

EXECUTIVE SUMMARY

Over the past three months staff has conducted a thorough review of the CDBG/ESG/HSEF Allocation Process. Preliminary recommendations of staff and Northwest Commission were discussed by City Council at their meeting of December 14, 1998, and referred to staff and Human Services Commission for further review and revision. The recommended modifications set forth in this report were reviewed by the Human Services Commission at their meeting of January 4, 1999, at which time the Commission approved items (a) through (d), and rejected item (e). As discussed by the Commission, item (e) was rejected at that time primarily because the Commission wanted further information regarding the process and criteria the City Manager would utilize in recommending to City Council a set-aside for an eligible City activity or project. The Northwest Commission reviewed the modifications recommended by the Human Services Commission on January 20, 1999, and approved items (a) through (d). They maintained their position not to support item (e).

The recommendations in this report to modify the application review and funding allocation process come in response to concerns articulated by participating agencies regarding the fairness of the application process.

BACKGROUND

Concerns and Recommendations: Conflict of Interest and Appearance of Impropriety

Following the close of the 1998-99 CDBG non-public services allocation process, several complaints were received in regard to the fairness of agencies applying for funds who have members involved in the review process. Many of the appointed Commissioners serve in executive and administrative capacities on boards and as executive officers of many non-profit agencies in the City of Pasadena. Consequently, during a given funding cycle some Commissioners may be involved as staff or board members of agencies that apply for funds.

The City Manager recommends to City Council that the CDBG/ESG/HSEF application review and funding recommendation process be revised to address this concern. The recommended revision will remove a Commission member from the funding allocation process in any application category for which the Commission member has a "conflict of interest" or "appearance of impropriety", as defined by existing City regulation. Specifically, it is recommended that any Commissioner who has a legal "conflict of interest" under the City's Conflict of Interest Code with an applicant agency, and/or an affiliation that meets the "appearance of impropriety" definition under City regulation with an applicant agency, refrain from participating in the CDBG/ESG/HSEF application review, deliberation and funding recommendation process for all proposals *in the applicable funding category*. For example, a Commission member who meets the conflict of interest or appearance of impropriety definition due to a staff, board or household income affiliation with an agency applying for funds for:

- a *youth after-school program* would refrain from participating in the review, deliberation or recommendation of all applications for youth after-school programs;
- an *economic development project* would not review, deliberate or recommend any application for economic development projects
- an *emergency shelter service* would refrain from participating in the review, deliberation or recommendation of all applications for emergency shelter services.

The criteria for Commissioners refraining from participation shall include:

- Members who have a conflict of interest as defined in the City's Conflict of Interest Code (Resolution 7588), which includes receiving more than \$250.00 in their annual household income, loans, gifts, business positions or benefits from an agency submitting proposals for CDBG/ESG/HSEF funds and/or;
- Members who are board members or affiliates for agencies applying for CDBG/ESG/HSEF funds or might appear to give preferential treatment to any person or group, or impede governmental responsiveness, etc., as stated under the City of Pasadena Resolution 4830.

Commissioners will make the required disclosure(s) consistent with the attached form (Conflict of Interest and Appearance of Impropriety Statement) and will remove themselves from the process. If commissioners have a question about their ability to participate, they may request assistance from the City Attorney's Office.

Rule of Necessity

If the Commission loses its normal meeting quorum as a result of application of the criteria outlined above, the Commission may apply the "Rule of Necessity" in which a lottery designates conflicted members that will participate to establish and maintain the quorum. While staff had proposed an exception to this system which would have allowed the appointment of alternates for the three designated human service agency seats on the Human Service Commission, this recommendation was rejected by that Commission at their meeting of January 4, 1999. The Human Services Commission recommended that the "Rule of Necessity" be applied to the full Commission, with no exceptions or appointments of alternates. This modification was accepted by the City Manager and included as recommendation (b) of this Report.

The Human Services Commission further suggested that the Ordinance which established the Commission may need to be reconsidered in its designation of membership and the eligibility of those designees to participate in the funding review and recommendation process, as revised. Because the Commission's rules designate three positions for human service agency representatives and one position each for representatives of PUSD and PCC, this membership structure may create an inherent conflict of interest or appearance of impropriety in the funding process, for the members who occupy those five positions.

Request for Appeals and Public Comment

It is recommended that the Request for Appeals process be supplemented with a "public meeting" on the proposed funding recommendations. The staff recommendations will be provided to the Commission for their comment, review or modification. Upon completion of the Commission's deliberations the proposers will then be notified in writing of the scoring, ranking and Commission's preliminary funding recommendations. All proposers will be advised of their right to appeal or make comments at the Commission's public meeting in support or opposition to the proposed funding recommendations.

The Requests for Appeals criteria will be based on the same criteria used during the 1996/97 allocation process:

1. Preparation of the Request for Proposal (RFP);
2. The receipt, or lack of receipt, of technical assistance/advice on request;

3. Submission of a complete and timely proposal;
4. Proposer's oral presentation to the Commission.

This forum will provide an opportunity for each appellant, as well as other members of the community, to publicly comment on the scores, ranking, amount and other aspects of the proposed funding recommendations. The specific details and format of the public meeting will be finalized with staff and the respective Commission (i.e., limitation on the time of proposers comments, location/date of public meeting, etc.). After the public meeting on the proposed funding recommendations, the Commission will again deliberate and finalize their funding recommendations which will then be presented to the City Council at its public hearing in May of each calendar year.

In the event the Commission modifies or adjusts the staff recommendation, the Commission must provide written comments indicating why they are making such modifications to the funding recommendation. The Commission's written comments will become part of the final funding recommendation that will be forwarded to City Council.

Notification Process

All proposers shall be notified of the Commission's final funding recommendation prior to the forwarded of said recommendation to City Council.

The Notification Process will include:

- A written notice to all proposers of the Commission's preliminary funding recommendation and the opportunity for proposers to appeal or comment on the proposed funding recommendations at the public meeting convened by the Commission; and
- A written notice to all proposers of the Commission's final funding recommendation following the public meeting and appeals process. This notice will include information on the recommended projects that will be included in the Draft Consolidated Plan - Action Plan and on the required public hearing that will be held at City Council in May of each calendar year.

The City Council public hearing will provide the community an opportunity to express concerns and/or support to City Council on the funding recommendations prior to the final submission of the Consolidated Plan - Action Plan to the U. S. Department of Housing and Urban Development (HUD). It is a federal requirement that all projects to be funded in a forthcoming Program Year be included in the "proposed projects" section of the Consolidated Plan - Action Plan.

City CDBG Set-Aside

Under the recommended process, City Council may annually set-aside CDBG/ESG/HSEF funds for eligible City activities and projects recommended by the City Manager. The set-aside will serve to provide direct funding for city administered eligible activities and projects. This process has been successfully utilized by many cities and counties nationwide, with such local examples as Glendale. City activities and projects funded by CDBG/ESG/HSEF remain subject to all reporting and performance requirements regulated by Federal, state or other applicable guidelines.

Allocation Schedule

Typically the Request for Proposal (RFP) is prepared for release in October of each year. The Northwest Commission recommends funding allocations for non-public service activities annually. The Human Services Commission has a two-year funding cycle; therefore, the RFP is not released annually for public service activities.

The RFP submission deadline has been traditionally established to allow the applicants the maximum amount of preparation time, sixty (60) days. However, due to the current review of the allocation process, the RFP for non-public service activities was released on December 31, 1998. The deadline for proposal submission is February 16, 1999 by 12:00 Noon.

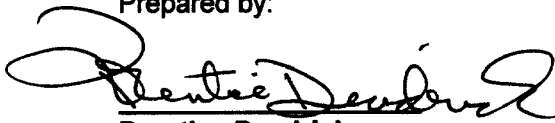
FISCAL IMPACT

These modifications have no fiscal impact.


Respectfully submitted,


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