

Editorial - Agency for homeless chooses responsible path to solvency

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EHC LifeBuilders has become the latest Silicon Valley non-profit to admit it's been living beyond its means.

The county's primary agency for helping the homeless accumulated a \$6.5 million deficit over the past five years while continuing to expand services, all in the hope that revenue would pick up. It's a reminder to other non-profits that hope is not a reliable financial strategy.

But here the similarity to most other recent reality checks in the arts and non-profit world comes to an end.

EHC is not asking for a bailout. It is undertaking a dramatic transformation that will shrink its annual budget from \$13 million to a leaner \$7 million, creating a smaller, financially sustainable agency that still can fulfill EHC's core mission, board members and executives are convinced.

Today, EHC provides more than half of all emergency services in Santa Clara County, and much of that work will continue: the critically important temporary winter shelters in armories and the like, for example, and the innovative Boccardo Regional Reception Center, where clients can find a permanent path out of homelessness. Interim Chief Executive Jennifer Hodgson Loving is hopeful that even when some other services are cut, the clients can be placed with other agencies.

This pragmatic plan doesn't excuse EHC's board for allowing the deficit to grow so large. Whether for social service agencies or for arts and cultural organizations like the struggling Mexican Heritage Plaza, boards need to monitor finances closely and stop the hemorrhaging before spending far outstrips revenue.

For EHC, there were two extenuating factors. One is its humane mission. The other, really, is the elephant in the room: the influence of EHC's founding director, the visionary Barry Del Buono. He made EHC one of the premier agencies of its kind and never saw a human need he didn't want to help meet.

Del Buono's charisma carried EHC to enormous growth over 27 years and enabled him to win bailouts from time to time. That may have helped obscure the changing financial picture in recent years. It didn't help that the agency went through four chief financial officers in as many years.

Last fall, a devastating audit clarified EHC's problems. "To say it was a wake-up call diminishes its significance," says board President Philip Gregory. The board alerted all major fund providers and assured them solutions were on the way.

In March, EHC found a strong CFO who clarified the depth of the financial problem. By the end of the fiscal year in June, the board realized it had to shrink the agency. In July, Del Buono abruptly left.

Board members and remaining staff have nothing but praise for Del Buono's work. What they won't say is that he never could have presided over this downsizing of the agency he built. EHC's interim CEO, Loving, can approach the challenge without ego.

Of the 14,000 people EHC serves today, all but 1,000 will see little change from the budget cuts. That's just a 7 percent service reduction, when the budget is being slashed nearly 40 percent. Loving says it's because some small programs have high per capita costs.

What does not change is the importance of ending homelessness, which often snares even working people in this expensive valley. While EHC is not going to cities or the county hat in hand, it always has and always will rely on private donations to help finance its community work. With this fall's reorganization, private dollars will be needed more than ever - and, it appears, will be prudently spent.