Background

In the past ten years, the Alliance has effectively made a name for itself in Washington DC. The DC staff have demonstrated exemplary leadership in the District’s stormwater work and feel encouraged to create an even stronger presence. In order to enhance our work and presence in the DC Metro Area, the DC team needs to leave its current in-house desk space at the Department of Energy and Environment (DOEE) and create a new Alliance DC Metro Area office space. The intent of this proposal is to lay out the strategic reasons for this decision, and to enumerate the financial plan to implement this move.

Since 2008, the Alliance’s DC team has:

- Grown from one representative coordinating a single grant to four full time employees coordinating three multi-year grants, and almost the entire RiverSmart Homes Program.
- Spearheaded the Alliance’s initial interest, coordination, and first year run of the Wild & Scenic Film Festival (January 2018).
- Hosted one Forum Plus event per year & continued to steer the Alliance’s internal Diversity Equity and Inclusion Team (DEI Team).
- Built and facilitated local partnerships with Rooting DC, DC State Fair, the National Arboretum, Patagonia Georgetown, LL Bean Tysons, Urban Ecosystem Restorations, Rock Creek Conservancy, Anacostia Watershed Society, Earth Conservation Corps., and many others.

The Alliance rented office space in DC from 2001 to 2006. At that time, there were only two staff members on the DC Team, neither working specifically on DC based projects. Today we have four staff members on the DC team focused on, and funded by, DC based projects and grants.

Purpose

A new DC Metro Area office will help the Alliance achieve the priority strategies set forth in the 2019 - 2022 Strategic Plan and reach our goals by:

1. **Broadening our Impact** – Reaching beyond DOEE’s grant goals, working in all of the DC Metro Area outside of the DC state lines, and expanding on more work than just stormwater Best Management Practices (BMPs).
2. **Building Cross-Sector Partnerships** – Prioritizing and building stronger relationships with other agencies, local businesses, and municipalities. A physical office location in Washington DC will enable us to host in-house meetings and discussions which we are not able to do given our current desk-sharing situation within DOEE.

3. **Elevating our Brand** – Extending our presence outside of the RiverSmart umbrella and enhancing development and fundraising practices in the area. Washington DC sits on the Potomac and Anacostia Rivers, and has made an intentional effort to revitalize waterfront areas. The Alliance is in a position to elevate our brand relative to these areas – and continue to make a connection between residents and their local waterways.

4. **Ensuring Organizational Sustainability for the Next 50 Years** – Utilizing available funding and DC staff's enthusiasm to pursue a DC Metro Area Office now will strengthen the Alliance for the long term, increasing the capacity of the DC staff and programs. There are many philanthropic connections to be made in Washington DC, which can benefit the Alliance’s organizational management and infrastructure, in order to better prepare us for another 50 years of hard work.

In our current work, the Alliance’s DC team educates RiverSmart homeowners and installs stormwater management projects for only these participants. While RiverSmart is a large and impressive program, it does not extend beyond the boundaries of DC and is limited to residential work. Clean rivers and streams depend on more than just one program in one defined section of land. By creating a DC Metro office and implementing work to highlight each strategic priority, the DC Team would be able to more actively engage a broader set of communities, companies, and conservationists in the DC Metro region, recognizing that the landscape does not end at the DC border.

This expansion will increase our impact on the water quality of the DC region, given that only a very small percentage of the Potomac River Watershed is in DC, just 25% of the Anacostia River Watershed and 21% of the Rock Creek Watershed falls within the DC borders. The DC Team has a close connection to the Virginia and Maryland Offices, and this move will put them in a better position to help close the gaps around the DC Metro area in terms of programmatic and fundraising opportunities.

**Immediate Need**

*Our current DC desk space is in a precarious situation that could be in jeopardy.* Three of the current DC team members are housed in our grantor’s (DOEE) office, using flex-desk spaces as part of our grant agreements. When the RiverSmart Homes Program began, the Alliance did not have an office space in DC, but DOEE recognized the Alliance as the most effective partner to coordinate the program. DOEE requires that all grantees maintain a DC office address in order to qualify for DOEE grants, so they have accepted our MOU “DC office space” without question in order to keep us on the program.

There are now many capable organizations in DC who could run this program, and recent leadership transitions at DOEE could potentially put us at risk of DOEE examining the Alliance’s MOU more closely and possibly auditing our DC Office location. If this were to happen, we could be immediately disqualified from the program, losing all three DC grants and the indirect funding upon which the Alliance as a whole greatly depends.
Housing our own staff in an Alliance office space would allow the DC team to expand its reach in the DC Metro region while maintaining our current grants and a great partnership with the DOEE. Our own DC Office would remove the in-house restrictions set by DOEE and increase our ability to:

- Apply for grants outside of DOEE, increasing our indirect funding and programmatic impact.
- Hire additional staff with the ability to house all DC personnel in one location.
- Partner on projects in surrounding counties outside of the District with an off-site indirect rate, including but not limited to: Arlington, Fairfax, Prince William, Montgomery, and Prince George's counties.

### Areas of Programmatic Growth

The DC team currently sees five potential areas of growth in the DC Metro Area.

1. **Forum Plus**

   a. The Alliance plans to continue our current 2019 Forum Plus roundtable into 2020 as we try to prioritize and tackle the problems brought up at each discussion. Our partners recognize that these conversations may guide their future funding plan and look to the Alliance to continue leading the discussions. This work is currently fully funded for the next two years through a grant from the National Fish and Wildlife Foundation (NFWF).

2. **Maintenance and Installation of Best Management Practices (BMPs)**

   a. DOEE, DC Water, and DDOT are facing maintenance issues with respect to BMPs on residential and community properties, public access areas and private businesses. The Alliance is actively involved in this discussion due to our partnership on the RiverSmart Homes and RiverSmart Communities Programs. We plan to continue our part in the discussions, pursue additional grants for funding, create more Forum Plus events relative to this topic, build more relevant partnerships, and seek other solutions to this challenge.

   b. The Alliance's Board and staff have expressed interest in expanding our existing RiverWise Schools program in the Northern Virginia area. At this time, the Richmond office does not have the time or ability to manage this program in Northern Virginia. However, a DC Metro office sees this as the first of many potential expansion projects to implement in the area.

   c. An office would also offer us a space to conduct more training events surrounding BMP management and community education, outside of just DOEE's scope. A dedicated space would enable us to create a home and hub for the work that we seek to continue.

3. **Local Business Partnerships:**

   a. In planning our Forum Plus event, we have found that businesses are interested in making more environmentally conscious decisions beyond minimal requirements by the law. We
plan to expand on these discussions with our existing partners, and to grow the list of businesses partnering with the Alliance in general.

b. Our partnership with Patagonia has stimulated discussion encouraging environmental education and behavior change among local businesses. A Patagonia Retail Grant could fund ongoing discussions and partnerships with local businesses.

c. The Wild & Scenic Film Festival has also expanded our relationships with local businesses and could become a great way for environmentally conscious businesses to be highlighted in the community.

4. **Justice, Equity, Diversity, Inclusion (JEDI)**

   a. We are encouraged by the current push for justice, equity, and inclusion in local environmental projects. Companies such as Patagonia have made it a priority to fund more projects with a DEI focus, which dovetails well with our focus on increasing local business engagement.

   b. The Alliance’s DEI Team is crafting a proposal to hire a grant writer to assist in our effort to find funding for a staff DEI liaison. The DEI Liaison could be housed in the DC Office and assist each office in creating and implementing equitable and inclusive programs.

5. **Development**

   a. There are numerous opportunities for the Alliance to expand outside of the District, into Northern Virginia, Montgomery, and Prince George’s Counties. Northern Virginia is home to some of the wealthiest Counties in the United States, and will soon be home to Amazon’s new east coast headquarters. The communities surrounding the DC border offer a treasure trove of potential partners, such as in Tysons Corner, Bethesda, McLean, Chevy Chase, Arlington, Silver Spring, and Alexandria. This same trend is true in Montgomery and Prince George’s Counties. The opportunity to engage with local businesses and partners, which consist of members of these affluent communities, can position us to increase the unrestricted revenue raised through various fundraising efforts.

The future of our work in DC could expand far beyond these project ideas depending on the changing needs in the field and communities.

**Office Expenses and Funding**

*Please see Appendix A for additional information prepared by the Alliance’s Finance Team.*

Based on recent research for spaces in the city and the needs of the DC team, we are looking at a monthly rental lease of $2,500 - $3,500; $40,000 to $47,000 annually. These cost estimates were established using a detailed office budget established by DC and Finance Team. For financial planning purposes, the Alliance is considering the higher and more conservative $47,000 annual budget and $6,000 in set-up costs.
The office will be paid for through two mechanisms, (1) Copay Funds* and (2) Unrestricted Income collected via indirect incurred on DC grants. Copay funds will be paid out over 5 years until the account is exhausted.

- Year 1 ( + setup costs) = 80% Copay + 20% Indirect
- Year 2 = 60% Copay + 40% Indirect
- Year 3 = 40% Copay + 60% Indirect
- Year 4 = 20% Copay + 80% Indirect
- Year 5 and beyond = 100% Indirect

This spending plan sets up an efficient, cost effective spending plan for our #1016 copay funds. By utilizing these funds for the betterment of the DC team and programs, the funds now have a definitive spending plan which the Alliance Auditors can reference. The Alliance currently collects the full off-site indirect rate for all DOEE grants and we anticipate that to continue for current and future DOEE grants. See Appendix A for an in depth look at the DC funds.

*Copay Funds considered for spending are funds remaining from our Grant #1016, DOEE RiverSmart Landscaping Grant 2015-2018. The #1016 copay balance is leftover match from homeowner copays. When the grant ended, the Alliance was able to transfer these funds into unrestricted funds specifically for the DC team. This fund is static and totals approximately $105,000. The Alliance auditors made us aware of their concerns about the lack of a spending plan for the 1016 funds. Without a spending plan the pot of funds could raise red flags in future audits.

[Note on future copay funds: Our current Job #4218 DOEE RiverSmart Landscaping Grant 2018 - 2020 is collecting similar copay match. However, these funds are officially earmarked as additional program dollars and must be used for relevant RiverSmart program work. With new leadership at DOEE, there is the possibility that DOEE will require all of these copay match funds to be expended on RiverSmart program work. When Job #4218 closes, if DOEE does not request an accounting of these funds, the Alliance will then be able to use job #4218 copay match as additional unrestricted funds for office rent after December 2021.]

**Prospective Additional Revenue Sources**

The Alliance has recently applied for a grant administered by the Department of Energy and Environment to coordinate its Community Stormwater Solutions (CSS) program. This is a new grant for DOEE which requires a reliable and technically-proficient partner, leading us to believe there is a strong possibility the Alliance will receive this grant. Members of our staff sat in on the CSS open questions call in July and feel positive that the Alliance is the most capable organization to successfully administer this grant compared to the other groups of interest on the call.

The Alliance is also working on a DOEE grant proposal with AMT Engineering to map underground streams within the City, which is due on September 23rd.
The CSS and stream mapping grants would provide the Alliance with two additional sources of indirect funds at the off-site rate from the Department of Energy and Environment. Both fall outside of the RiverSmart scope, and would require hiring new DC staff. We do not believe DOEE will have the space to accommodate a new team member in their office along with the current three DC staff who utilize their space. This additional staff member would be housed in the expanded DC office.

Additional Potential Future Funding/Grant opportunities:
- DOEE Public BMP Maintenance Grant (in talks at DOEE)
- DOEE Residential Behavior Change Research Pilot Project (in talks at DOEE)
- DOEE Urban Agriculture Grant (in talks at DOEE)
- Patagonia Retail Grant: Environmental work with Local Businesses (August 30, 2020: $8-15K)
- NFWF Small Watershed Grant to expand RiverWise work in Northern VA (May 2020: $20-50K)
  - Coordinating with the Alliance’s Virginia office
- Montgomery County Environmental Outreach Grant (November 2020: $50-100K)

**DC Office Structure**

A dedicated DC office would need to house a minimum of five employee desks with conference space for meetings and trainings. Storage space and a kitchenette would also be required.

At this time, the DC Office is managed by the DC Programs Manager. Going forward, management responsibilities will most likely be shared and/or restructured as the team expands its work. These conversations are active and ongoing with the Executive Director, and will adjust as we receive more of the grant funding, listed throughout this proposal.
Appendix A: Financial Assessment of DC Office Expansion

The office expansion will be paid for through two mechanisms, (1) Copay Funds and (2) Unrestricted Income collected via indirect incurred on DC grants. The copay funds are finite at $105,000 and must be spent for DC-related initiatives. Unrestricted Income is more fluid and requires careful analysis. As such, the Finance Team examined indirect past, present, and projected accrual from DC grants and established what is believed to be a cost-effective and low-risk spending plan for the organization to achieve its goal of expanding the DC Metro Area office.

Historic Grant-Related Unrestricted Income

DC projects are critical to the financial health of the organization. Over the last ten years, indirect accrued by DC grants have accounted for, at minimum, 11% of the Alliance's total unrestricted income during each of those years. Only “HQ grants,” which include the largest federal grants awarded to the Alliance have achieved the same level of reliability during that time frame. Figure 1 shows grant-related unrestricted income from 2017-2019 for the entire Alliance organization.

This consistent return is largely attributed to the types of grants DC projects have historically funded: projects with substantial staff time at the full allowable negotiated indirect cost rate.

Between 2017-2019, DC projects are projected to account for 18% of the Alliance’s total non-development unrestricted income. Table 1 shows the indirect accrued by DC grants dating back to 2011.

Table 1: Accrued Indirect totals by year for DC-related grants

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</tr>
</thead>
<tbody>
<tr>
<td>Accrued Indirect (x 1,000)</td>
<td>$43.3</td>
<td>$73.0</td>
<td>$50.8</td>
<td>$52.6</td>
<td>$56.5</td>
<td>$60.3</td>
<td>$76.0</td>
<td>$94.0</td>
<td>$105.6</td>
</tr>
</tbody>
</table>

Forecasting Future Indirect Accrual

Projecting realistic indirect figures beyond 2019 is relatively simple for DC projects compared to other Alliance offices. Indirect is a direct function of staff wages and benefits, multiplied by the effective indirect rate, where effective indirect is the allowable indirect based on grant requirements, rather than our
federally-approved indirect rate. For DC grants, the effective indirect rate has historically aligned with our federally-approved rate, which is favorable for the organization.

Staff wages and benefits are generally expected to increase over time. The effective indirect rate for DC projects is expected to remain at the full indirect rate. Figure 2 shows the project of indirect accrual from DC-related projects from 2015 to 2024.

DC staff are currently working at full capacity. Adding new DC projects, which is the Alliance’s intention, will require the addition of at least one new staff person. If/when this happens, the total indirect accrued by DC projects will increase immediately.

DC staff have already applied for an additional grant, are in the process of submission on another, and are continuing to explore new opportunities. Utilizing Figure 2, projected numbers (high) assume that the latest grant proposals submitted by DC staff are awarded. It also assumes all budgeted staff time in existing grants is spent down fully. Projected numbers (low) assume that the latest grant proposal is not awarded, and that staff time is only spent at its current rates. Furthermore, the projections use trend data dating back to 2015 as a low threshold for future growth. The 5-year timeframe (2015-2019) is a realistic minimum gauge for growth for the next 5-years (2020-2024).

<table>
<thead>
<tr>
<th>Table 2: Accrued Indirect Projects for the DC Office from 2019 - 2024</th>
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</thead>
<tbody>
<tr>
<td><strong>Accrued Indirect (x 1,000)</strong></td>
</tr>
<tr>
<td>High Projection</td>
</tr>
<tr>
<td>Mean Projection</td>
</tr>
<tr>
<td>Low Projection</td>
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<tr>
<td>Actual</td>
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</table>

These projections are meant to be realistic, however there is a low-probability chance that the grant outlook for DC projects could radically change favorably or unfavorably in the future outside of these figures. There is no indication at this time that this is likely to happen.

**Expanded Office Payment Structure**

The Alliance proposes to fund the expanded office from two different funding sources:

1. $105,000 in-hand of previously collected income (“copays”) from one of previous DC RiverSmart grants. This funding is restricted to be used for DC projects, staff, or related items. This funding is unrestricted in that it is not obligated to meet specific grant deliverables.
2. Indirect / unrestricted funds collected from DC-specific grants.
Expanding the DC office is anticipated to cost the Alliance $47,000 annually for rent and utilities. Additionally, an estimated $6,000 is projected for set-up costs (set-up costs that exceed $6,000 would also come from copays). Given the lump-sum of $105,000 and the projected indirect increases over the next several years, the Alliance is proposing to cover the bulk of the initial office expenses with the $105,000 in-hand and implement a phase out structure until all DC office expenses are paid by unrestricted funding (as each of the other offices is). This phase out will provide a buffer to allow indirect accrued by DC grants to “catch up” to being able to cover office expenses, so there will remain a consistent net positive balance of indirect over the next several years. Table 3 lays out the proposed budget for office costs from 2020 – 2024.

Table 3: Budget of Office Costs from 2020 - 2024

<table>
<thead>
<tr>
<th>Office Costs / Payment</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
<th>Total (5-yr)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office Cost (Est.) x 1,000</td>
<td>$53.0</td>
<td>$47.0</td>
<td>$47.9</td>
<td>$48.9</td>
<td>$49.9</td>
<td>$246.7</td>
</tr>
<tr>
<td>% Payment (Copay)</td>
<td>82%</td>
<td>60%</td>
<td>40%</td>
<td>20%</td>
<td>0%</td>
<td>-</td>
</tr>
<tr>
<td>% Payment (Indirect)</td>
<td>18%</td>
<td>40%</td>
<td>60%</td>
<td>80%</td>
<td>100%</td>
<td>-</td>
</tr>
<tr>
<td>Payment (Copay) x 1,000</td>
<td>$43.6</td>
<td>$28.2</td>
<td>$19.2</td>
<td>$9.8</td>
<td>$0.0</td>
<td>$100.8</td>
</tr>
<tr>
<td>Payment (Unrestricted) x 1,000</td>
<td>$9.4</td>
<td>$18.8</td>
<td>$28.8</td>
<td>$39.1</td>
<td>$49.9</td>
<td>$146.0</td>
</tr>
</tbody>
</table>

When comparing the above payment structure to the forecasted indirect accrued by DC projects, there remains a net gain to the Alliance in unrestricted funding each year, even using the low projection. Table 4 details the DC Office grants annual indirect payment minus the Alliance’s organizational unrestricted payment.

Table 4: DC Grant Indirect less Alliance Unrestricted Payment for DC Office Cost (x 1,000)

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Unrestricted Income (High)</td>
<td>$144.7</td>
<td>$146.1</td>
<td>$147.7</td>
<td>$152.9</td>
<td>$160.5</td>
</tr>
<tr>
<td>Net Unrestricted Income (Mean)</td>
<td>$126.4</td>
<td>$126.5</td>
<td>$130.0</td>
<td>$135.4</td>
<td>$140.4</td>
</tr>
<tr>
<td>Net Unrestricted Income (Low)</td>
<td>$108.0</td>
<td>$112.0</td>
<td>$115.2</td>
<td>$117.9</td>
<td>$120.3</td>
</tr>
</tbody>
</table>

Additional funding sources may be available (grants, development focused specifically on this endeavor, etc.) but are not considered for this payment structure.

**Finance Team Conclusion**

The above information demonstrates a favorable opportunity for the Alliance, both from a programmatic and a financial standpoint. This proposal is a direct implementation mechanism of the newly adopted 2019-2022 Strategic Plan.

In the short-term, expansion of the DC Office could have immediate financial gains to the organization, primarily through securing new grants and hiring additional staff members. Additional staff members will accrue indirect for the organization at the full Alliance-facility rate (47.5% of wages + fringe in 2019). Additionally, the short-term investment related to Alliance unrestricted funds is mitigated through the use of DC grant-related “copays”.
In the long-term, this expansion is seen as a low risk investment with tremendous upside. Given the reliability of DOEE grants historically, and additional opportunities are already being pursued, the DC grants should continue to support this expanded office for the foreseeable future.

In the unlikely event that the DC grants fail to produce the unrestricted gains that are forecasted, the Alliance will look to other funding opportunities (including future “copay” funds). In the worst-case scenario, albeit an unlikely one, the Alliance’s DC staff could partially revert to utilizing the Headquarters Office for space, and significantly reduce its DC Office space or seek a shared space in DC to remain eligible for DOEE grants. With the payment structure planned for this expansion, there are virtually no realistic scenarios where such an investment could be highly detrimental to the organization.

With these considerations, the Alliance’s Finance Team and Executive Director are in full support of moving forward in the DC Office expansion process.