



# CITY OF CARSON

## Legislation Text

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File #: 2019-462, Version: 1

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### Report to Mayor and City Council

Tuesday, May 07, 2019

Discussion

#### **SUBJECT:**

**TERMINATE OR REVIEW AMENDMENT NO. 1 TO THE AGREEMENT WITH MDG ASSOCIATES, INC. TO PROVIDE CDBG GRANT-FUNDED PROGRAM ADMINISTRATION SERVICES (CITY COUNCIL)**

#### **I. SUMMARY**

This item was considered at a Special City Council Meeting held on April 26, 2019. At the meeting, the City Council voted 3-0 (MPT Hicks, Councilmember Davis-Holmes, Councilmember Dear) to approve Recommendation No. 2, which was to "DIRECT staff to prepare an Amendment to the Agreement on other terms." The direction was to amend the Agreement to increase the contract by \$32,300 for one year to allow for the increased technical/administrative support by the contractor to the CDBG program, but not extend the additional funding for the remaining years of the contract; in addition, the Council directed staff to return by the second meeting in September for a comprehensive report on the Housing Division/CDBG program which discussed staffing levels and the General Fund share of salaries, whether to refill the Senior Administrative Specialist position, the CDBG program and projects supported by the current staffing levels, and the projected future of the CDBG program in Carson and nationally.

Below is the staff report from April 26 in its entirety:

On July 1, 2018, the City entered into a five-year agreement with MDG Associates, Inc. (MDG) to provide Community Development Block Grant (CDBG) grant-funded program services (Exhibit No. 1), related to the Neighborhood Pride Program (NPP) and the Commercial Façade Program (CFP). This contract essentially dedicates a full time contractor to administer the work write-up, contractor selection and construction inspection portion of the NPP. Furthermore, it provided part-time services for the CFP.

In September 2018, the City staffer who provided administrative functions for the CDBG program retired and due to budget concerns the position was not refilled. If the City decides to eliminate this position altogether, management will meet and confer with the appropriate union. However, the functions of this position are very technical and include monitoring expenditures, program changes, updates in state and federal (HUD) reporting

websites, and fiscal monitoring, and are essential to program compliance.

Upon this retirement, the Community Development Director requested MDG to provide a part-time MDG contractor to fill in so that there was no lapse in HUD reporting that could put the CDBG program at risk. The total annual cost of the MDG contractor to perform this work is \$79,800. To offset part of this cost, the Director reduced the hours of the full-time MDG staffer by 25 percent, for a savings of \$47,500 per year. This, of course, has impacted the NPP but was necessary to keep the compliance activities going.

Amendment No. 1, approved by the City Council on April 2nd, added a total of \$154,200 to the contract over 5 years, or about \$32,300 per year to cover the additional contractor's staff time. The retired City employee was mostly funded by the City's General Fund and not CDBG (total compensation was \$129,043 per year), so most of the savings accrued from replacing the employee with a contractor flow to the General Fund. This Amendment actually saves \$491,105 over the life of this 5-year contract, including \$131,825 in savings to the CDBG program and \$359,190 in savings to the General Fund.

Councilwoman Davis-Holmes first asked to reconsider the above-mentioned contract on a regular Council meeting, but due to the number of intervening meetings, this item was ineligible to be reconsidered. This item is not a reconsideration of the previous approval, but rather the City either (a) exercising its right to terminate the contracts under Section 7.7, "Termination Prior to Completion of Term"; or (b) the City's ability to propose an amendment to be mutually agreed upon by the parties.

Staff does not have a proposed amendment to replace the April 2 Amendment No. 1. The City Council may terminate Amendment No. 1, which would leave the original agreement in place, or direct staff to return with a different amendment. The issues for discussion, however, are broader than whether it makes sense to secure additional technical expertise from the contractor at the incremental cost of \$32,300 per year to replace a full-time staff person, but rather whether the City wants to fund three CDBG staff largely out of General Fund. There is not currently a City staff person trained in this technical activity, and no City staff person that can provide the training to City staff. An example of a different Amendment with MDG would be to shorten the term of the amendment from the full five years to one- to two years and make the service they provide training, related to teaching a (new or current) City staff person how to do this work.

Training current staff and not refilling the position (and doubling up the responsibilities of existing staff) has potential impacts on the other elements of the CDBG program, such as the efficiency of the NPP, or compliance with HUD regulations in the non-accounting areas. Obviously, directly refilling the vacated position has a negative cost impact on the General Fund.

Staff is requesting that Council not terminate Amendment No. 1 to the agreement with MDG Associates, Inc. to provide the administrative functions required by the CDBG grant. If so directed, staff can return to Council with an amendment that does what is described in the previous paragraph, redirecting the effort toward training.

## **II. RECOMMENDATION**

TAKE the following actions:

1. DIRECT staff to proceed with termination under Section 7.7, "Termination Prior to Completion of Term," of Amendment No. 1 to an Agreement with MDG Associates, Inc. to provide technical assistance services for the City's CDBG program, which adds a total of \$154,200 to the contract over 5 years.

**or**

2. DIRECT staff to prepare an Amendment to the Agreement on other terms.

**or**

3. AFFIRM the Amendment No. 1 to the Agreement and take no action.

### **III. ALTERNATIVES**

TAKE any other action that Council deems appropriate and is within the requirements of law.

### **IV. BACKGROUND**

On July 1, 2018, the City entered into an agreement with MDG Associates, Inc. (MDG) to provide CDBG program administrative services. These services were to provide assistance to the NPP and the CFP, as these programs require specialized knowledge of construction and contracting, not generally within the job scope of City staff positions.

Due to the retirement of the City staff member that was responsible for the administrative oversight of the CDBG grant, there was an immediate need to provide grant oversight and management to ensure that the City remained in compliance with grant requirements. MDG was able to assist with this in providing a highly qualified Senior Associate who was able to step in and contribute valuable expertise in grant application requirements, grant guidelines, fiscal reporting, monitoring and program administration.

MDG provides administration and implementation services of housing and commercial rehabilitation programs among other services. Their highly qualified professional staff has expertise in all aspects of CDBG program administration, implementation and financial management of grants funded through HUD.

Staff is requesting that Council not terminate Amendment No. 1. If so directed, staff can return to Council with an amendment that redirects the consultant's efforts toward training City staff.

### **V. FISCAL IMPACT**

The approved Amendment No. 1 added a total of \$154,200 to the contract over 5 years. However, not refilling the retired CDBG staff (savings of \$129,043 per year) actually saves the City \$491,105 over the 5-year contract including \$131,825 in savings to CDBG and

\$359,190 in savings to the General Fund.

Terminating the Amendment and not refilling the vacant position saves the \$154,200 in new cost and also keeps the salary savings (which accrue to both the general fund and the CDBG program) but diminishes the effectiveness of the NPP and also puts the City's compliance with CDBG regulations at risk, jeopardizing the funding altogether.

<b>Existing Contract vs. Proposed Contract</b>						
	<b>FY 18/19 (Year 1)</b>	<b>FY 19/20 (Year 2)</b>	<b>FY 20/21 (Year 3)</b>	<b>FY 21/22 (Year 4)</b>	<b>FY 22/23 (Year 5)</b>	<b>Total</b>
<b>Approved Contract</b>	\$ 190,000	\$ 190,000	\$ 190,000	\$ 190,000	\$ 190,000	\$ 950,000
<b>Savings from 25% Reduction of NPP MDG Staff</b>	\$ 32,000	\$ 47,500	\$ 47,500	\$ 47,500	\$ 47,500	
<b>Cost of Adding MDG Senior Associate</b>	\$ 57,000	\$ 79,800	\$ 79,800	\$ 79,800	\$ 79,800	
<b>Proposed Contract</b>	\$ 215,000	\$ 222,300	\$ 222,300	\$ 222,300	\$ 222,300	\$1,104,200
<b>Proposed Increased Contract Amount</b>	\$ 25,000	\$ 32,300	\$ 32,300	\$ 32,300	\$ 32,300	\$ 154,200

<b>Savings Realized by General Fund and CDBG</b>						
	<b>FY 18/19 (Year 1)</b>	<b>FY 19/20 (Year 2)</b>	<b>FY 20/21 (Year 3)</b>	<b>FY 21/22 (Year 4)</b>	<b>FY 22/23 (Year 5)</b>	<b>Total</b>
<b>Total Annual Salary and Benefits Savings General</b>	\$ 71,838	\$ 71,838	\$ 71,838	\$ 71,838	\$ 71,838	\$ 359,190
<b>Annual Salary Savings CDBG</b>	\$ 57,205	\$ 57,205	\$ 57,205	\$ 57,205	\$ 57,205	\$ 286,025
<b>Annual Increase in Contract Amount paid by CDBG</b>	\$ 57,000	\$ 79,800	\$ 79,800	\$ 79,800	\$ 79,800	\$ 376,200
<b>CDBG Savings from 25% Reduction of hours for NPP MDG Staff</b>	\$ 32,000	\$ 47,500	\$ 47,500	\$ 47,500	\$ 47,500	\$ 222,000
<b>Total Annual CDBG Savings</b>	\$ 32,205	\$ 24,905	\$ 24,905	\$ 24,905	\$ 24,905	\$ 131,825
<b>Total Savings</b>	\$ 104,043	\$ 96,743	\$ 96,743	\$ 96,743	\$ 96,743	\$ 491,015

## **VI. EXHIBITS**

1. Contract Services Agreement with MDG Associates, Inc. (pgs. 5-33)
2. 1st Amendment to Contract Services Agreement with MDG Associates, Inc. (pgs. 34-40)
3. Budget Resolution No. 19-073. (pgs. 41-42)

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