

TRANSMITTAL

To:

THE COUNCIL

Date: 7/28/2017

From:

THE MAYOR

TRANSMITTED FOR YOUR CONSIDERATION. PLEASE SEE ATTACHED.



(Ana Guerrero)

ERIC GARCETTI
Mayor



Eric Garcetti, Mayor
Rushmore D. Cervantes, General Manager

Office of the General Manager

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July 25, 2017

Council File: New
Council District(s): Citywide
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The Honorable Eric Garcetti
Mayor, City of Los Angeles
Room 303, City Hall
200 N. Spring Street
Los Angeles, CA 90012

Attention: Mandy Morales, Legislative Coordinator

**THE LOS ANGELES HOUSING + COMMUNITY INVESTMENT DEPARTMENT
REQUESTS AUTHORITY TO RESUME HIRING FOR POSITIONS FUNDED
THROUGH THE CONSOLIDATED PLAN**

SUMMARY

The Office of the City Administrative Officer's (CAO) Mid-Year (Third) Financial Status Report for Fiscal Year 2016-17 (Council File: 16-0600-S173, Recommendation No. 35) adopted by the Council and concurred by the Mayor on March 22, 2017, included a freeze on vacant Consolidated Plan funded positions until the Consolidated Plan awards were announced by the Federal government. Although on June 14, 2017, the United States Department of Housing and Urban Development (HUD) announced the grantees' Fiscal Year 2017 formula allocation amounts, the freeze mandate remains in effect.

Due to the extensive administrative mandates of the Consolidated Plan, maintaining these positions vacant is no longer sustainable. Currently, the Los Angeles Housing + Community Investment Department (HCIDLA) has 19 vacant positions that are fully or partially funded by the Consolidated Plan grants that need to be filled. These positions are responsible for various Consolidated Plan tasks that range from Consolidated Plan administration to the development of affordable housing and the monitoring of Consolidated Plan projects and programs.

Under the U.S. Department of Housing and Urban Development (HUD) regulations, the City of Los Angeles (City) is required to meet specific national objectives and a host of other regulatory mandates, as a condition to receive the grant funds. Without proper staffing, the City is at risk of inadequate monitoring that may lead to federal sanctions, which may include the repayment of expended federal funds from non-federal sources such as the General Fund.

HCIDLA requests authority to resume filling vacant positions funded through the Consolidated Plan.

RECOMMENDATIONS

The General Manager of the Los Angeles Housing + Community Investment Department respectfully requests the following:

- I. That your office schedule this transmittal at the next available meeting(s) of the appropriate City Council committee(s) and forward it to City Council for review and approval immediately thereafter; and
- II. The City Council, subject to the approval of the Mayor, take the following action:

RESCIND the hiring freeze of Consolidated Plan funded positions as noted in the City Administrative Officer's Mid-Year (Third) Financial Status Report for Fiscal Year 2016-17, Recommendation No. 35.

BACKGROUND

The Office of the CAO's Mid-Year (Third) Financial Status Report for FY17 (Council File: 16-0600-S173), Recommendation Number 35 calls for Prioritized Hiring, instructing City Departments to *"prioritize hiring for fully special-funded positions with the exception of vacant positions that are funded through the Consolidated Plan which should remain unfilled until Consolidated Plan awards have been announced by the federal government."*

The Consolidated Plan funds are a direct entitlement allocation from HUD. Entitlement grants provide funds to specific grantees on the basis of a formula, prescribed in legislation or regulation, rather than on the basis of an individual project review. The formula is usually based on such factors as population, enrollment, per capita income, or a specific need.

The Consolidated Plan includes four grants: Community Development Block Grant (CDBG), Home Investment Partnerships Program (HOME), Housing Opportunities for Persons with AIDS (HOPWA), and Emergency Solutions Grant (ESG). The Consolidated Plan funds numerous citywide neighborhood improvement projects, economic development programs, and public services. For example, in the 2016-17 Program Year, which just ended in March, the Consolidated Plan funded 12 departments and bureaus, including the Los Angeles Homeless Services Authority (LAHSA) and the Housing Authority of the City of Los Angeles (HACLA) and represented 86 different programs or projects across the City.

The Fiscal Year 2017 omnibus appropriations bill, which funds the Federal government for the rest of the fiscal year (through September 30), was signed into law on May 5. On June 14, HUD announced the grantees' Fiscal Year 2017 formula allocation amounts and with the exception of the HOPWA program, which received a 6% increase, the bill funds the remaining Consolidated Plan programs at the Fiscal Year 2016 levels.

As previously discussed through the FY18 budget process and the Financial Status Reports, due to the decrease in Federal Entitlement Grant funding in the past few years and the increase in Cost Allocation Plan (CAP) Rates, the department reported a structural deficit of \$3.4 million through the FY18 Budget. The \$3.4 million would be the required amount to support the staffing needed to fulfill our grant requirements. Now that the federal entitlements have been announced, the Department will continue to address the funding gap and increasing CAP rates through the Financial Status Reports.

Currently, there are 286 positions partially or fully funded by the Consolidated Plan grants. Some of the partially funded positions have no more than 8% of the salary supported by the federal entitlement grants. To run a fiscally responsible department, HCIDLA has implemented staffing changes to reduce the impact on the Consolidated Plan grants. Last year, HCIDLA had 46 vacant positions that were fully or partially funded by the Consolidated Plan grants that are critical for the administration of the programs. Of the 46 vacant positions, 17 were transferred to the new Accessible Housing Program (AcHP). The Department also implemented internal controls to reduce the need for Consolidated Plan funds, such as committing to hold 10 separate positions vacant. The reduction of 27 positions that at one point supported the administration of the Consolidated Plan and its programs created the opportunity for the Department to run its programs more efficiently.

However, the hiring freeze has strained the Department's ability to run its programs effectively. Besides the self-imposed reduction of 27 positions, the Department now has an additional 19 positions that cannot be backfilled, yet the workload has not decreased. Due to the extensive administrative mandates of the Consolidated Plan, this approach is no longer sustainable and the Department is hereby requesting authority to fill the remaining 19 positions impacted by the hiring freeze. In the meantime, HCIDLA remains responsible for the prudent administration of these grants, but cannot adequately fulfill this critical role without proper staffing.

Vacancy Summary:

Department Identified Consolidated Plan Funded Vacancies:	46
Moved to AcHP	17
Department Holding Vacant to reduce Consolidated Plan costs	10
Balance	19

Risks of Improper Management

Federal funds require close monitoring and planning, all of which are provided by the staff that is supported by the Consolidated Plan funds. Improper or inadequate monitoring may lead to sanctions, including the return of expended funds from non-federal sources.

HCIDLA is responsible for ensuring that the Consolidated Plan grants the City receives are managed and spent properly, in keeping with regulations, and acts as the liaison between the City and HUD. Grant management includes:

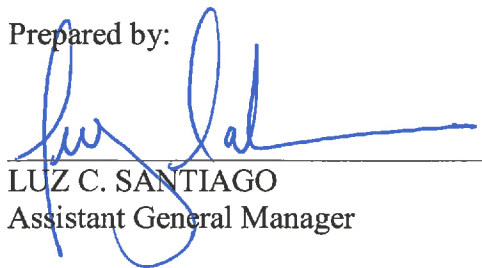
- Reviewing community development projects to determine grant eligibility;
- Training and assisting grant recipients (City departments and non-profit agencies) to understand and comply with grant requirements;
- Collecting, compiling, and submitting to HUD all required information on the performance of City departments, nonprofit organizations, and other entities receiving grant funds, including outcomes and accomplishments; and
- Tracking and approving access to funds for grant recipients, using the online accounting platform required by HUD.

The Consolidated Plan also requires environmental staff who review and enforce environmental compliance for all federally funded capital projects—neighborhood improvements, public facilities, housing, and economic development. HCIDLA has limited capacity to provide technical assistance to contractors, to engage in innovative new approaches to service delivery, and is also limited in its ability to train new staff in anticipation of succession planning. Given the tight timeliness regulations from HUD, staffing is required to oversee Consolidated Plan expenditures to ensure meeting of national objectives and avoid HUD audit findings.

FISCAL IMPACT STATEMENT

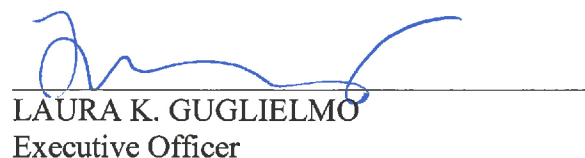
The FY 2017 omnibus appropriations bill funded the Consolidated Plan programs at or above the FY 2016 funding levels. HCIDLA will continue to monitor the hiring of positions to ensure that the Consolidated Plan funds are not overburdened. However, without proper staffing, the City of Los Angeles is at risk of inadequate monitoring that may lead to federal sanctions, which may include the repayment of expended federal funds from non-federal sources such as the General Fund.

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