

REPORT FROM

## OFFICE OF THE CITY ADMINISTRATIVE OFFICER

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Date: May 31, 2013

CAO File No. 0130-00565-0041

Council File No. 13-0264

Council District: All

To: The Mayor  
The Council

From: Miguel A. Santana, City Administrative Officer *MSK*

Reference: Transmittal from the Mayor dated February 28, 2013; Received by the City Administrative Officer on March 5, 2013; Additional Information Provided through May 14, 2013

Subject: **RETROACTIVE ACCEPTANCE AND IMPLEMENTATION OF THE MINORITY BUSINESS DEVELOPMENT AGENCY (MBDA), MINORITY BUSINESS CENTER (MBC) PROGRAM SUB-RECIPIENT GRANT AWARD FOR APRIL 1, 2011 THROUGH MARCH 31, 2016**

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### SUMMARY

In November 2010, the Mayor's Office of Housing and Economic Development and the University of Southern California Government and Civic Engagement (USC-GCE) submitted a joint application for the 2011 Minority Business Center (MBC) Program Grant to the U.S Department of Commerce, Minority Business Development Agency (MBDA). USC-GCE (primary) and the City (sub-recipient) executed and submitted a contractual agreement as part of the application process. The City was awarded a sub-recipient award in the amount of \$500,000, or \$100,000 annually over a five-year period effective April 1, 2011 through March 31, 2016. The Mayor's Office is requesting retroactive approval of the 2011 MBC Program sub-recipient award, acceptance of grant funds in the amount of \$200,000 for the first and second years (April 1, 2011 – March 31, 2012 and April 1, 2012 – March 31, 2013), and approval of the contractual agreement with USC-GCE. Additionally, the Mayor's Office requests authority on related actions to facilitate the implementation of the MBDA Minority Business Center - Los Angeles (MBC-LA).

Since 1994, the MBC-LA (formerly known as LA MBOC) has performed a key role in promoting the growth and global competitiveness of the minority business enterprise (MBE) community. The overall goal of the MBC Program is to stimulate business development, job creation and enhance the long-term growth and self-sufficiency of minority businesses. MBC-LA offers technical assistance, strategic contract and procurement opportunities, business development consulting services and educational forums. Over the past two years, the City has created 470 jobs and secured over \$160 million in contract awards and financial transactions that matched up minority businesses to contracting and financial opportunities. In 2011 the MBC Program was restructured, resulting in changes to the number of funded centers nationwide as well as

adjustments to performance measures, goals and objectives. Additionally, recipients were requested to meet the non-federal cost sharing requirement through cash, in-kind contributions or the generation of program income through membership and client fees. In order to reduce the impact on the General Fund and incorporate these program changes, the City elected to partner with USC-GCE to operate MBC-LA and also established a fee-based services structure to off-set the costs of running the program.

This sub-recipient award in a cumulative total amount of \$500,000 will be distributed over a five year period, with \$100,000 provided for the 2012 Program Year One (April 1, 2011 to March 31, 2012) and \$100,000 for the 2013 Program Year Two (April 1, 2012 to March 31, 2013). USC-GCE will serve as the project lead and provide administrative oversight, coordination and delivery of all program services. The City will serve as a sub-recipient and consultant, providing technical assistance services and procurement of clients in the government and private sector. Additionally, the City has exclusive responsibility for the production the Annual MED Week Awards event. The purpose of the event is two-fold: 1) promote and recognize minority-owned business enterprise achievements, and 2) serve as a fundraiser to attract corporate sponsorships to provide support for program services.

Historically, staffing for the MBC-LA Program is comprised of four to six positions. In 2011-12 the Mayor's Office was authorized for five resolution authority positions. Staffing turnover in early 2012 resulted in the inadvertent deletion of one position in the 2012-13 Personnel Authority Resolution (PAR). The MBC-LA Program is currently staffed by 4.5 Full-Time Equivalent (FTE) positions: one Mayoral Aide II (Part-Time), one Mayoral Aide V (FTE), one Mayoral Aide VI (FTE), one Mayoral Aide VII (FTE) and one Mayoral Aide VIII (FTE). The Mayoral Aide VIII serves as the director of the program and provides overall management; the Mayoral Aides VI and VII provide project implementation and the Mayoral Aides V and II provide administrative support. The percentage of time allocated to this program is outlined in the Mayor's Transmittal. The Mayor's Office requests authority to reinstate the one deleted position to the 2012-13 PAR.

The Mayor's Office is requesting retroactive acceptance of the sub-recipient award, approval of the agreement with USC-GCE, and acceptance of all program revenue generated through client fees and contributions. Additionally, the Mayor's Office also requests approvals on various actions to reconcile prior year program activities and address current year activities. The Mayor's Office indicated that monies accumulated in the cash balance account in Fund 575 were utilized to pay for operating expenses generated by implementing the program prior to acceptance of the grant. The cost breakdown for the 2012 Program Year One and 2013 Program Year Two is shown in the Attachment. The total 2012 Program Year One cost is \$268,099. This consists of \$187,371 in direct salary costs, \$41,615 in fringe benefit costs and \$39,113 in various expenses. The sub-recipient award provided \$100,000 towards direct salary and fringe benefit costs. A total of \$10,331 in direct salary costs was included in the 2011-12 Adopted Budget and \$157,768 was secured through client fees and/or sponsorships for the balance of costs. It should be noted that approximately \$177,040 in 2012 Program Year One salary costs was front-funded by other special funds. An instruction for repayment is included in the recommendations to this report.

For the 2013 Program Year Two, the total cost is \$288,448. This consists of \$188,008 in direct

salary costs, \$61,804 in fringe benefit costs, \$38,335 in other expenses and \$301 in other related costs. The sub-recipient award will provide \$100,000 towards direct salary costs. A total of \$26,960 in direct salaries and other related costs are included in the 2012-13 Adopted Budget and \$161,488 will be secured through client fees and/or sponsorships for the balance of costs. Finally, the Mayor's Office proposes to transfer prior year uncommitted balances totaling \$11,946 from the 2010 Program Year in order to make those monies available in various accounts for the current program year. Grant funds, program income and budgeted General Fund revenues are available to finance the MBC Program. Therefore, no additional appropriation is necessary at this time. The Attachment shows a detailed breakdown of the costs for both program years.

## RECOMMENDATIONS

That the City Council:

1. Retroactively authorize the Mayor, or designee, to accept the 2011 Minority Business Development Agency (MBDA) Minority Business Center (MBC) Program Grant sub-recipient award from the University of Southern California Government and Civic Engagement (USC-GCE), in the amount of up to \$500,000, or \$100,000 annually over a five year period, effective from April 1, 2011 through March 31, 2016, subject to the review and approval of the City Attorney as to form and legality;
2. Retroactively approve the executed agreement with USC – GCE that outlines roles and responsibilities for the implementation of the MBDA MBC Program Grant and operation of the MBDA Minority Business Center-Los Angeles (MBC-LA), effective April 1, 2011 through March 31, 2016; subject to the review and approval of the City Attorney as to form and legality;
3. Authorize the City of Los Angeles through the Mayor's Office to retroactively accept all cash generated from donations and contributions collected in Fiscal Year 2011-12 (FY2011-12) in the amount of \$95,197.95 and appropriate to Fund 575/46, Account 46J205 Program Income;
4. Authorize the Mayor's Office to accept all cash generated from donations and contributions collected in Fiscal Year 2012-13 (FY2012-13) up to \$250,000 and appropriate to Fund 575/46, Account 46J205 Program Income;
5. Authorize the Controller to:
  - a) Rename Fund 575/46 MBDA Minority Business Center Los Angeles and establish new appropriation accounts within Fund 575/46 as follows:

| Account No. | Account Name                                   |
|-------------|--|
| 46J046      | Reimbursement – Prior Year Salary Expenditures |
| 46J146      | Salaries – Mayor's Office                      |

|        |   |
|--------|---|
| 46J203 | Other-Outreach Events, Printing, Training |
| 46J205 | Program Income (Client Fees, Sponsorship) |
| 46J213 | Travel                                    |
| 46J304 | Contractual Services                      |
| 46J601 | Supplies                                  |
| 46J299 | Related Costs                             |

- b) Establish a receivable and appropriate within Fund 575/46 for Program Year One (FY2011-12) and Program Year Two (FY2012-13) as follows:

| Account No. | Account Name                             | Amount    |
|-------------|--|-----------|
| 46J046      | Reimburse-Prior Year Salary Expenditures | \$100,000 |
| 46J146      | Salaries – Mayor's Office                | 100,000   |
|             | Total:                                   | \$200,000 |

- c) Transfer cash on an as-needed basis and appropriate \$237,972 from Fund 575/46, Account 46J205 Program Income to the following accounts:

| Account No. | Account Name                             | Amount    |
|-------------|--|-----------|
| 46J046      | Reimburse-Prior Year Salary Expenditures | \$114,819 |
| 46J146      | Salaries – Mayor's Office                | 61,349    |
| 46J299      | Related Costs – Fringe Benefits          | 61,804    |
|             | Total:                                   | \$237,972 |

- d) From Fund 575/46, Account 46J046 Reimbursement – Prior Year Salary Expenditures, reimburse \$214,819 as follows:

\$80,875.62 to Fund 303/46 and \$96,164.16 to Fund 649/46 to repay the unfunded expenditure of EDA funds owed to the Mayor's Office for 2012 salary expenditures;

\$37,779 to Fund 100/46, Revenue Source Code 5331, Reimbursement of Related Costs – Prior Year for related cost expenditures;

- e) Upon receipt of MBDA Minority Business Center grant funds, transfer \$100,000 from Fund 575/46, Account 46J146 Salaries - Mayor's Office to Fund 100/46, Account 001020 Salaries Grant Reimbursed;

- f) From Fund 575/46, transfer \$123,153 for 2013 salary expenditures as follows:

FROM:

| Fund/Dept | Account | Account Name                  | Amount    |
|-----------|---------|-------------------------------|-----------|
| 575/46    | 46J146  | Salaries – Mayor's Office     | \$ 61,349 |
| 575/46    | 46J299  | Related Costs-Fringe Benefits | 61,804    |
|           |         | Total:                        | \$123,153 |

TO:

| Fund/Dept | Account | Account Name                     | Amount    |
|-----------|---------|----------------------------------|-----------|
| 100/46    | 001020  | Salaries Grant Reimbursed        | \$ 61,349 |
| 100/46    | 5346    | Related Costs Reimb. from Grants | 61,804    |
| Total:    |         |                                  | \$123,153 |

g) Decrease uncommitted balances within Fund 575/46 for appropriation accounts from Budget Fiscal Years 1994 through 2009;

h) Transfer uncommitted balances within Fund 575/46 for Budget Fiscal Year 2010 as follows:

| FY     | From:<br>Account No. | Account Title | To:<br>Account No. | Account Title  | Amount      |
|--------|----------------------|---------------|--------------------|----------------|-------------|
| 2010   | 46F213               | Travel        | 46J601             | Supplies       | \$ 7.74     |
| 2010   | 46F202               | Supplies      | 46J601             | Supplies       | 1,145.28    |
| 2010   | 46F203               | Other         | 46J601             | Supplies       | 75.02       |
| 2010   | 46F204               | Contractual   | 46J304             | Contractual    | 4,098.00    |
| 2010   | 46F205               | Sponsorship   | 46J205             | Program Income | 6,620.44    |
| Total: |                      |               |                    |                | \$11,946.48 |

i) Instruct the Controller to expend and receive funds upon proper demand by the Mayor's Office;

6. Authorize by Resolution the following position in the Mayor's Office of Economic and Business Policy for the implementation of the MBC-LA, for the period July 1, 2012 through June 30, 2013, inadvertently left out of the Personnel Authority Resolution:

| Number | Class Code | Classification Title |
|--------|------------|----------------------|
| 1      | 0145       | Mayoral Aide V       |

7. Authorize the Mayor's Office to prepare Controller's instructions for any necessary technical adjustments, subject to the approval of the City Administrative Officer, and authorize the Controller to implement the instructions.

## FISCAL IMPACT STATEMENT

There is no additional impact to the General Fund. Acceptance of the 2011 Department of Commerce, Minority Business Development Agency (MBDA), Minority Business Center (MBC) Grant would result in the receipt of up to \$500,000 over five years (April 1, 2011 through March 31, 2016) to support the Minority Business Center – Los Angeles program. The 2012 Program Year One total program cost is \$268,099. Of that amount, \$100,000 in direct salary and fringe benefits were paid by the MBC Grant, with the balance of \$168,099 in direct salary costs and expenses funded by program income and the Mayor's Office 2011-12 Adopted Budget. The 2013 Program Year Two total program cost is projected to be \$288,448. Of that amount, \$100,000 in direct salary costs will be paid by the MBC Grant, with the balance of \$188,448 in direct salary,

fringe benefits and expenses funded by program income and the Mayor's Office 2012-13 Adopted Budget. Therefore no additional appropriation is necessary at this time. Retroactive acceptance of the grant and approval of the recommendations complies with the City's Financial Policies in that grant receipts, program income and 2011-12 and 2012-13 budgeted General Fund revenues are available to support the cost of this program.

*MAS/ACA/CLF:02130098c*

Attachment

Cost Breakdown for  
MBDA Business Center Program Grant  
Program Year One (April 1, 2011-March 31, 2012)

|                            |          | Grant Funds         | Program Income      | General Fund       | Total               |
|----------------------------|----------|---------------------|---------------------|--------------------|---------------------|
| <b>Salaries</b>            |          |                     |                     |                    |                     |
| Salaries-Direct            |          | \$96,164.16*        | \$80,875.62*        | \$10,330.84        |                     |
| <b>Salaries Total</b>      |          | <b>\$96,164.16</b>  | <b>\$80,875.62</b>  | <b>\$10,330.84</b> | <b>\$187,370.62</b> |
| <b>Related Costs</b>       |          |                     |                     |                    |                     |
|                            | CAP Rate |                     |                     |                    |                     |
| Fringe Benefits            | 22.21%   | \$3,835.84          | \$37,779.17         |                    |                     |
| Dept. Administration       | -11.41%  |                     |                     |                    |                     |
| Central Services           | 0.0%     |                     |                     |                    |                     |
| <b>Related Costs Total</b> |          | <b>\$3,835.84</b>   | <b>\$37,779.17</b>  |                    | <b>\$41,615.01</b>  |
| <b>Expense Accounts</b>    |          |                     |                     |                    |                     |
| Travel                     |          |                     | 22,412.00           |                    |                     |
| Supplies                   |          |                     | 8,098.00            |                    |                     |
| Contractual Services       |          |                     | 8,603.36            |                    |                     |
| Other/Outreach             |          |                     |                     |                    |                     |
| <b>Expenses Total</b>      |          |                     | <b>\$39,113.36</b>  |                    | <b>\$39,113.36</b>  |
| <b>Grand Total</b>         |          | <b>\$100,000.00</b> | <b>\$157,768.15</b> | <b>\$10,330.84</b> | <b>\$268,098.99</b> |

\* Repayment to Special Funds 303 and 649 for financing salary expenditures.

Cost Breakdown for  
MBDA Business Center Program Grant  
Program Year Two (April 1, 2012-March 31, 2013)

|                            |          | Grant Funds      | Program Income   | General Fund    | Total            |
|----------------------------|----------|------------------|------------------|-----------------|------------------|
| <b>Salaries</b>            |          |                  |                  |                 |                  |
| Salaries-Direct            |          | \$100,000        | \$61,349         | \$26,659        |                  |
| <b>Salaries Total</b>      |          | <b>\$100,000</b> | <b>\$61,349</b>  | <b>\$26,659</b> | <b>\$188,008</b> |
| <b>Related Costs</b>       |          |                  |                  |                 |                  |
|                            | CAP Rate |                  |                  |                 |                  |
| Fringe Benefits            | 35.33%   |                  | \$61,804         |                 |                  |
| Dept. Administration       | .16%     |                  |                  | 301             |                  |
| Central Services           | 0.0%     |                  |                  |                 |                  |
| <b>Related Costs Total</b> |          |                  | <b>\$61,804</b>  | <b>\$ 301</b>   | <b>\$62,105</b>  |
| <b>Expense Accounts</b>    |          |                  |                  |                 |                  |
| Travel                     |          |                  | \$14,084         |                 |                  |
| Supplies                   |          |                  | 15,721           |                 |                  |
| Contractual Services       |          |                  | 8,530            |                 |                  |
| Other/Outreach             |          |                  |                  |                 |                  |
| <b>Expenses Total</b>      |          |                  | <b>\$38,335</b>  |                 | <b>\$38,335</b>  |
| <b>Grand Total</b>         |          | <b>\$100,000</b> | <b>\$161,488</b> | <b>\$26,960</b> | <b>\$288,448</b> |