



Eric Garcetti, Mayor
Rushmore D. Cervantes, Interim General Manager

April 22, 2014

Honorable Members of the Budget and Finance Committee
City Council, City of Los Angeles
c/o Holly L. Wolcott, Interim City Clerk
200 N. Spring Street, Room 395
Los Angeles, CA 90012
Attn: Erika Pulst, Legislative Analyst

**Subject: COMMENTS FROM THE HOUSING AND COMMUNITY INVESTMENT DEPARTMENT
RELATIVE TO THE PROPOSED BUDGET FOR FISCAL YEAR 2014-15**

Honorable Members of the Budget and Finance Committee:

The Los Angeles Housing and Community Investment Department (HCIDLA) is providing the following impact statement relative to Proposed 2014-15 Budget (Proposed Budget) in response to the letter dated April 3, 2014 from the Chair of the Budget and Finance Committee. I appreciate the opportunity to provide this information. Our Proposed Budget of \$62.9 million, which supports the department's operating budget, is entirely derived from special fund sources. In total, the special fund contribution to the City's budget is \$85.5 million, including \$22.6 million from reimbursements to the General Fund (GF) for related costs.

HCIDLA remains committed to the opportunity and challenges associated with addressing our fiduciary responsibilities as the lead agency for all federal entitlement grants from the U.S. Department Housing & Urban Development (HUD) as well as acquiring 694 additional loans worth over \$650 million from the former Community Redevelopment Agency of the City of Los Angeles (CRA/LA). The Department now manages over \$135 million in federal, state and other local sources. Since FY 2012-13, HCIDLA's operating budget increased by 19.7%, increasing by \$12.4 million from \$50.5 million. HCIDLA restructured operations during 2013-14 to maximize resources, assess and monitor programmatic needs and has made adjustments as necessary. It is in the context of this change that this correspondence will focus on addressing programs and personnel which are impacted by discontinued federal funding from the Consolidated Plan (Con Plan) (C.F. 13-1395). Additional comments are included concerning necessary technical adjustments between special fund allocations to reflect the final Con Plan budget.

40th Program Year Con Plan Relief

The recent adoption of the 40th Program Year Con Plan (C.F. 13-1395) and the issuance of the Proposed Budget will result in discontinued Community Development Block Grant (CDBG) funding of HCID-administered activities. Without alternative funding for City-managed Family Source Centers and Human Relations Advocates, services will cease and displacement of City personnel is imminent. Although an appropriation of non-grant funding was provided for the period of April 1, 2014 through June 30, 2014 (C.F. 14-0396), continuation funding beyond that period is undetermined.

City-Managed Family Source Centers (FSCs) - \$1,200,000. Funding will pay for the salaries and operational costs of City-Managed FSCs, which facilitate the delivery of various human services programs. The loss of replacement funds will result in displacement of 13 full time employees. Please note that, although the Proposed Budget (Blue Book Line Item No. 11) indicates that continuation CDBG funding is provided for the FSCs, such funds were not issued.

Human Relations Advocates (HRAs) - \$318,065. The Proposed Budget provides resolution employment authority for six positions with no funding to support our Commissioners and Community Engagement activities (Blue Book Line Item No. 19), with the expectation that HCIDLA will identify alternative funding for the entirety of this activity. The unfunded portion of \$318,065 is needed to cover three HRA positions and one Senior Project Coordinator. The loss of these funds will result in displacement of four employees. It should be noted that \$107,234 in CDBG funds were included in the Con Plan for the Commission for Community and Family Services to partially fund this work.

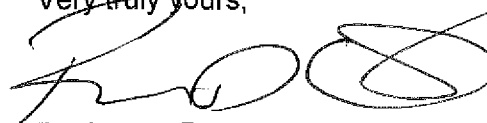
We conducted an extensive review of HCID-administered special fund sources, and, to the extent that each funding source is restricted for specific affordable housing development and preservation purposes (as examples), alternate funding is not available for the services identified above. Funding relief is essential in helping us stabilize following dramatic growth and reorganization at a time when the City is experiencing reductions in entitlement and formula amounts. The requested resources will help us manage and monitor all special funded projects and avoid disallowed costs, as well as identify additional leveraging and collaboration opportunities.

Technical Adjustment to Alignment Con Plan Funding Allocations

For the purpose of implementing technical adjustments, we request your approval to work with this Committee, the Chief Legislative Analyst and the City Administrative Officer (CAO), as well as other impacted City departments, to revise special fund schedules associated with the Con Plan. Due to the timing of various Con Plan approvals running concurrently with the issuance of the Proposed Budget, HCIDLA's budget does not align by funding source and total allocations to the final Con Plan. For instance, our budget was reduced by \$1 million in CDBG allocations and this amount was replaced by HOME Investment Partnerships Program (HOME) grant funds. Also, in acknowledgement of final Con Plan entitlement awards, and other actions, the net CDBG change was approximately \$1.5 million less for HCIDLA programs while the net HOME change was a \$2.5 million increase. As a result of the additional funding, the Department expects to increase support to affordable housing programs, as well as realign our administrative budget. The revisions are expected to capture changes across all City departments that are recipients of Con Plan funds.

We recognize that the City continues to address an unprecedented fiscal crisis and as a department that is primarily Special Funded, the HCIDLA has previously helped mitigate most impacts. We will continue to work diligently to identify growth opportunities. By doing so, we strive to maintain a high standard in meeting our mandate to preserve affordable housing for all Angelinos. We are available to answer any questions that the Committee may have regarding our Department and look forward to working with the appropriate staff to reconcile the items identified in this correspondence. Please contact my office at (213) 808-8899 if you should have any questions.

Very truly yours,



Rushmore D. Cervantes
Interim General Manager

cc: Honorable Members of the City Council
Honorable Eric Garcetti, Mayor
Gerry Miller, Chief Legislative Analyst
Miguel Santana, City Administrative Officer