

JAN PERRY  
GENERAL MANAGER

**CITY OF LOS ANGELES**  
CALIFORNIA

**ECONOMIC AND WORKFORCE  
DEVELOPMENT DEPARTMENT**

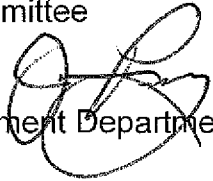
1200 W. 7<sup>TH</sup> STREET  
LOS ANGELES, CA 90017



ERIC GARCETTI  
MAYOR

**DATE:** June 2, 2014

**TO:** Councilmember Paul Krekorian  
Chair, Budget and Finance Committee

**FROM:** Jan Perry, General Manager  
Economic & Workforce Development Department 

**SUBJECT: YEAR END FINANCIAL STATUS REPORT, CF 13-0600-S156**

**RECOMMENDATION**

The Economic and Workforce Development Department (**EWDD**) is requesting to defer the **Year-End Financial Status Report (FSR) instruction to EWDD to calculate related costs and reimburse the General Fund for Fiscal Year 2013-14 utilizing the Cost Allocation Plan (CAP) 34 Rates until the next FSR because the approved CAP rates are applicable to Fiscal Year (FY) 2011-12 (Recommendation 12, Page 13). Instead, the EWDD is requesting authority to utilize the cost allocation rates currently pending approval.** The CAP 35 Rates, once approved, will be applicable to FY 2012-13. The CAP 36 Rates, applicable for FY2013-14, have not yet been issued. **The potential impact of using CAP 35 Rates would be a reduction of \$1.1 million dollars in workforce and economic development program activities that have already occurred.**

**Background**

The CAP 34 Rates are the latest rates approved by, the Department of Housing and Urban Development (HUD), our federal cognizant agency, however, these rates are applicable to Fiscal Year 2011-12. Consistent with EWDD practice, the department uses the most recent CAP rates issued by the Controller's Office. While the rates are preliminary and pending federal approval, the EWDD anticipates the CAP 35 Rates will be approved within the next quarter. Historically, the EWDD CAP rates proposed by the Controller have been approved without or with minor adjustments.

Use of the proposed CAP rates minimizes the need to recalculate prior period reports to federal grantors. If a recalculation is needed, the EWDD would be required to request General Fund for any overpayments of related costs. **Overpayments to the General Fund would be considered disallowed costs and must be returned to the grantor.** If the approved CAP

rates result in an underpayment to the General Fund, the EWDD would seek reimbursement if/when the grant funds are available and uncommitted.

In recent years, applying the approved CAP rate to the applicable fiscal year has been challenging due to the one- to two-year process in finalizing the City's CAP rates. **The often lengthy timeframe makes it difficult for federal grant purposes because the EWDD is required to expend and report final fiscal year expenditures by grant deadlines.** The EWDD grantors will only recognize related costs up to the rates that have been approved by the

City's cognizant agency for the appropriate fiscal year, **therefore, a re-calculation of the CAP rate is required if or when the final approved rate is significantly over or under the proposed rate issued by the Controller.**

Should the Budget and Finance Committee approve the EWDD request to delay Instruction 12 in the City Administrative Office (CAO) Year-End FSR, dated 5/29/14, and instead authorize EWDD to use CAP 35 Rates, the department projects the FY 20113-14 General Fund reimbursement will be approximately \$5.2 million. This amount will meet grant requirements and is consistent with the department's comments in the mid-year FSR.