



MEMORANDUM

To: Mayor and Council

From: Bert Lumbreras, Assistant City Manager 

Date: August 4, 2010

Subject: American Recovery and Reinvestment Act Fund Expenditures

As you may know, the Texas Department of Housing and Community Affairs sent a letter to City officials sharing their concerns that the City of Austin would not be able to spend the American Recovery and Reinvestment Act (ARRA) dollars in the allotted time given. Staff has met with TDHCA officials and has sent formal letters notifying them of the steps the City of Austin is taking to ensure all allocated dollars will be spent by the deadline that was given. Please use this memo as an update on what steps each relevant department is taking with regards to spending ARRA dollars.

Health and Human Services:

In a June 14th letter (attached) from David Lurie to TDHCA Director, Mike Gerber, the City of Austin expects to expend 100% of the Community Services Block Grant (CSBG) funds provided through the American Recovery and Reinvestment Act (ARRA) by September 30, 2010. The letter notes that as of May 30th of this year, HHSD had an expenditure rate of 88.6% on their books. However, HHSD operates on a reimbursement basis where expenses are submitted for reimbursement on the monthly TDHCA financial report after it is posted to the general ledger. It was explained that the ARRA subcontractors have until the 15th of each month to submit expenditures incurred from the previous month. There is review and approval of these expenditures, posting to the accounting systems and preparation of a month-end close grant report. This process can take two months and is the main reason why TDHCA was not seeing the same expenditure rates as HHSD.

In order to fully utilize and expend all CSBG ARRA funds, HHSD has taken the following steps (these steps were communicated to TDHCA staff at a meeting where I was in attendance):

- The child care subcontract has been reduced from \$225,000 to \$50,000 and will cover child care services through September 30th for those children that are already enrolled with a provider. The \$175,000 is being reallocated to emergency assistance services for rent and utilities and expansion of the Youth Employment Development program by two additional teams.
- The workforce development subcontract was reduced from \$500,000 to \$450,000. This \$50,000 is being used for emergency assistance services for rent and utilities.
- The direct financial assistance contract with Caritas was increased over \$200,000 (total amount of \$592,324) to allow us to reach more families who are in urgent need of rent and utility assistance.

Neighborhood Housing and Community Development:

City staff met with TDHCA to request two modifications to the Neighborhood Stabilization Program (NSP) contract. The first request was to acquire and rehabilitate no less than six foreclosed properties. As you may know, the Austin Housing Finance Corporation (AHFC) has already purchased two foreclosed properties, with a third currently under contract. AHFC already owns a home that they propose to rehabilitate. AHFC would now only need to acquire two foreclosed properties in order to reach this modified goal.

The second modification request was to re-allocate funds to be used for redevelopment, specifically the new construction of up to 12 single family units. The lots are owned by AHFC and are already platted and have environmental review approval by HUD. AHFC will use its established procurement process to award the bids. Staff feels confident that the contract could be put out to bid since bids are being currently reviewed and are due to be awarded by mid-August.

Also, City staff notified TDHCA that we would like to have the option to sell the foreclosed and redeveloped properties to individuals or households that are at 80% MFI or lower. It is possible that some of these homes will be used as rentals.

As stated before, this information was shared verbally with TDHCA, and a formal request was sent to the NSP Program Manager for consideration. We were pleased to find that these proposals were given preliminary approval from TDHCA.

Austin Energy:

Austin was awarded \$5.9 million in federal funds to provide free energy-efficiency improvements and appliances as appropriate to customers who meet federal low-income eligibility guidelines. Austin Energy is the only municipal electric utility in the nation to administer a federally-funded weatherization assistance program (WAP). TDHCA administers WAP funding in Texas for the U.S. Department of Energy (DOE), authorizing 50% of funds for the first year with remaining funds contingent on program performance. While Austin Energy has experienced delays and complications in launching the program, the team has made significant progress in recent weeks and earned TDHCA's support for full program funding in the coming year.

Austin Energy administers a similar program in house; this is the first time the utility has run a program using federal funds. The federal program is a reimbursement program. That is, Austin Energy contractors must invoice the utility for authorized work (including assessments, weatherization services, or inspections). Austin Energy must then pay the invoice and submit proof of payment to TDHCA for reimbursement. Only when TDHCA records authorization of reimbursement will its reports show activity by Austin Energy under the program. While TDHCA does not track actual energy savings at homes or have goals relating to customer billing or energy savings, each expenditure under the program must be justified with detailed auditing and analysis. As of July 19, 2010, Austin Energy has obligated more than \$576,191 in expenditures for 102 homes (of those, 32 homes have been fully completed). This represents about 20% of the Austin Energy WAP grant funding for the first year, or 10% of the total grant amount. Another 172 customer households have been approved and are undergoing assessments, bringing the Austin Energy current production total to 218 homes.

Expenditures and units processed by grant sub-recipients are tracked by TDHCA through an online reporting system but, as explained above, only reflect completed homes with fully-paid and processed invoices for City of Austin payments to contractors or internal administration costs. The

most recently posted TDHCA online report reflects expenditures by sub-recipients through June 30, and is the source of some facts reported by the local media. The report shows Austin Energy with 1.9% of its total 2-year funding expended versus a 14% average among all sub-recipients. This percentage reflects only the \$111,551 in reimbursement requests that Austin Energy has submitted for fully processed invoices and costs. As indicated, Austin Energy has obligated four times this amount (\$576,191) and additional invoices are moving through the City system. The TDHCA will next update the expenditures portion of their online report on August 5, 2010.

TDHCA managers have indicated to City Staff that improvements in performance in the Austin Energy program have put the utility on track to successfully meet the required spending goals. TDHCA officials also indicate that Austin is achieving some of the highest per-home expenditure rates in the state. This results from Austin Energy program managers making a conscious decision to pursue comprehensive weatherization, which is a major priority for TDHCA and DOE.

I have personally met with the relevant staff regarding their action plans and with executives at TDHCA to communicate that the City of Austin is ready and prepared to spend the ARRA dollars in the allotted time. As I get updates from staff on expenditure reports, I will notify TDHCA personally on any new developments or issues of concern.

If there are any questions, please feel free to contact me.

cc: Marc A. Ott, City Manager
Robert D. Goode, Interim General Manager, Austin Energy
David Lurie, Director, Health and Human Services
Betsy Spencer, Acting Director, Neighborhood Housing & Community Development
Karl Rabago, Vice President of Distributed Energy Services, Austin Energy



Austin/Travis County Health and Human Services Department



**OFFICE OF THE DIRECTOR
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June 14, 2010

Mr. Michael Gerber
Executive Director
Texas Department of
Housing and Community Affairs
P.O. Box 1394
Austin, Texas 78767

Re: CSBG Recovery Act Funding Contract

Dear Mr. Gerber:

Thank you for your letter of June 4, 2010. As we have reviewed with your staff on multiple occasions prior to your letter, the City of Austin expects to expend 100% of the Community Services Block Grant funds provided through the American Recovery and Reinvestment Act (ARRA) by the September 30, 2010 deadline. It is unfortunate that this information was not factored into your highly critical communication.

As mentioned in our January 2010 correspondence, the first four months of the contract involved the planning and implementation of program development activities, in addition to the preparation and execution of three subcontracts for childcare, workforce development and fiscal agent services and the hiring of CSBG ARRA funded FTEs by the Health and Human Services Department (HHSD) and subcontractors. By the end of November, the workforce centers were operational and staffed by the Workforce Solutions Program Specialists. December was the first month for the delivery of direct financial assistance to clients. The CSBG ARRA grant requirement changes with income calculation (125% FPIG to 200% FPIG) and national performance indicators also required updates to the data management system for client tracking and monitoring purposes along with staff training. These are all understandable implementation requirements which require time and resources during the initial phase of the project.

HHSD operates on a cost reimbursement basis; therefore expenses are submitted for reimbursement on the monthly TDHCA financial report after posting to the general ledger. The CSBG ARRA subcontractors have until the 15th of each month to submit expenditures incurred from the previous month. The review and approval of these expenditure requests, posting to the accounting system and preparation of month-end close grant reports can take as long as two months. This was communicated during the March 12 and June 4 conference calls, and with Skip Beard, the assigned program officer from your staff. The performance and expenditure plan submitted in January also described the process performed by our subcontractors in submitting payment requests.

The conference calls held in February, March and April were very helpful in identifying other ways to expend the funds which resulted in some budget adjustments. The Department continues to work in partnership with your agency to ensure the established programs as outlined in the local plan results in

services provided and 100% of the funds being expended by September 30, 2010. As of May 30, 2010 we have assisted low income residents in our community with emergency rent and utility assistance totaling \$346,815.87 resulting in an 88.6% expenditure rate with the emergency assistance subcontract. This was discussed at the June 4, 2010 conference call with Stuart Campbell and other TDHCA staff. The May and June financial reports will reflect these expenditures.

The following plan of action targets adjustments within the 25% requirement for the personnel and contractual budget categories:

- The child care subcontract has been reduced from \$225,000 to \$50,000 which will cover child care services through September 30 for those children already enrolled with a provider. The \$175,000 is being reallocated to emergency assistance services for rent and utilities and expansion of the Youth Employment Development program by two additional work teams.
- The workforce development subcontract has been reduced from \$500,000 to \$450,000. The \$50,000 is being reallocated to emergency assistance services for rent and utilities. Workforce Solutions (WFS) reports actual expenses of \$121,987.47 through April but project an increase in expenses since CSBG ARRA funding will fill the gap caused by the unavailability of Workforce Investment Act funding for WFS customers who were already enrolled and could not complete the training without additional funding. WFS staff will be coordinating with HHSD staff to conduct intake for eligibility determination. Funds will continue to be used for employment support services such as bus passes, cards for gas, uniforms, medical testing, stipends, identification cards, books, tuition and weekly GED classes.
- The direct financial assistance contract with Caritas has been increased from \$391,286 to \$592,324 allowing us to reach more families who are in dire need of rent assistance and, given the summer months, assistance with high utility bills.

Our goal is to provide priority services to our community and fully expend all CSBG ARRA funds. Should you have any questions, please contact me directly at (512) 972-5010. Thank you for your continued support and assistance.

Sincerely,



David Lurie,
Director

cc: Mayor Lee Leffingwell & City Council
Marc A. Ott, City Manager
H.G. (Bert) Lumbreras, Assistant City Manager
John Hrcir, Intergovernmental Relations Officer
Vince Cobalis, HHSD Assistant Director