

**CITY OF ALBANY
CITY COUNCIL AGENDA
STAFF REPORT**

Agenda Date: 05/02/11

Reviewed by: BP

SUBJECT: Associated Community Action Program

REPORT BY: Beth Pollard, City Manager

STAFF RECOMMENDATION

That the City Council approve an additional allocation of \$121,539 toward the wind-down of the Associated Community Action Program, and authorize the City Manager to make payments for documented expenses as they are invoiced.

SUMMARY

The purpose of this report is to recommend an additional contribution to fund the wind-down of the Associated Community Action Program (ACAP). Staff recommends that Council authorize an additional contribution of \$121,539 for this purpose. The status of the wind-down was discussed with ACAP Board and the Alameda County City Managers Association, which includes the City Managers from the member agencies and the County Manager. The ACAP Board provided direction to Management Partners to proceed with the wind-down plan; and the City Managers confirmed the plan and the associated amounts.

BACKGROUND

ACAP is a Joint Powers Agency whose thirteen member agencies include the County of Alameda; and the cities of Albany, Alameda, Dublin, Emeryville, Fremont, Hayward, Livermore, Newark, Piedmont, Pleasanton, San Leandro and Union City. ACAP's Governing Board consists of an elected representative from each of its member agencies. For decades ACAP has been a provider of services intended to enable low-income families and individuals to become economically self-sufficient through jobs and housing linkages. During the past number of months ACAP has experienced significant financial problems.

These financial problems prompted the ACAP Governing Board to take the following key actions:

- On February 18, 2011, the Governing Board voted to notify subcontractors to cease operations and to notify State agencies of ACAP's fiscal situation.

- On March 3, 2011, ACAP laid off all but three employees who would be needed to assist in the wind-down of ACAP's operations.
- On March 9, 2011, ACAP's Governing Board voted to de-designate ACAP as a Community Action Agency. This action means that other service providers could apply for grant funds which had been previously received by ACAP.
- On March 23, 2011, the Governing Board appointed Management Partners, Inc. effective March 26, 2011 to serve as the administrator for winding down the activities and meeting the obligations of ACAP with a goal of completing the wind-down process in 90 days. These services will be provided by Senior Manager Richard Ambrose, with compensation for services to be provided by the member agencies. The Governing Board granted authority to Management Partners and Richard Ambrose "...to determine, engage, hire, supervise, contract with and/or terminate any and all resources, and to execute any agreements with other agencies, organizations, funders, sponsors, sub-contractors, vendors, and creditors of ACAP for the purpose of winding down the operations of the Agency and transferring its obligations to entities that fulfill ACAP's obligations." The Governing Board also agreed that an ad hoc committee of the Alameda County City Managers' Association would provide direction to Management Partners and Richard Ambrose for the wind-down. The ad-hoc committee consists of the City Managers of Dublin and Hayward, with City Attorney representation from Dublin, Hayward, and Livermore. The City of Dublin agreed to serve as the fiscal agent for ACAP's member agencies during the wind-down process, including properly invoicing each member.

During the first three weeks of Management Partners' engagement, a preliminary plan was developed which identified and prioritized the work to be accomplished. This plan was discussed with, and approved by, the City Managers of the member agencies on April 20, 2011. The major categories of work to be accomplished include:

- 1) Identify roles/responsibilities of the Governing Board and the Community Advisory Board in the wind-down process.
- 2) Prepare a communications plan
- 3) Assess operational needs to successfully wind-down ACAP
- 4) Organize and determine the future disposition of files and records
- 5) Inventory and dispose of all ACAP property
- 6) Terminate leases and vacate buildings occupied by ACAP
- 7) Evaluate all the various insurance programs and terminate the insurance plans when appropriate

- 8) Complete a number of finance related tasks which will facilitate the payment of ACAP's financial obligations and facilitate to the extent possible close-out requirements of all agencies that provided grants to ACAP
- 9) Prepare all grant close-out documentation
- 10) Determine services required after the close-out of ACAP

SUSTAINABILITY IMPACT

Not Applicable

FINANCIAL IMPACT

Management Partners has estimated that the preliminary estimated cost to wind-down ACAP's affairs, which includes the payment of back wages to former employees, is approximately \$1,280,000. The member agencies have requested that Management Partners also provide an estimate for costs that the member agencies might be required to bear related to potential liabilities that will not be known until after the close-out process. Management Partners has provided a rough estimate of \$600,000 for such potential liabilities. These two components result in a total preliminary estimate of \$1,880,000. It is possible that this amount may be reduced by the proceeds of the disposal of ACAP's assets and outstanding grant claims from ACAP, if such grant claims are paid by the grant funders. However, it is Mr. Ambrose's best estimate at this time.

The total estimated wind-down cost of \$1,880,000 includes the previously paid contribution from the member agencies of \$300,000. (Each of the cities made an initial cash contribution of \$25,000, for a total of \$300,000.) The ACAP Joint Powers Agreement provides that the debts, liabilities, and obligations of ACAP shall be the debts, liabilities, and obligations of the signatories to the agreement, to be shared equally.

Alameda County has loaned ACAP \$366,200.96 over the last few years, \$50,000 of which was paid back to the County by ACAP. In addition, the County was credited with \$25,000 as their participation in the initial round of partner payments as described above, leaving a balance owing to the County of \$291,200.96. That balance will be further reduced by their continued participation in the close out of ACAP as one of the thirteen responsible member agencies.

As provided for in the ACAP Joint Powers Agreement, it will be necessary for all thirteen agencies that are members of ACAP to fund the remaining estimated close-out cost \$1,580,000 (which is the amount over the initial \$300,000 contributed). This contribution would be paid in two parts, as follows¹:

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- ¹ Each of the twelve member cities is being asked to make cash contributions; the amount owed Alameda County will be reduced by comparable amounts to the cities' cash contributions.

- The first part, \$75,385 would cover the \$980,000 in remaining close-out costs, which has been invoiced and is due immediately.
- The second part of up to \$46,154 would be allocated toward contingent liabilities, and invoiced and paid in a later installment based on clear documentation of need.

Staff is suggesting that Council approve the entire amount of \$121,539, with the understanding that only \$75,385 is being invoiced/paid at this time; and the remainder will be invoiced as need is identified. This will allow ACAP to proceed on an orderly path of close out and to pay those precise costs currently identified, and to have access to funds to meet projected needs as those needs are specifically identified and documented.

There is a balance of \$25,000 in the City Council discretionary funds line item that can be the source of a portion of the current allocation. The remaining portion of the assessment will be paid from current operating revenues to the extent excess revenues may be available, and any remaining balance, will be paid from the General Fund undesignated operating reserves, as an unanticipated expense.

It is critical that these funds be allocated by the middle of May 2011 before the initial \$300,000 contribution is exhausted. The following table summarizes the financial needs of ACAP identified to date and the commitments made by or being asked of member agencies:

<u>AMOUNT NEEDED</u>	<u>AMOUNT INSTALLMENT</u>	<u>by</u>	<u>AMOUNT PER MEMBER</u>	<u>AMOUNT PAID/DUE To DATE</u>	<u>REMAINI NG BALANCE</u>
				<u>Date</u>	<u>Amount</u>
\$1,880,000	1 st			April	\$1,580,00
	Installment	\$300,000	\$25,000	2011	\$300,000
(As identified to date)	2 nd			May	0
	Installment	\$980,000	\$75,385	2011	\$980,000
	Balance	\$600,000	\$46,154	?	\$600,000
	Totals	to \$1,880,000			\$1,280,000
	Date	00	\$146,539		0