

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: December 6, 2018

CAO File No. 0220-05534-0001

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 

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

RECOMMENDATION

That the Council note and file this report as it is informational. It is also recommended that the Council hear this Office's report on the financial status of funds set aside in the Unappropriated Balance (UB) and Homeless Emergency Aid Program (HEAP) for homeless related services prior to taking any action on this pilot program.

Background

On November 14, 2018, the Public Works and Gang Reduction Committee (PWGRC) considered two reports from this Office on a proposed framework to employ homeless individuals to perform loose litter cleanups across the City. The PWGRC instructed this Office to report back with a cost benefit analysis between having the Board of Public Works' Office of Community Beautification (OCB) or the Bureau of Sanitation (Bureau) administer the pilot program. Further, the Committee instructed this Office to meet with labor officials to discuss their concerns with the pilot program. The Committee instructed this Office to report back prior to the Budget and Finance Committee's consideration of this item.

This report also provides an update to the potential funding sources for the pilot. In the November 8, 2018 report, this Office recommended the use of funds from the UB over HEAP funds to finance the pilot program. Over the past several days, there have been significant requests for both funding sources and this Office will be releasing a report to the Homeless Strategy Committee on the financial status of both funds. It is recommended that the Council hear this report prior to taking any actions on this pilot program.

Cost Benefit Analysis

On November 19, 2018, this Office met with OCB to discuss how it would propose to administer this pilot program. This Office provided OCB with the breakdown of costs proposed by Chrysalis and requested it to prepare a budget for administering the pilot program. On November 20, 2018, OCB submitted the attached proposed budget. In its proposal, the 30 Chrysalis workers would be absorbed into OCB's existing public right-of-way loose litter cleanup program, which is staffed by contracted non-profit community based organizations. OCB is estimating \$989,000 in savings, which would be achieved through utilizing existing staffing resources, vehicles, supplies, and equipment from OCB contractors. The OCB proposal was shared with Chrysalis and the Bureau and both agencies have expressed concerns about the feasibility of these savings as well as the impact to the program's effectiveness. The following table provides an analysis on the feasibility of each of the proposed savings in the OCB proposal:

| Proposed Efficiency/Savings | CAO Analysis |
|---|--|
| Delete six supervisor positions: OCB contractors already provide supervisors for public right-of-way cleanup crews (\$407,347). | More information is required to determine if OCB field supervisors can absorb 30 additional workers into their span of control and whether this could create potential liabilities. Chrysalis supervisors are former program graduates and there are unique benefits to having a supervisor that has experienced homelessness that can assess the progress of each participant and provide feedback on what additional resources are required to address barriers to employment. |
| Delete Operations Manager: Operations performed by OCB and contractors (\$76,149). | Determination on feasibility of OCB contractors absorbing this responsibility is required. Although there are only 30 positions, there will be 250-300 individuals transitioning between these jobs and the Operations Manager directs the work of these individuals, provides training, and works with the clients to ensure that the scope of work is met. |
| By paying the homeless through OCB contractors, rather than Chrysalis the Administrative Fee would be reduced from 8% to 5% (\$86,185). | These savings are feasible, but further discussions are required to determine what administrative costs are included in the OCB contractor's administrative fee and whether these are comparable to Chrysalis's administrative services. |
| Reduced vehicle costs: OCB contractors already have vehicles. Some additional maintenance and fuel is accounted for. Vehicle costs reduced to \$75,000 (\$207,354). | More information is required to determine how OCB contractors will accommodate an additional 30 workers within their existing fleet of vehicles at no additional cost. |
| OCB contractors already have supplies and equipment for this program (saving \$64,800). | More information is required to determine how OCB contractors will provide cleaning supplies and equipment, cell phones, and trash liners to 30 additional workers at no additional cost. |

| | |
|--|--|
| As part of the Clean Streets LA project, the Bureau of Sanitation does not charge tip fees for public right-of-way cleanup (saving \$147,000). | Although OCB does not directly pay tip fees, these expenses are paid by the Bureau and these costs need to be included in the overall program costs. |
|--|--|

This Office still recommends that the Bureau of Sanitation administer the Chrysalis contract and pilot program, but the Council can instruct OCB to administer the Chrysalis contract and program as outlined in this Office's May 18, 2018 report.

As discussed in the table above, there are concerns about the feasibility of the savings proposed in the OCB model. In addition, the Chrysalis employment program was developed using Best Practices and the proposed modifications can impact the pilot's effectiveness in assisting homeless individuals overcoming barriers to employment. There are also potential operational challenges in the OCB model such as tracking the effectiveness of the pilot if the Chrysalis workers are mixed into the OCB participant pool or coordinating with the Bureau on the deployment of resources to ensure that they are addressing critical areas identified through service requests, Council Office requests, and CleanStat data. The primary goal of the Motion (C.F. 17-1121) that initiated this pilot program requested this Office to develop a work program that would specifically assist and support homeless individuals. Chrysalis has the expertise and tools necessary to successfully meet this goal and they have demonstrated this success in operating the City's homeless personal property storage facilities.

Labor's Concerns

On November 21, 2018, this Office's Employee Relations Division met with representatives of the Coalition of City Unions. During this meeting, labor representatives expressed two issues with the pilot program. First, the Bureau of Sanitation has existing resources in its Clean Streets Los Angeles (CSLA) Program to perform this work, but many of these positions are vacant. Labor representatives expressed a strong desire for the Bureau to fill its existing Maintenance Laborer vacancies through the Targeted Local Hire Program before additional resources are provided. Second, if the City wants to help a targeted group of individuals become employable, the City should use existing contractual resources such as the OCB community based organizations.

FISCAL IMPACT STATEMENT

There is no fiscal impact as this report is informational.

RHL:WKP:10190052

Attachment

**CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE**

Date: November 20, 2018
To: Rich Llewellyn, City Administrative Officer
Attn: Wilson Poon, Sr Administrative Analyst II
From: Paul Racs, Director
Office of Community Beautification



**RE: OCB RESPONSE TO PUBLIC WORKS/GANG REDUCTION
COMMITTEE REQUEST FOR COST SAVINGS RELATED TO
COUNCIL FILE 17-1121**

At the Public Works and Gang Reduction Committee meeting held on November 14, 2018, the Board of Public Works-Office of Community Beautification (OCB) was requested to provide information on potential cost savings related to hiring of homeless individuals for cleaning up litter, trash, and weeds along the public right-of-way.

OCB administers contracts with non-profit community based organizations for various cleanup and beautification services, including ten public right-of-way cleanup contracts with organizations providing litter cleanup, weed abatement, and bulky item pickup. These crews were formed as part of the Clean Streets LA project. Last year (July 2017 to June 2018) OCB contractors cleaned 8,085 locations; filled and disposed of 118,367 trash bags of weeds/litter/debris from along the public right-of-way. These same contractors also picked up 11,809 discarded items, such as couches, furniture, mattresses, etc.

Crews are deployed citywide, typically composed of one or two working supervisors and sometimes community service workers. All contractors currently performing these services under contract with OCB have dedicated vehicles, equipment, and systems in place to provide efficient services.

Since OCB already administers the public right-of-way cleanup program, focused on cleaning litter, weeds, and debris from our City streets, a nexus exists for OCB to also administer a program which hires homeless individuals to perform these same services. OCB has expertise in managing these types of contracts and would be able to do so without any additional resources.

It is also proposed that by utilizing OCB non-profit community based organizations, which already provide these field services, there would be an economy of scale cost savings to the City in the amount of \$988,835 because this program would add labor to existing cleanup forces. These savings could be used to hire eighteen more homeless individuals to perform similar services. Chrysalis would still be utilized as the intake and counseling center.

The attached chart provides a breakdown of cost savings by utilizing current OCB contractors as well as working in partnership with Chrysalis. Efficiencies/Savings would be created in the following areas:

- Delete six supervisor positions: OCB contractors already provide supervisors for public right-of-way cleanup crews (\$407,347).
- Delete Operations Manager: Operations performed by OCB and contractors (\$76,149).
- By paying the homeless through OCB contractors, rather than Chrysalis the Administrative Fee would be reduced from 8% to 5% (\$86,185).
- Reduced vehicle costs: OCB contractors already have vehicles. Some additional maintenance and fuel is accounted for. Vehicle costs reduced to \$75,000 (\$207,354).
- OCB contractors already have supplies and equipment for this program (saving \$64,800).
- As part of the Clean Streets LA project, the Bureau of Sanitation does not charge tip fees for public right-of-way cleanup (saving \$147,000).

Copies:

John Popoch CD 3

Cecilia Castillo CD 3

Matt Hale CD 2

Felicia Orozco CD 7

COST COMPARISON--OCB CONTRACTOR VS. OUTSOURCING PROGRAM

| CHRYSALIS LABOR COSTS (as referenced in CAO File #0220-05424-0000) | | | | | | |
|--|------------------------------------|-----------------|----------------|------------------|----------------------------|--------------------|
| No. | Position | Hourly Pay Rate | Related Costs* | Hourly Bill Rate | CHRYSALIS ONLY Annual Cost | OCB Annual Cost |
| 6 | Supervisors | \$17.43 | \$15.21 | \$32.64 | \$407,347 | \$0.00 |
| 30 | Workers | \$19.25 | \$12.29 | \$25.54 | \$1,593,696 | \$1,593,696 |
| 1 | Operations Manager | \$24.04 | \$12.57 | \$36.61 | \$76,149 | \$0.00 |
| 1 | Employment Program Manager | \$24.04 | \$12.57 | \$36.61 | \$76,149 | \$76,149 |
| 1 | Program Administrator | \$20.00 | \$12.81 | \$32.81 | \$68,245 | \$68,245 |
| | Administrative Fee (8% of Labor)** | | | | \$177,737 | \$11,552 |
| TOTAL Annual Labor Costs | | | | | \$2,399,323 | \$1,749,642 |

Under OCB's program, the 8% Admin Fee would only apply to the Employment Program Mgr., and the Program Admin. positions

5% Administrative Cost for CBO's

\$80,000
\$1,829,642 *Final OCB Labor Cost*

* Related costs include healthcare benefits, workers' compensation, payroll taxes, liability insurance, unemployment insurance, and program services.
 ** Administrative Fee includes Chrysalis support services such as human resources, systems support, billing, payroll, and facility expenses.

| VEHICLES | | | | OCB COST |
|----------------------------|----------|--------------|------------------|--------------------|
| Item Description | Quantity | Monthly Rate | Annual Cost | Annual Cost |
| Leasing & Maintenance | 6 | \$2,466 | \$177,535 | \$50,000.00 |
| Insurance | 6 | \$326 | \$23,460 | \$0.00 |
| Fuel | 6 | \$1,100 | \$75,200 | \$25,000.00 |
| GPS Service | 6 | \$30 | \$2,160 | \$0.00 |
| TOTAL Vehicle Costs | | | \$282,354 | \$75,000.00 |

| SUPPLIES AND EQUIPMENT | | | | OCB COST |
|--|----------|--------------|-----------------|--------------------|
| Item Description | Quantity | Monthly Rate | Annual Cost | Annual Cost |
| Cleaning Equipment & Supplies | 6 | \$600 | \$43,200 | \$0.00 |
| Drinking Water | 6 | \$60 | \$4,320 | \$4,320 |
| Linens | 6 | \$150 | \$10,800 | \$0.00 |
| Cell Phone Services | 6 | \$150 | \$10,800 | \$0.00 |
| Uniforms | 6 | \$100 | \$7,200 | \$7,200 |
| TOTAL Annual Supplies & Equipment Costs | | | \$76,320 | \$11,520.00 |

OCB COST

| | | |
|---|--------------------|--------------------|
| One-time startup costs: | \$42,371 | \$42,371.00 |
| Tip Fees (1.56 tons per day per crew @ \$60/ton): | \$147,000 | \$0.00 |
| TOTAL 2018-19 PROGRAM COSTS | \$2,947,368 | \$1,958,533 |

OCB Contractors DO NOT have to pay Tip Fees to dispose of their trash.