

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: March 18, 2016

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Council File No. 15-0697
Council District: All

To: The Mayor
The Council

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

Reference: Housing and Community Investment Department Transmittal dated February 26, 2016; Received by the City Administrative Officer on February 29, 2016; Additional Information Received by the City Administrative Officer on March 17, 2016

Subject: **REQUEST TO APPROVE FUNDING RECOMMENDATIONS AND EXECUTE CONTRACTS PURSUANT TO THE RESULTS OF THE FAMILYSOURCE CENTER OPERATORS REQUEST FOR PROPOSALS**

SUMMARY

In July 2015, the Council and Mayor authorized the Housing and Community Investment Department (HCID) to issue a new Request for Proposals (RFP) to select nonprofit service providers as Lead Agencies to coordinate and operate 16 FamilySource Centers (FSCs) (C.F. 15-0697) throughout the City of Los Angeles (City). The HCID now requests various Mayor and Council authorizations, including negotiating and executing contracts with 16 selected contractors for the FSCs; establishing a FSC Replacement Operator list based on the RFP process; funding for the Los Angeles Unified School District (LAUSD) to provide services including co-location of Pupil Services and Attendance Counselors at the FSCs; and funding for The University Corporation of California State University Northridge (CSUN) to evaluate the program and quantify the economic impact of services provided on families and their surrounding communities. The FSC contracts would be for one year from April 1, 2016 through March 31, 2017, with four one-year renewal options, not to exceed a total of five years. Contract extensions would be subject to contractor performance reviews, funding availability, and Mayor and Council approval. As proposed, the annual cost for the FSS totals \$13,860,000, excluding administrative oversight costs, and is comprised of: \$12.8 million for 16 FSC contracts (funded at \$800,000 per-agency per year); and \$1.0 million for LAUSD and \$60,000 for CSUN for services. At the release of this report, the CAO had requested additional information from HCID and the City Attorney on the LAUSD and CSUN contracts. As a result, the HCID will report back and request contract and funding authorities for both contracts in a separate transmittal.

Gap financing of \$4,731,000 in General Fund monies is requested. This report outlines three options for consideration by the Mayor and Council. This Office recommends Option A: Do not

fund the General Fund Request and Reduce Services, given the City's existing financial constraints.

General Fund Gap Financing Request

The HCID requests gap financing in a total amount of \$4,731,000 in General Fund monies for a 15 month-period (April 1, 2016 through June 30, 2017) due to diminishing grant resources and in order to avoid a 2016-17 Mid-Year appropriation request. A breakdown of the General Fund amounts by program and fiscal year is listed in the table below:

Amount	Source	Term	Program Year	Fiscal Year
\$946,000	General Fund – Reserve Fund	April 1, 2016 – June 30, 2016	42	15-16
2,839,000	General Fund – 16-17 Budget	July 1, 2016 – March 31, 2017	42	16-17
946,000	General Fund – 16-17 Budget	April 1, 2017 – June 30, 2017	43	16-17
\$4,731,000	TOTAL			

First, HCID requests \$3,785,000 (\$946,000 plus \$2,839,000) General Fund for 12 months (April 2016 – March 2017) to fund the gap, the difference between the annual FSCs contract costs (\$13,860,000) and the \$10,075,868 in available grant funds, as identified by HCID. The grant funds identified are as follows:

- \$5 million in Community Development Block Grant (CDBG) funds is proposed in the City's 42nd Program Year (PY) Housing and Community Development Consolidated Plan (ConPlan) which was released on January 19, 2016; and,
- \$5,075,868 in the City's Community Services Block Grant Award from the State of California (comprised of \$368,868 in 2015 anticipated savings; \$3,505,250 in 2016 funds; and \$1,201,750 in 2017 funds [January-March]).

The City's annual U.S. Department of Housing and Urban Development entitlement funds (i.e. CDBG funds) made available through the ConPlan have been declining in recent years. The overall decline in estimated resources between the current PY and 2016-17 is approximately 10 percent. In the proposed ConPlan, the FSCs' CDBG allocation has been reduced by \$1.25 million to \$5 million from \$6.25 million in 2015-16 (C.F. 15-1041).

Second, HCID requests \$946,000 in General Fund for three months (April – June 2017). The proposed FSC contracts would operate on the CDBG PY. The first contract year would be April 1, 2016 through March 31, 2017 plus four one-year renewal options which could result in a contract being in place for a five-year period. The City budget is on a Fiscal Year (July 1, 2016 through June 30, 2017). HCID's request would align the contract funding with the City's Fiscal Year budget process. This would insure the funding availability and avoid HCID having to request a 2016-17 Mid-Year appropriation.

Options for Mayor and Council Consideration

After reviewing HCID's gap financing request, and taking into account current and potential sources of funding, it is a policy decision whether the Mayor and Council want to use General Fund monies to fund of the gap for the FSCs contracts. Until recently, the FSC contracts were 100 percent grant funded. However due to diminishing grant resources, the Council and Mayor allocated \$820,000 of the City's General Fund monies during the 2015-16 budget process in order to maintain the then current level of service provided by the program and the \$700,000 per-agency for that year. HCID states that the \$820,000 was divided among all 16 FSCs. Under the federal regulations once City's General Fund monies are used to pay for a portion of the proposed new contracts, these costs can no longer be grant funded.

On February 26, 2016, this Office released the City's Mid-Year (Third) Financial Status Report (FSR) on the City's 2015-16 budget to the Mayor and Council. For 2015-16, the Mid-Year FSR projected an expenditure deficit of \$38.89 million, which was reduced to \$9.65 million through actions taken by the Mayor and Council in their approval of the report. The Mid-Year FSR also identified known revenue shortfalls totaling \$119 million. While our Office will work to minimize the use of the Reserve Fund to close the current year budget, we noted that the City may have little recourse but to rely on the Reserve to balance the current year budget. Funding the \$946,000 required in the current year for these contracts only adds to the funding gap for the current year and increases pressures on the Reserve Fund for the current year.

The remaining \$3.8 million would be required next fiscal year however, as included in the Four Year Outlook, the City is projecting an approximate \$89.8 million gap for 2016-17 and this estimate did not take into account major funding initiatives identified by Mayor and Council subsequent to the adoption of the budget; such as funding for homelessness initiatives and body worn cameras. Coupled with the softening in revenues identified in the Mid-Year FSR that will factor into revenue for 2016-17, agreeing to fund the additional costs for the FSCs without the full context of the upcoming Proposed Budget is premature.

Below are three different funding options for the Mayor and Council consideration:

- Option A: Do not fund the General Fund Request and Reduce Services;
- Option B: Fund a portion of the General Fund Request and Reduce Services; or,
- Option C: Fund 100 percent of the Gap Financing General Fund Request.

In the Findings Section No. 2 of this report, there is a summary of the pros and cons for the different options. We recommend approval of Option A: Do not fund the General Fund Request and Reduce Services given the City's existing financial constraints.

RECOMMENDATIONS

It is a policy decision whether the Mayor and Council want to use General Fund monies to fund the gap for the FamilySource Centers (FSCs) contracts. Under the federal regulations once City's General Fund monies are used to pay for a portion of the proposed new contracts, these costs

can no longer be grant funded. Our office recommends approval of Option A: Do not fund the General Fund Request and Reduce Services. If the Mayor and Council decide to select Option A, then the following recommendations would need to be adopted:

That the Council, subject to the approval of the Mayor:

1. Approve Housing and Community Investment Department's (HCID) list of recommended contractors selected through the FSCs Operator Request for Proposals (RFP) process (Attachment A of the HCID Transmittal dated February 26, 2016 [Transmittal]); and,
2. Authorize the General Manager, HCID, or designee to:
 - a. Negotiate and execute new contracts with up to 16 recommended contractors to operate the FSCs for a term of one year from April 1, 2016 through March 31, 2017, with four one-year renewal options, not to exceed a total of five years, subject to the following requirements: 1) current available grant funds totaling \$10,075,868 and comprised of \$5 million in Community Development Block Grant and \$5,075,868 in the City's Community Services Block Grant funds; 2) satisfactory contractor performance; 3) compliance with applicable federal, state and City regulatory requirements; 4) compliance with all applicable contracting requirements; and, 5) review and approval of the City Attorney as to form;
 - b. Establish a FSC Operator Replacement list to be in effect for five years commencing July 1, 2016, to include any FSC proposer receiving a score of 70 points or greater, including non-funded proposers, as a result of the 2016 FSC RFP (Attachment C of the HCID Transmittal) and to instruct HCID to report back to the City Council prior to the implementation of any portion of said list;
 - c. Negotiate and execute a new one year contract from April 1, 2016 through March 31, 2017, with four one-year options to renew, with the Los Angeles Unified School District (LAUSD) for an annual cost of up to \$1.0 million, on a sole source basis, with a dollar for dollar salary match provided by the LAUSD, to provide services including co-location of Pupil Services and Attendance Counselors at the FSCs, subject to the review and approval by the City Attorney as to form and legality and compliance with all applicable contracting requirements; and,
 - d. Prepare Controller instructions and any necessary technical adjustments consistent with the Mayor and City Council action, subject to approval of the City Administrative Officer, and authorize the Controller to implement the instructions.

FISCAL IMPACT STATEMENT

As recommended, there is no impact to the General Fund. Traditionally, the nonprofit FamilySource Centers were funded with a combination of Community Development Block Grant (CDBG) and Community Services Block Grant (CSBG). Beginning in 2015-16, General Fund

monies were used to pay a portion of the contract costs. As proposed by the Housing and Community Investment Department (HCID), the annual operating cost for the FamilySource System totals \$13,860,000. Of this amount, \$5.0 million would be CDBG funds and \$5.1 million would be CSBG funds. HCID has requested General Fund monies to be used to pay for the financing gap. However, our Office does not recommend approving HCID's General Fund gap financing request. Instead, our Office recommends the services be reduced and aligned in order to meet to the current available grant funds, which total \$10,075,868. As such, the recommendations comply with City Financial Policies in that the cost of the services provided is funded by grant funds.

Findings

1. Basis for Report

The Housing and Community Investment Department (HCID) requests various Mayor and Council authorizations for the new Request for Proposals (RFP) to select nonprofit service providers as Lead Agencies to coordinate and operate 16 FamilySource Centers (FSCs) (C.F. 15-0697) throughout the City of Los Angeles (City). The Office of the Mayor requested that the City Administrative Officer review this matter and report back.

2. General Fund Gap Financing Options for Mayor and Council Consideration

It is a policy decision whether the Mayor and Council want to use General Fund monies to fund the financing gap for the FSCs contracts. As such, we have provided a summary of three different options for the Mayor and Council consideration.

Option A: Do not fund the General Fund Request and Reduce Services

Under this option, the HCID would not receive General Fund monies for gap financing for the FSCs. A decision would need to be made to either reduce: 1) funding per agency which would result in reduced services and/or 2) the number of contract executed. HCID has identified \$10,075,868 in available grant funds. If the City funds the \$1.0 million for LAUSD and \$60,000 for CSUN for services, this leaves a balance of \$9,015,868 to be divided among the FSC contracts.

- If all 16 contracts are approved and executed, each contract would receive \$563,492 in grant funds.
- If \$800,000 in grant funds were approved for the contracts, HCID would only have sufficient funds to execute 11 contracts.

Option B: Fund a portion of the General Fund Request and Reduce Services

Under this option, the HCID would receive a lower amount of the General Fund monies than HCID's request. However, a decision would need to be made to either reduce:

- a) Funding per agency (i.e., reduced services); and/or,
- b) The number of contract executed (i.e. lower number of FSCs).

In 2009, the HCID procured 16 contractors for the operation and management of 16 FSCs located in the City. These contracts expire March 31, 2016. In 2010-11, the FSCs were funded at \$1 million per contract through the Community Development Block Grant and Community Services Block Grant (CSBG) funds. However due to diminishing grant resources, the per-agency funding each year has been reduced as follows: \$939,000 in 2011-12, \$801,000 in 2012-13, \$738,000 in 2013-14 and \$700,000 in 2015-16. The Mayor and Council could consider reducing services for some or all of the FSCs. Over the last year or two, new services have been added. One consideration is to consider reducing or eliminating the new services. Another consideration

is to identify the services that provide the least benefit and consider reducing or eliminating those services.

The HCID recommends that successful proposers be funded at \$800,000 each with the number of FSCs based on proposed service areas, which were selected based on the primary indicator, the percent of families with children below the poverty level. The proposed funding level of \$800,000 is the minimum amount that would allow for services to be subcontracted out by the FSC operators to providers of immigration and other services that are included in the FamilySource System (FSS) menu of services. The HCID states that the \$800,000 would allow for appropriate case management staffing and matching funds for Individual Development Accounts. The latter would assist participants in saving for educational purposes, the establishment of a business, purchase of a home or other asset building efforts.

Option C: Fund 100 percent of the Gap Financing General Fund Request.

Under this option, the HCID would receive a total of **\$4,731,000** in General Fund as gap financing for 16 FSCs contracts for a 15 month-period (April 1, 2016 through June 30, 2017). The funds would be placed in HCID's Contractual Services Account as follows:

- a) In 2015-16, \$946,000 from the Reserve Fund would be appropriated for services for the period of April 1, 2016 through June 30, 2016; and,
- b) In HCID's 2016-17 budget, \$3,785,000 would be allocated on July 1, 2016 for services for the period of July 1, 2016 – June 30, 2017.

It should be noted that the request includes an additional three months (April 1, 2017 – June 30, 2017) of funding to ensure continuity of services in the next Program Year (PY), starting April 1, 2017. HCID states that this additional funding is needed because the contractors in the second contract year would rely on the General Funds. The impact of not approving the funds now is that HCID would need to request the funds as part of a 2016-17 Mid-Year appropriation request and, if approved, the funds would then be allocated in HCID's budget on July 1, 2017.

As proposed, the 16 FSCs contracts could cover a five year period (April 1, 2016 through June 30, 2021). Therefore, the use of General Fund monies as gap financing for the FSCs contracts would be for five years, subject to contractor performance reviews, funding availability, and Mayor and City Council approval. Based on the one year gap financing request of \$3,785,000, the total five year estimate would be **\$18,925,000** assuming that the grant fund resources remain at the current level.

If the Mayor and Council approve an annual General Fund commitment of \$3,785,000, then HCID recommends that the General Fund portion be allocated to the five FSCs that serve populations with the lowest concentration of poverty (Pacoima, Wilmington/San Pedro, Echo Park/Cypress Park, Westside, and Canoga Park). By allocating the General Fund support this way, the City reserves the right to reduce or change the General Fund allocation, if necessary, in a manner consistent with prioritizing services to those most in need. A detailed breakdown of the costs and funding for April 1, 2016 – March 31, 2017 is provided in Attachment A of HCID's transmittal.

3. FamilySource System

The FSS is a place-based model with the FSCs strategically located within highly impoverished areas of the City. The FSS is the City’s mechanism for the delivery of anti-poverty services and initiatives. Established in 2009, the FSS is comprised of 19 FSCs, three managed directly by the City and 16 managed by nonprofit, community-based organizations (C.F. 09-0560). FSCs are comprised of a lead agency/operator with funded and non-funded partners. All provide a common menu of social services with a target population of low and moderate income parents and guardians with children up to the age of 18.

The HCID solicited proposals from qualified community-based and non-profit organizations to provide all of the core services identified below either directly, via referral or through funded and/or unfunded partner organizations.

FamilySource Center Menu of Core Services

Information and Referral	Employment & Training Services	Income Tax Preparation Assistance
Intake and Eligibility	Early Learning	Individual Development Accounts
Assessment	Fair Housing Workshops	Mental Health Counseling
Individual Service Strategy Development	Financial Coaching	Mentoring/Counseling
Case Management	Financial Literacy	Multi-Benefit Screening
Adult Education	First Time Homebuyer Workshops	Parenting Skills
Arts Education	Gang Prevention & Intervention	Rent Stabilization Workshops
Child Care	Handyworker & Healthy Homes	Shelter for Victims of Domestic Violence
College Corner	Homeless Services	Summer Youth Employment
Computer Literacy	Immigration Services	Tutoring
	Transition to Middle & High School	

4. Request for Proposals

On July 27, 2015, HCID released the RFP. Two Mandatory Proposers’ Conferences were held on August 6 and 11, 2015. The Department provided technical assistance by posting answers to questions submitted by proposers on the City’s Business Assistance Virtual Network. Proposals were due on Monday, September 21, 2015.

The Department received a total of 31 proposals. However, the Department states that one was not evaluated as it did not pass the threshold review requirements. The evaluators consisted of City staff other than HCID FSC program staff and other outside human service professionals, recruited to review the proposals. The evaluators participated in an orientation meeting, where they received an overview of the RFP, received training on the scoring criteria and tool, and were asked to review and sign the Conflict of Interest/Non-Disclosure Statement. The evaluators reviewed and evaluated the proposals using the evaluation tool provided by HCID and based upon the following evaluation criteria as established in the RFP:

- Demonstrated Ability – 30 points
- Program Design – 40 points
- Facility Location and Suitability – 5 points
- Strategic Planning and Sustainability – 5 points
- Cost Reasonableness, Leveraged Resources and Financial Viability – 20 points

Evaluation of the proposals included the review of the “Proposed FSC Facility - Exhibit 8” as submitted by each proposer and site visit results. Site visits were conducted by outside evaluators and HCID staff for all eligible proposers to review the readiness of the proposed FSC facility site in accordance with the facility guidelines outlined in the RFP. However, subsequent to the release of the FSC RFP, it was determined that in order to ensure that any proposed facility meets all federal accessibility requirements, the facility would need to be surveyed for compliance with the Uniform Federal Accessibility Standards (UFAS). As such, all proposals were awarded the maximum five points for the “Facility Location and Suitability” evaluation factor, given that certified accessibility specialists had not yet evaluated the proposed FSC sites. The proposed contracts would require a temporary accessibility accommodation plan, if necessary, to ensure the ability of the proposers to provide fully accessible services. Attachment B of the HCID Transmittal dated February 26, 2016 [Transmittal]) provides a detailed list of proposers’ scores.

5. Appeals Process

On December 16, 2015, proposers were notified of the proposal review results. On January 14, 2016, an Appeals Panel was convened for the purpose of considering three requests for appeals submitted by proposers to the FSC Operators RFP. The Panel was comprised of two members of the Community Action Board (CAB) and one member of the Commission on Community and Family Services. The Panel considered appeals from the following proposers: Coalition of Mental Health Professionals, Inc.; Community Build; and Volunteers of America Los Angeles.

At the conclusion of the hearings, the Appeals Panel upheld the Department’s recommendations and denied all three appeals. In accordance with the RFP guidelines, the Appeals Panel decision is considered final (Attachment D of the HCID Transmittal). On January 19, 2016, the FSC Operators funding recommendations, including the summary of appeals, were presented to and approved by the CAB. The Department followed the City’s standard RFP and contracting process.

6. Establishment of a Replacement Operator List

The HCID requests authority to establish a pre-qualified list of Replacement Operators (Attachment C of the HCID Transmittal). The Replacement Operator List would consist of agencies, both recommended for funding and those not selected, that attained a proposal score of 70 points or greater. Inclusion on the list would qualify a proposer for consideration as a FamilySource operator in the event that an established contractor is no longer able to fulfill its contractual responsibilities.

7. Los Angeles Unified School District Contract

The HCID requests continued funding in the amount of \$1.0 million per year for the Los Angeles Unified School District (LAUSD), on a sole source basis, with a dollar for dollar salary match provided by the LAUSD, to provide services including co-location of Pupil Services and Attendance Counselors (PSACs) at the FSCs. The HCID states that the \$1.0 million would cover 50 percent of the direct salaries for 16 counselors and two supervisors. LAUSD would match the remaining 50 percent of direct salaries plus 100 percent of any benefits and overhead costs. The PSACs will serve as the first point of contact for all youth participants Pre-Kindergarten through 12th grade, enrolled with the individual FSCs. The focus of their work will be the provision of "student retention services" to assist the FSCs to meet and exceed the "Increased Academic Achievement" outcome goals and in standardizing the provision of services to youth. At the release of this report, the CAO had requested additional information from HCID and the City Attorney on the LAUSD contract. As a result, the HCID will report back on the LAUSD contract in a separate transmittal.

In 2014, the Council and Mayor authorized the HCID to execute an agreement, which represented a pilot program, with the LAUSD in an amount not to exceed \$660,000 in CSBG funds to fund the PSACs at 13 FSCs (C.F. 14-0281-S1). At that time, the \$660,000 represented a partial match to the \$1,067,344 annual commitment made by LAUSD for this effort. In January 2015, the HCID and LAUSD executed Agreement No. C-125301 for the period of July 1, 2014 to May 31, 2015. As part of the City's 41st PY Housing and Community Development Consolidated Plan (ConPlan) in 2015, the Council and Mayor authorized the HCID to extend the LAUSD contract period for one additional year and approved \$863,451 in CSBG funds for student assessment and tracking services provided by the LAUSD (C.F. 14-1382).

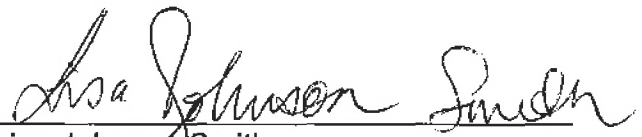
8. The University Corporation of California State University Northridge

The HCID requests continued funding in the amount of \$60,000 from the City's 42nd PY ConPlan for The University Corporation of California State University Northridge (CSUN) to evaluate the program and quantify the economic impact of services provided on families and their surrounding communities. As part of the City's 40th PY ConPlan in April 2014, the Council and Mayor authorized the HCID to execute an agreement with the CSUN and approved \$100,000 in CSBG funds for program evaluation services (C.F. 13-1395). In December 2014, the HCID and CSUN executed an Agreement No. C-125146 in an amount not to exceed \$60,000 for the contract term commencing April 1, 2014 and ending March 31, 2015. In June 2015, the HCID and CSUN executed the first contract amendment which extended the contract end date to June 30, 2015 and increased the total contract compensation to \$70,000. As part of the City's 41st PY ConPlan in 2015, the Council and Mayor authorized HCID to extend the CSUN contract period for one additional year and approved \$50,000 in CSBG funds for program evaluation services (C.F. 14-1382). At the release of this report, the CAO had requested additional information from HCID and the City Attorney on the CSUN contract. As a result, the HCID will report back on the CSUN contract in a separate transmittal.

CSUN provides the following FSC program research and evaluation services: a) conduct FSC customer satisfaction survey; b) conduct a survey of FSC contractors satisfaction survey; c) conduct a study on the local economic impact of the FSS; d) conduct on a bi-annual basis the Community Action Survey to identify community development needs of low-income and poverty level communities in the City; e) prepare written reports of findings from each study/survey conducted; and f) provide technical assistance to HCID operations staff on program performance measurement issues.

9. Charter Section 1022

The HCID submitted a Charter Section 1022 review to the Personnel Department in conjunction with the request for contractors to operate the FSCs. The Personnel Department identified classifications in the City with the necessary qualifications to carry out certain portions of the work. HCID does not have employees who could perform the work, HCID and Personnel indicate that the work exceeds staffing availability. The Personnel Department confirmed that the Charter Section 1022 determination for the FSCs contract applies to the proposed contracts. This Office concurs that it is more feasible to contract for FSCs contract because the work exceeds staffing availability and because specialized knowledge and technical expertise are required.

By: 
Lisa Johnson Smith
Senior Administrative Analyst II

APPROVED:

Assistant City Administrative Officer

MAS:LJS:02160067C