

BUDGET AND FINANCE COMMITTEE REPORT relative to the reprogramming and expenditure of \$23.6 million in Community Development Block Grant (CDBG) 41st Program Year funding.

Recommendations for Council action, SUBJECT TO THE APPROVAL OF THE MAYOR:

1. AUTHORIZE the General Manager, Los Angeles Housing and Community Investment Department (HCIDLA), or designee, to:
  - a. Request the Council Offices, the City Administrative Officer (CAO), and the Chief Legislative Analyst (CLA) work with the HCIDLA and report in two weeks to identify CDBG-funded projects that can have funds reprogrammed and identify projects that could receive the CDBG funds and expend the funds by January 30, 2016.
  - b. Develop, with the assistance of the CAO and CLA, a revised CDBG Expenditure Policy and Guidelines, based on the 2003 version, and report to Mayor and Council within 60 days, providing sufficient time to ensure the policy is ready to be used for the drafting of the 42nd Program Year Action Plan.
  - c. Prepare, with the assistance of the CAO and CLA, a workout plan to the U.S. Department of Housing and Urban Development (HUD) describing the City's plans to address the CDBG timeliness problems and report to Mayor and Council within 30 days with this plan.
2. AUTHORIZE the Controller to:
  - a. Transfer appropriations to reimburse the General Fund for related costs:

From:

<u>Account</u>	<u>Title</u>	<u>Amount</u>
22J108	Building and Safety - 39th Year PACE	\$12,529.39
43K108	Building and Safety - 39th Year PACE	58,694.92
43L108	Building and Safety - 39th Year PACE	<u>59,014.71</u>
	Total:	\$130,239.02

To:

<u>Account</u>	<u>Title</u>	<u>Amount</u>
22K299	Reimbursements to General Fund	\$71,224.31
43L299	Reimbursements to General Fund	<u>59,014.71</u>
	Total:	\$130,239.02

3. AUTHORIZE the General Manager, HCIDLA, or designee, to prepare any Controller instructions needed to implement actions approved by the Council and Mayor on matters presented in or deriving from Recommendation Nos. 1 through 2 above, and/or to make necessary technical adjustments, subject to the approval of the CAO; and, AUTHORIZE the Controller to implement the instructions.

4. APPROVE the reprogramming of approximately \$23.6 million in CDBG funds identified in Attachment 1 of the CLA report dated October 16, 2015 (attached to Council file [C.F.] No. 15-1090).
5. APPROVE the expenditure of up to \$23.6 million in CDBG funds identified in Attachment 2 of the CLA report dated October 16, 2015 (attached to C.F. 15-1090) for Tier 1 projects, such expenditures to be executed by January 30, 2016.
6. INSTRUCT the CLA with the assistance of the HCIDLA to monitor the expenditure of Tier 1 funds; and if by December 15, 2015 a Tier 1 project will not be able to expend CDBG funding by January 30, 2016, AUTHORIZE the reprogramming of the Tier 1 project(s) to designated Tier 2 project(s) and AUTHORIZE the HCIDLA and the Economic and Workforce Development Department (EWDD) and other necessary departments to prepare and execute all necessary authorities to effectuate the expenditure of these funds, subject to approval of the CLA.
7. REQUEST and INSTRUCT as appropriate, the Mayor, HCIDLA, and CLA to identify funding for the priority projects listed in Attachment 4 of the CLA report dated October 16, 2015 (attached to C.F. No. 15-1090) in future Consolidated Plan budgets pursuant to the project's eligibility for CDBG funds and ability to spend the funds on a timely basis.
8. INSTRUCT the HCIDLA, with the assistance of the CLA and CAO, to hold quarterly meetings with departments who receive or manage CDBG funds/projects to ensure that departments are invoicing and moving projects on a timely basis.
9. INSTRUCT the HCIDLA and EWDD to prepare all Controller instructions, contract authorities, and any other language necessary to implement the actions of this report and submit said information to the CLA to submit for Council approval.
10. INSTRUCT the HCIDLA to make any technical adjustments that may be required and consistent with this action subject to the approval of the CLA; and, AUTHORIZE the Controller to implement the instructions.
11. AUTHORIZE the HCIDLA to prepare and submit an amendment to the Consolidated Plan, as necessary.
12. AUTHORIZE the Controller to take the following actions to provide funding in the amount of \$3,946,798 for the Marlton Square acquisition:
  - a. Expend funds up to \$525,000 in CDBG funds from Account No. 22H245, Marlton Square, with the Community Development Trust Fund No. 424.
  - b. Deposit funds from Union Bank accounts up to \$1,721,798 into the Section 108 Loan Guarantee Program Fund No. 43F.
  - c. Expend funds up to \$1,721,798 in CDBG funds from Account No. 22W200, Marlton Square, within the Section 108 Loan Guarantee Program Fund No. 43F.
  - d. Transfer funds up to \$1,700,000 from the CRA Pipeline Projects line item in the Unappropriated Balance Fund No. 100/58, Account 580148 to the Economic and

Workforce Development Department Miscellaneous Fund No. 45L.

- e. Establish a new account, 22M810, titled Marlton Square-Unappropriated Balance, within the Miscellaneous Fund No. 45L and appropriate \$1,700,000.
13. AUTHORIZE the General Manager, EWDD, or designee, to prepare Controller instructions and/or make any technical adjustments that may be required and are consistent with Recommendation No. 13 above, subject to the review of the CAO; and, AUTHORIZE the Controller to implement the instructions

Fiscal Impact Statement: The CLA reports that this action does not impact the General Fund.

Community Impact Statement: None submitted.

**SUMMARY**

At its regular meeting held on October 26, 2015, the Budget and Finance Committee considered a report from the HCIDLA dated September 14, 2015 and a report from the CLA dated October 16, 2015 relative to the reprogramming of \$23.6 million in CDBG funding (the Housing Committee considered this matter at its meeting of October 13, 2015).

The CLA and HCIDLA report that the City is currently in violation of U.S. Department of Housing and Urban Development (HUD) rule that states that the City cannot hold in its line of credit more than 1.5 times the City's annual CDBG grant (timeliness rule). As a result of this violation, should the City not accelerate CDBG expenditures, HUD may reduce approximately \$14.3 million from the City's future CDBG grant allocation. Therefore, the CLA report identifies CDBG projects for which approximately \$23.6 million in funds can be reprogrammed and identifies those projects that could receive the reprogrammed CDBG funds and expend the funds by January 30, 2016 to meet HUD's timeliness rule.

After consideration and after providing an opportunity for public comment, the Committee approved the recommendations in the HCIDLA and CLA reports as amended to also approve an additional recommendation, submitted by the CLA in an addendum to it's report (attached to the Council file), authorizing the Controller to take various actions relative to funding for the Marlton Square acquisition. This matter is now forwarded to the Council for its consideration

Respectfully Submitted,

BUDGET AND FINANCE COMMITTEE



<b>MEMBER</b>	<b>VOTE</b>
KREKORIAN:	YES
ENGLANDER:	ABSENT
KORETZ:	YES
BLUMENFIELD:	YES
BONIN:	YES

REW  
10/26/15  
FILE NO. 15-1090

**-NOT OFFICIAL UNTIL COUNCIL ACTS-**