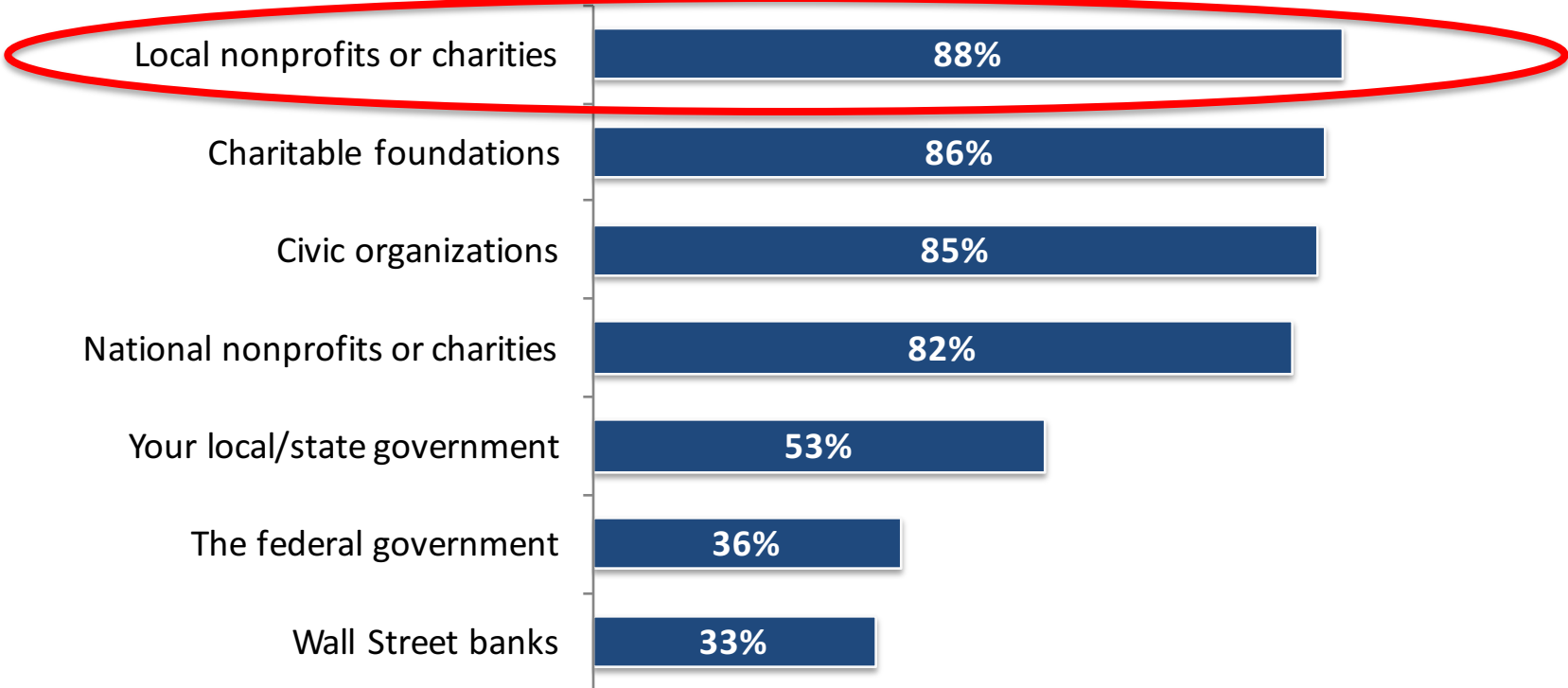
- **County Mayor's Office** is managing the press release

Key Follow-up Reading

- Joint Press Release, FAQ, Fact Sheet
- Publicity Agreement in PFS Contract Appendix F

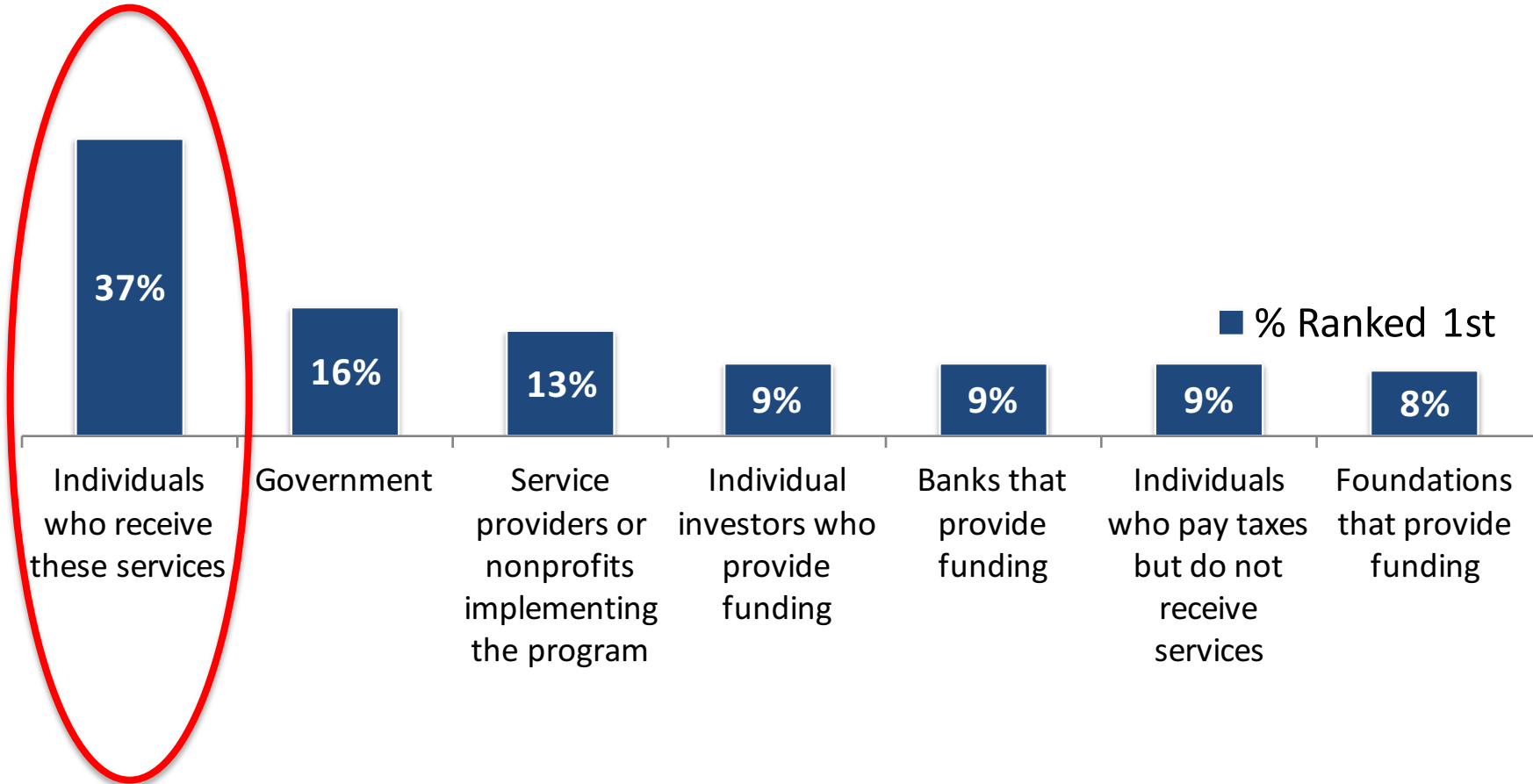
Research shows that service providers are the most trusted messengers of Pay For Success

The Glover Park Group conducted intensive public research on views about Pay for Success and, from that research, developed data-driven messaging.



Q15. We'd like to ask you about some organizations and groups. For each one of the following, please indicate if you have a very favorable, somewhat favorable, somewhat unfavorable, or very unfavorable opinion.

The most attractive framing is a focus on providing “better services for those in need”



Q25. Of the following groups involved in PFS programs, how much would they benefit from this type of program, given everything you’ve read?

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Key Contacts

- **Project Manager:** Katie Reberg katie.reberg@eccles.utah.edu
- **SPV:** Tony Mastracci tony@utahcf.org
- **TSCP:** Kevin Tan ktan@thirdsectorcap.org
- **Council Representatives:** David Delquadro and Jason Rose
- **Mayor Representatives:** Darrin Casper and Karen Crompton

Disclaimer

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