

CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY (Authority)

Community Services Infrastructure Grant Program Resolution Number CSI 2019-01 (First Funding Round) County of Los Angeles, Office of Diversion and Reentry

February 25, 2021

BACKGROUND:

On July 25, 2019, the Authority approved a Final Allocation for a Community Services Infrastructure (CSI) grant for the County of Los Angeles, Office of Diversion and Reentry (County) in an amount not to exceed \$6,000,000 to add at least 75 new beds in a new jail diversion program that would provide mental health treatment, substance use disorder treatment, and trauma-centered services to approximately 225 clients annually. On June 1, 2020 the County submitted a request to change the approved project description and scope of the program. The change included relocating the project from the Salvation Army Bell Shelter to the LAC+USC Medical Center Recuperative Care Center (LAC+UCC RCC), and reducing the number of dedicated beds from 75 to 24 while retaining all grant funds. The project description change was presented as an information item to the Authority Board in July 2020 (see Exhibit A). Additionally, the Authority has extended the deadline to meet the readiness, feasibility, and sustainability requirement twice, with the current deadline being February, 28, 2021.

ISSUE:

Since presenting the project description change to the Authority board in July 2020, Authority staff has been working diligently with the County to obtain all of the necessary documentation to substantiate the request and determine if the project change would have been awarded if it had been the original concept at time of application. The County has submitted most but not all of the required documentation (see Exhibit B).

After reviewing the documentation submitted by the County, Authority staff and its technical advisor still have the following concerns regarding the County's proposed changes to the initial approved CSI project:

- (1) the project budget submitted appears to be for ground up, new construction, which is not an eligible expense under the CSI program; Section 5848.51(c) of the Welfare and Institutions Code, "*Grant awards made by the authority shall be used to expand local resources for facility acquisition or renovation, equipment acquisition, and applicable program startup or expansion costs to increase availability and capacity to diversion programs described in paragraph (b).*"
- (2) the new project is integrated into a pre-existing project that is underway and expected to be completed in May 2021, raising concerns about supplanting grant funds; Section 5848.51(g) of the Welfare and Institutions Code, "*Funds awarded by the authority pursuant to this section may be used to supplement, but not to supplant, existing financial and resource commitments of the grantee or any other member of a collaborative effort that has been awarded a grant.*" We don't have sufficient evidence that there is no supplanting.

- (3) the County states that neither certification nor licensing is required for this program. This raises concern because if mental health treatment will be provided on-site, then a Medi-Cal site certification is most likely required. The State of California Mental Health Plan requires the contractor to complete the Medi-Cal site certification process in order to bill the Department of Mental Health for Medi-Cal services. We do not have sufficient evidence regarding the certification of the treatment services provided.

Additionally, Authority staff anticipates the County will miss its second extension of its readiness, feasibility, and sustainability program requirement deadline as of February 28, 2021, which will put the County in default of its executed grant agreement.

NEXT STEPS:

Authority staff would have to bring an action item back before the board for approval in March, once the County is in default, with any of the following recommendations:

- (1) Set a cure period for meeting the readiness, feasible, and sustainable program requirements. Section 6.2 of the Grant Agreement requires the Authority board to provide the County written notice of the default and provide the County an opportunity to cure the default, which shall not be less than 30 calendar days. If the County does not meet the set cure period, the grant will be cancelled.
- (2) Extend the readiness, feasibility and sustainability deadline without amending the County's current resolution and grant agreement.
- (3) Approve an amendment to the County's resolution and grant agreement, if the County has provided sufficient evidence that its new project is eligible and meets the program requirements.

Because the Authority board has concurred with staff's procedures for addressing requests for project description changes (see Exhibit B), and the County has currently not provided all the documentation needed to address the project change request, staff cannot make a recommendation at this point and requests direction from the board.

EXHIBITS:

A – CSI LA ODR Request for Project Change Staff Report dated July 30, 2020

B – Procedures for Addressing Requests for Project Description Changes - Review Matrix

C – Project Change Comparison

June 1, 2020

**Los Angeles County
Board of Supervisors**

Hilda L. Solis
First District

Mark Ridley-Thomas
Second District

Sheila Kuehl
Third District

Janice Hahn
Fourth District

Kathryn Barger
Fifth District

Christina R. Ghaly, M.D.
Director

Hal F. Yee, Jr., M.D., Ph.D.
Chief Deputy Director, Clinical Affairs

Nina J. Park, M.D.
Chief Deputy Director, Population Health

Frank Moore, Executive Director
California Health Facilities Financing Authority
915 Capitol Mall, Room 435
Sacramento, CA 95814

RE: **CHFFA FUNDS**

Dear Mr. Moore

The County of Los Angeles (County) Department of Health Services (DHS) Office of Diversion and Reentry (ODR) is requesting a change to the project scope for the grant awarded on July 25, 2019 in the amount of \$6,000,000 for the first round of funding for the Community Services Infrastructure. The original project scope was to renovate a 100-bed psychiatric recuperative care interim housing site at the Salvation Army Bell Shelter in the City of Bell, of the 100 beds, 75 would be dedicated to justice involved individuals.

During the readiness stage of this project, the County and our partner JWCH Institute (JWCH) have encountered challenges that would jeopardize the timeline of the project. The City of Bell has informed DHS that the project will require a Conditional Use Permit which would push back the start date of construction. Additionally, the project would require the County to enter into a long-term lease with the Salvation Army which is no longer financially viable to the County due to COVID-19 and the resulting loss of revenue.

The County would like to change the project scope to funding capital costs for LAC+USC Medical Center Recuperative Care Center (LAC+USC RCC). The LAC+USC RCC will be built on County land and will include 96 beds. The total cost of the project is \$24,145,000, and with the grant amount of \$6,000,000, 24 beds would be dedicated to justice involved individuals leaving County jails. All 24 beds will have access to mental health treatment, substance use disorder treatment and/or trauma centered services. The scheduled completion date of LAC+USC RCC is May 2021.

If you have any questions or need any additional information, please contact Rose Sunderland of my staff at (213) 418-3604.

Respectfully,



Christina R. Ghaly, M.D.
Director

CRG:rs

c: Contracts and Grants Division

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patients and our communities by
providing extraordinary care"*



**Procedures for Addressing Requests for Project Description Changes
Review Matrix**

County of Los Angeles – Office of Diversion and Reentry
Community Services Infrastructure Grant Program (CSI) - First Funding Round

Procedure	Notes
<p>1. Project Description change was presented as an information item Authority.</p>	<p>County’s project description change was presented to the Authority on July 30, 2020.</p>
<p>2. If applicable, the Grantee provided proof of budget cuts and how they were allocated among all County programs, including the CHFFA funded program.</p>	<p>The County provided a Board of Supervisors’ letter discussing the budgetary impact from COVID-19. The County is projecting severe reductions in several of the County’s key revenue sources, including sales and use tax collected in the unincorporated area, Proposition 172 Public Safety sales tax, Realignment sales tax, Measure H sales tax, and hotel tax (Transient Occupancy Tax).</p>
<p>3. The Grantee provided a report that was presented to the Board of Supervisors that looks at potential courses of action that could be taken besides the one presented to staff. The report included the following:</p>	
<p>a. The other county programs that would be affected and how these programs would be affected by continuing to fund the CHFFA project at the promised bed capacity.</p>	<p>The County did not provide a report on how other programs would be effected if the project description change is not approved.</p>
<p>b. A list of solutions that consider a reduction in Authority approved capacity along with a prorated grant award and their effects on the county operationally and on meeting the need for services in the county, including the annual number of clients that would no longer be served.</p>	<p>The County did not provide a Board of Supervisors item that looked at potential courses of action that could be taken besides the one presented to staff.</p>

Procedure	Notes
<p>c. A report/study on the updated need for services in the county.</p>	<p>The County provided us with a report to the County Board of Supervisors, estimating that the number of beds needed for the system of care to address individuals with serious mental illnesses who are divertible from jail is between 9,500 and 10,600.</p>
<p>4. The Grantee must submit updated information that is required in the grant application for the new/amended project.</p>	<p>The County provided most but not all the requested documentation. The County did not provide the Board of Supervisors approval of the project change, an updated operating budget, or proof of leveraged funding sources. The County did provide a narrative discussing the operating budget and the FY 20-21 project budget. The budgets provided were not itemized. Additionally the project budget submitted was for construction of a facility that is currently under construction. The CSI grant does not allow for ground up, new construction costs and as such, the proposed project change would be ineligible.</p>
<p>5. CHFFA staff will evaluate the new information submitted and determine if it meets the intent of the statute, meets regulations/program requirements, is feasible and sustainable, and will score it as if it were a new application.</p>	<p>The County did not submit all of the requested documentation. Staff has determined that, based on the information submitted, the new proposed project would not meet the eligibility requirements of the CSI Program.</p>
<p>6. CHFFA staff will assess whether it would have awarded the county had it submitted the new/amended project information and make a recommendation based on that determination.</p>	<p>The information provided by the County has been reviewed, and it has been determined that the project would not have been awarded based on the Project Budget and the utilization of CHFFA funds.</p>

PROJECT CHANGE COMPARISON

CSI LA (ODR) PROJECTS

Rounds 1

OLD -Bell Shelter Recuperative Care	NEW-LAC+USC Recuperative Care Center
<u># of Beds:</u> 75 (of 100 total)	<u># of beds:</u> 24 (of 96 total)
<u>Projected open date:</u> October 31, 2021	<u>Projected open date:</u> May 2021
<u>Services:</u> psychiatric, psychological and counseling services, medication monitoring, trauma informed care, substance use treatment (comprehensive assessments, specialized discharge planning, etc), case management, short-term housing with medical oversight for those recovering from acute illness, injury or recent medical procedure and those with complex medical and/or psychiatric illness, and recovery care coordination	<u>Services:</u> psychiatric, psychological and counseling services, medication monitoring, trauma informed care, substance use treatment (comprehensive assessments, specialized discharge planning, etc), case management, short-term housing with medical oversight for those recovering from acute illness, injury or recent medical procedure and those with complex medical and/or psychiatric illness, and recovery care coordination
<u>Costs:</u> \$6M for renovation costs.	<u>Costs:</u> \$6,000,000 for 24 of 96 beds for a total project cost of \$24,145,000.