

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: November 8, 2018

CAO File No. 0220-05534-0000
Council File No. 17-1121
Council District: ALL

To: The Public Works and Gang Reduction Committee
The Energy, Climate Change, and Environmental Justice Committee
The Budget and Finance Committee
The City Council
The Mayor

From: Richard H. Llewellyn, Jr., City Administrative Officer

*RHL
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Reference: Motion (Buscaino – Blumenfield – Martinez) relative to establishing a framework for a pilot program that would employ homeless individuals to proactively clean litter from the public right-of-way on a regular, ongoing basis.

Subject: **ADDENDUM TO REPORT ON PILOT PROGRAM TO EMPLOY HOMELESS INDIVIDUALS FOR LOOSE LITTER CLEANUP PROGRAM**

RECOMMENDATIONS

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

1. Approve the proposed framework for the pilot program as detailed in this Office's report dated May 18, 2018;
2. Transfer \$2.95 million from the Unappropriated Balance Fund No. 100/58, Account No. 580272 – Homeless Services Programs to the Bureau of Sanitation's Contractual Services Account to implement the pilot program;
3. Instruct the Bureau of Sanitation to execute and administer a contract with Chrysalis to implement the pilot program; and
4. Instruct the Bureau of Sanitation to coordinate with other city agencies involved in the pilot program to report back in 12 months from the date of implementation of the pilot program with results and recommendations going forward.

Background

On May 18, 2018, this Office issued a report on the implementation of a pilot program that would employ homeless individuals to perform loose litter cleanups and weed abatement. The purpose of this Addendum is to provide updates on potential funding sources, modifications to the proposed implementation plan in the previous report, and address concerns raised by the Energy, Climate Change, and Environmental Justice Committee (ECCEJC) during its October 16, 2018 meeting on this matter. In addition, the recommendations in this Addendum supersede the recommendations in the May 18, 2018 report.

Update on Potential Funding Sources

When the previous report was issued, funding was not included in the Mayor's 2018-19 Proposed Budget. Since then, Council modified the Mayor's Proposed Budget by including \$10 million in the Unappropriated Balance (UB) for various homeless related programs, which includes the proposed pilot program. Currently, there is a remaining balance of approximately \$7.31 million in this account. Therefore, this report is recommending the transfer of \$2.9 million from the UB to the Bureau of Sanitation's Contractual Services Account to implement the pilot program. The \$2.9 million amount represents the full year costs for the pilot and there are only eight months remaining in the 2018-19 Fiscal Year. The Council could elect to only fund the pilot program for eight months, which would be \$1.94 million. This would not provide sufficient data to analyze the effectiveness of the pilot and this Office is recommending the full year funding amount, which would enable the Bureau to operate the pilot for one full year.

In addition, on September 10, 2018, Council (C.F. 18-0628) authorized this Office to apply for and accept \$85,013,607 in one-time grant funding from the State of California's Homeless Emergency Aid Program (HEAP) to provide immediate assistance to people experiencing homelessness. Eligible uses of these funds include the following:

- Capital;
- Operating support (or services);
- Homelessness prevention activities;
- Criminal justice diversion program for homeless individuals with mental health needs;
- Establishing or expanding services meeting the needs of homeless youth or youth at risk of homelessness; and
- Emergency aid (shelters, shelter beds, public bathrooms, and shower facilities are eligible uses).

The proposed pilot program meets the criteria for HEAP funding and while HEAP is the preferred funding source for this pilot, HEAP is currently oversubscribed and it is unlikely there would be any available HEAP funds for this pilot. If the Council desires to use HEAP funds, the Council can introduce a Motion or instruct the Bureau to submit a request for HEAP funding. It should be noted that HEAP funds cannot be used to reimburse the UB for actual expenditures from this pilot. Therefore, this Office is recommending the use of the UB funds for the pilot program.

Implementation of the Pilot Program

In the previous report, this Office recommended the Office of Community Beautification (OCB) as the administrator for the Chrysalis contract since they currently administer the City's graffiti abatement contracts. Since then, this Office had discussions with the Bureau of Sanitation and agreed that it would be more efficient to keep the administration of the contracts within the same agency that is utilizing the contractors. In addition, the Bureau has more staff and experience in contract administration than OCB and it is more feasible for the Bureau to absorb these additional responsibilities within its existing workforce. Therefore, the recommendations have been revised to include that Council authorize the transfer of funds from the UB to the Bureau's Contractual Services Account to pay contractor invoices and that Council authorize the Bureau to execute a contract with Chrysalis to implement the pilot.

Targeted Local Hire (TLH) Program

During the ECCEJC's consideration of this pilot program in its October 16, 2018 meeting, the Committee expressed a desire to incorporate the pilot program into the TLH, whereby, individuals that successfully participate in the pilot would transition into full-time City jobs through the TLH.

The TLH targets residents in under-served communities, which may include homeless individuals, but can also include formerly incarcerated individuals, former gang members, disconnected youth, foster youth, veterans, residents with limited English proficiency, transgender individuals, individuals with disabilities, and older workers protected under the Age Discrimination in Employment Act of 1967. The TLH was designed to offer equal and fair opportunities for each of these groups of individuals to compete for City jobs. Therefore, City departments that hire through the TLH program are given a random list of candidates who meet any or all of the TLH criteria. If departments were allowed to pre-select candidates for hiring consideration, this would prevent the TLH from ensuring fair and equal opportunities for each TLH group.

If the Council desires to incorporate the pilot into the TLH, a policy change to the TLH would be required to give higher consideration for employees successfully completing the pilot program. If the Council wishes to modify the TLH, it is recommended that these modifications be referred to the Targeted Local Hire Working Group that was established via a Letter of Agreement (LOA) with the Coalition of City Unions in December 2015. It should also be noted that such a policy change would impact other City transitional job programs such as the Clean and Green Program, which provides job opportunities for low-income middle and high school youth. Because these youth did not participate in the pilot or are homeless, but have meaningful work experience performing beautification projects, they will be given lower consideration for TLH jobs.

Cost of the Pilot Program

During the ECCEJC's consideration of this pilot program in its October 16, 2018 meeting, there were concerns expressed about the high cost of the pilot program. This Office's May 18, 2018 report provided a table which breaks down the \$2.95 million cost of the program. The following table summarizes the annual costs of the pilot proposed by Chrysalis and compares them to the annual cost of using full-time City workers:

	Chrysalis	City Forces
LABOR		
Total Salaries	\$1,185,933	\$2,391,783
Total Related Costs*	\$1,035,653	\$2,814,650
Administrative Fee	\$177,737	--
Total Labor	\$2,399,323	\$5,206,433
VEHICLES		
Leasing and Maintenance	\$177,535	--
Insurance	\$23,460	--
Fuel	\$79,200	--
GPS Services	\$2,160	--
Total Vehicle	\$282,354	--
SUPPLIES AND EQUIPMENT		
Cleaning Equipment and Supplies	\$43,200	\$43,200
Uniforms	\$7,200	\$7,200
Tip Fees	\$147,000	\$147,000
Drinking Water, Liners, Cell Phones	\$25,920	\$25,920
Startup Costs (one-time)	\$42,371	--
Total Supplies and Equipment	\$265,691	\$223,320
TOTAL PROGRAM COSTS	\$2,947,369	\$5,429,753

* The City Forces amount includes all vehicle related costs, such as vehicle depreciation, fuel, and maintenance.

As the chart illustrates, the cost to employ city workers is approximately \$5.43 million, which is \$2.48 million higher than the cost of the Chrysalis proposal. It should be noted that in this Office's May 18, 2018 report, a similar table was presented where the total City forces cost was reported at \$4.17 million rather than the \$5.43 million reported above. This discrepancy is due to the May 18, 2018 report using the City's Add/Delete Rates to calculate related costs while this report used the Federal approved Cost Allocation Plan (CAP) Rates. The City's Add/Delete Rates represent the average City employee's annual healthcare and pension costs whereas the CAP Rates represent actual healthcare and pension costs for employees in a specific City department or program, but also includes other indirect costs (such as water and electricity, building maintenance, vehicles and fuel, etc.) that are not captured in the Add/Delete rates. The CAP Rates is a more accurate tool for calculating an employee's indirect costs. Since the cost for vehicles, fuel, and fleet maintenance are included in the CAP Rates and, therefore, included in the Total Related Costs amount, the City Forces column for vehicle cost was left blank.

In evaluating the Chrysalis proposal, this Office also reviewed other Chrysalis contracts and compared the costs to ensure consistency. For comparison, the California Department of Transportation (CalTrans) contracts with Chrysalis to administer the New Roads to Second Chances Program, a transitional work and permanent job placement program for parolees and probationers. This program provides six work crews to perform litter abatement and maintenance services, which includes weed abatement, graffiti removal, trimming or removal of vegetation, and restoration of vegetation, along freeways. Each work crew consists of one supervisor and six program participants and the total program costs for 2018-19 is \$3.15 million, which is \$200,000 more than the proposed pilot costs.

FISCAL IMPACT STATEMENT

There is no fiscal impact to the General Fund by adopting the recommendations in this report. One-time funding for this pilot has been identified in the 2018-19 Unappropriated Balance Budget and subsequent year funding will be provided in subsequent year budgets. The recommendations in this report comply with the City's Financial Policies as one-time funding will support one-time expenditures.

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