

RECONSIDERATION of Item 14 Council Meeting of 4/13/2016

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SUBSTITUTE - Item 14

MOTION

The City of Los Angeles receives four U.S. Department of Housing and Urban Development (HUD) entitlement grants each year: Community Development Block Grant (CDBG), HOME Investment Partnerships Program (HOME), Emergency Solutions Grant (ESG), and Housing Opportunities for Persons with AIDS (HOPWA). These grants comprise the City's Consolidated Plan, a comprehensive, integrated approach to planning and implementing the City's housing, community development, and economic development needs and priorities.

While the Consolidated Plan program year begins on April 1st and ends March 31st of the following year, the grant agreements are signed and the grant funds are released and available for drawdown approximately by the middle of August. Between April 1st and mid-August, program costs are incurred. Through the 41st program year (2015-2016 and earlier), these April to August program costs were paid for using unspent funds from the preceding grant program years. This procedure was aligned with the "First In First Out" (FIFO) accounting methodology (oldest money disbursed first) that HUD's Integrated Disbursement and Information System (IDIS) allowed in the past.

The HUD Office of the Inspector General and the Office of Management and Budget determined that the FIFO methodology no longer complies with federal financial standards. Consequently, HUD eliminated the FIFO method and implemented a new process whereby commitments and disbursements of funds are done on a specific grant-year basis. This change is effective for the City beginning in the 42nd program year that starts April 1, 2016. With this change the Housing Department can no longer use unspent prior program year grant monies to pay for current program year expenditures and therefore requires \$12.4 million in front funding to reimburse providers. This funding will be split between a Reserve Fund loan of \$4.4 million for the period April 1, 2016 - June 30, 2016 and an unfunded gap of \$8.0 million for the period July 1, 2016 - August 31, 2016. The loan will avoid payment disruption to service providers receiving CDBG funding from April 1 - June 30, 2016 (such as the FamilySource Centers, Domestic Violence Shelters, Aging Senior Centers, Handyworker contractors and LAHSA programs) and will be repaid upon receipt of CDBG funds. In order to avoid disruption of services, the loan must be approved by April 15, 2016. The \$8 million cash flow funding gap will be identified at a later date.

I THEREFORE MOVE that the City Council, subject to the approval of the Mayor:
1. Authorize the City Controller to process a Reserve Fund loan to be available by April 15, 2016 for up to \$4.4 million for the period April 1-June 30, 2016 to provide cash flow requirements for the Community Development Block Grant Fund No. 424 to be repaid upon receipt of HUD grant funds. 2. Authorize the CAO to make technical corrections to the above instructions as necessary to implement the intent of this action.

PRESENTED BY:



GILBERT CEDILLO
Councilman, 1st District

SECONDED BY:



ORIGINAL

April 19, 2016ak