2020 CDBG Best Practices Webinar Series

Reducing CDBG Administrative Costs, 11/17/20

James Höemann: Thank you. I'm James Höemann, the director of the Entitlement Communities Division. Thank you for joining us for the webinar series on CDBG Best Practices. I wanted to take this opportunity to thank the panelists today who agreed to share their creative strategy for reducing CDBG administrative costs.

The goal of this series is to provide a platform for our grantees to learn from each other and to share useful program models that can be adapted to fit different grantees. We hope that this series and accompanying CDBG Best Practices report will assist our CDBG grantees in identifying and replicating successful strategies.

As part of a Senate Appropriations Committee request, the office of Block grant assistance at HUD headquarters was asked to put the series together with a focus on four specific areas. Our previous webinars were prioritizing greatest need, activities of projects, and grant oversight strategies. And today's reducing CDBG administrative cost will be followed up with leveraging CDBG funds.

In an effort to encourage peer-to-peer learning among CDBG grantees, HUD will have these webinars posted on the HUD Exchange so they can be viewed and shared widely. In addition, the CDBG Best Practices report HUD is preparing for Congress, will also be posted so that it can be shared with grantees and their staff. Thank you, and I hope you enjoy.

Great. Thank you, James. This is Les Warner. I'm from ICF, and I'm going to be the moderator for this session. Today, we've got a panel of program administrators that represent a diverse group of communities. And they're going to be sharing some of their best practices, some of their strategies that they're using to reduce their administrative costs.

And so as James mentioned, the goal of this session is for participants to be able to pick up some ideas, some things that have been used by other program administrators that they might be able to apply to their own program. As we mentioned, this session is being recorded, and the recording and the slides will be posted probably within a couple of weeks on the HUD Exchange. And then also, as James mentioned, there is a report that's being put together by HUD that will also then join those materials once that's been completed. And that also will be available to use on the HUD Exchange.

So let's do introductions to the panel and talk a little bit about the agenda, and then we'll jump right in. So first up, we're going to hear from Alem Hagos, who's the operations officer, and Elizabeth Weithers, who's the administrative analyst for Long Beach Development Services. We also have Andrew Friedman, who's the director of Housing and Neighborhood Preservation from Virginia Beach, Virginia. And then Jennifer Schumann, who's the deputy director of Housing and Neighborhood Development from Salt Lake City, Utah.

And we also got some additional comments and suggestions that were provided to us from Collier County, Florida. They're unable to participate today, but I'm going to be sharing some of their comments. So we're going to go into our presentations from our panelists. Depending on the timing, we may be taking some of the questions that you've posed and asking them before we move to the next presenter.

But we will have a question and answer session at the end of this -- the panelists' presentation, and so we hope to be able to get most of your questions posed through that section. So let's go ahead and move to our first presentation, and I am turning the control over to Alem. John [ph], it looks like you may need to do that. It's not switching.

Alem Hagos: So should I take the ball towards me?

Les Warner: Oh, let's -- I'm sorry. We're going to do a poll question. And that's the [inaudible]. All right. So the first thing we want to do is open up a poll and ask all of our participants -- it should be showing up on the right side or your screen. And we just want to know -- get a feel for audience who's participating today about the size of your most recent CDBG allocation. So if you'll respond A, B, C, or D, letting us know the size of your most recent allocation. If you'll go ahead and vote now, we'll keep the poll open for a little bit, give you a chance to all vote.

John: Poll will be closing in 20 seconds.

Les Warner: We've got our results in. We have a lot of folks who have more than $1 million as their allocation, and then kind of a mix of different allocation sizes. So it's great that we have sort of a variety of presenters, and I'm hoping you'll be able to sort of relate to some of our presenters and their communities. So at this point, we'll turn things over to Alem.

Alem Hagos: Good afternoon, everybody. Again, my name is Alem Hagos. Can you all hear me? Hello?

Les Warner: Yes. Very loud and clear.

Alem Hagos: Yes. Okay. Thanks. I'm from city of Long Beach. I'm the operations officer, grant administration division in the Department of Development Services. [inaudible]. A little bit about Long Beach, Long Beach is the seventh most populated city in California, with close to, I would say now, half a million population. It was also voted one of America's "Most Walkable Cities." Long Beach is comprised of eight distinct neighborhoods, and it's packed in -- along the waterfront centrally located to Los Angeles and Orange County.

Long Beach is a full service city that provides nearly all of its own municipal services, including its own, health, gas, oil, and water departments, in contrast with a contract city. The port of Long Beach, run by the city, is the second busiest container port in the U.S. and is among the world's largest shipping ports. Of the grantee, the city receives a little bit over $6 million in CDBG.

Just as a disclosure, we would like to say that the city of Long Beach believes the 20 percent admin rate is adequate. We don't believe HUD should necessarily reduce or increase the current administration rate. We also think that the grantees should use all means at their disposal to existentially spend within the allowable rate while attempting to reduce administrative expenditure and draw the balance into some kind of community development programs.

I'm pretty sure all grantees would like to reduce the admin cost as much as they could. This effort may be harder for some than others. There may be so many variables that may assist or hinder this effort, depending on the size of the grantee or CPD grant management and organizational [inaudible] where those grants are housed.

During a normal action plan budget preparation, the city of Long Beach usually budgets full 20 percent rate of -- for admin. And this causes a persistent questioning by our commission -- during the commission hearing and by residents of this city, and especially the community non-profit agencies questions this 20 percent rate, I think, in my opinion, since the public service cap is much lower than the admin cap. And that's where they get their share of the CDBG money, so there is this persistence questioning why this rate is high.

As a result, the city has to explain in detail why we budget the 20 percent at the beginning and all the work we do behind the scene to reduce that administrative expense allowance, and how we are reducing the costs. So that's the genesis of this effect on our behalf to reduce admin cap as much as we can.

How to reduce admin expenses without compromising efficient management of CPD grants: Here we're going to have four points how we do it. They're not earth-shattering ideas. They're just small, simple ideas that add up together to give us some kind of good admin expense savings. One of them is a negotiation. Try to negotiate internally, especially with financial management department on indirect rate or indirect cost.

Indirect costs are those [inaudible] for common or joined purpose and benefiting more than one cost objective and originate in the grantee's CDBG department and other departments that supply goods, services, and facilities for caring our CDBG program. And as you know, they are not ready assignable to the cost objective of programs.

Because of that, you are forced far early to do tedious cost analysis and assigned programs as program delivery cost or negotiate with departments and try to benefit from administrative infrastructure's rate across multiple grant programs. Using this meant that we'd been approximately saving close to $80,000 to $90,000.

The second strategy is -- we are using is to ensure clarity on activities that qualify as program delivery rather than administrative costs and charge all individual costs through the program. program delivery costs are [inaudible] to implement and carry out specific CDBG-assisted activities. Direct program delivery costs are easy to point and assign to program costs, and we can leave those where they should be assigned.

But on the other hand, there are some individual indirect or direct costs that are assigned that we all assign to admin costs for either purpose. Those costs we spare can be assigned to program delivery cost with proper documentation and delivery reports. Just to give you an example, an admin staff time cost can be assigned to program delivery even though on first examination does not look as direct delivery cost.

For instance, costs such as requests for proposal, selecting bids, preparing contract documents, and environmental review preparation may appear admin cost in nature, but upon completion of the activity, those costs can be reallocated as program delivery. Any cost that supports programs cost objective and can be quantifiable in a verifiable way, should we assign to program delivery.

The department may argue that the [inaudible] admin saving strategy is happening at the cost of programs. This argument is true only if you are not also trying to reduce program delivery costs that can be easily absorbed by partnering departments. For example, here in Long Beach, direct activity costs [inaudible] by direct activity delivery costs like engineering, design, inspection, and approval are negotiated with public works, for instance, and other departments to be absorbed by the department to rate this program delivery cost.

One word of caution, as you might all know is program delivery costs can be easily charged to admin -- or we assign to admin, but admin cannot easily be charged to program delivery cost, at least without clearly documenting the final cost objective. That's why I recommend that's what we do here in the city of Long Beach, that you carefully review HUD's CPB [inaudible] notice on the general program administration and activity delivery cost.

The third way to reduce admin cost is to simply find ways to increase admin staff efficiency. Program reporting forms can be designed to foster intuitive entry of accomplishment. They find [inaudible] and this thoughtful planning and design saves staff time at the back end.

Last but not least, if it is possible, achieving savings through economy of scale, what we call economy of scale. Here in Long Beach, the grant admin division is organized to manage several main CPB grants such state housing and other community development clients that help others -- the city's consolidated plan, priorities, and objectives. This same team manages all similarly-intended programs, hence, all programs benefit from economies of scale by spreading the administrative costs across those grants.

So the final result is in the last five years, is the city of Long Beach has saved about 44 percent of administration costs and has managed -- or has amended those funds to directly benefit low-income households in Long Beach. For instance, in this chart, if you notice in 2018, our allowed admin rate is close to $1.2 million, but -- we only expended this as CDBG, by the way. We only expended $727,000. That's almost 40 percent savings because we can also see the other grants that [inaudible] CPD -- [inaudible] that administer in this -- by this group, also contributed towards -- close to $243,200.

Here is the final [inaudible]. In the last five years, the city of Long Beach, only from admin cost, we saved close to $2.5 million. Those funds were directed to programs and projects that benefit the community. So as we showed you, it's a small series of tweaking here and there and

institutionalize some negotiated agreements with departments and so on. They don't come that easy, but in the end, they start to show some reduction in admin cost. Thank you very much.

Les Warner: Thanks, Alem. Since we have a few minutes left, we have some questions if you are willing to field them. So we had a question from our participants that wanted to know if you were receiving any general funds that were helping to offset your admin expenses.

Alem Hagos: That's a very good question. Actually, we don't, and that's why we have easy time to negotiate with the budget people and the financial management, in some instance, the city manager's office. And we kind of convinced them, this is an indirect way of you helping us by absorbing those kind of indirect costs and stuff like that. So you're not contributing in cash, but let us, as a CDBG group, benefit from the infrastructure.

We are housed in a big city, so for instance, a lot of departments get charged close to $60,000, $70,000 a year for the use of GIS, but we don't, and all for the networking from the technology services, but we don't. So that's how we negotiate. You either give us cash, general fund money for our neighborhood service improvements, or allow us to get some free indirect cost assistance so that we can save our admin cost and put it for community development programs.

Les Warner: Great. And Alem, are you part of a -- do you have an indirect cost rate that all of those costs are bundled into, or they -- are those costs individually being broken out and charged off?

Alem Hagos: Yes. We are part of the indirect cost plan. And again -- but since there is an understanding there, we do pay into that indirect cost plan with [inaudible]. The city attorney services, the other HR services, those are all calculated based on some kind of formula by a consultant. But the rate that ends up hitting us is very low. Then it would -- it was like 780 of said gone. So we are part of that too. But there is also another rate. It's called department overhead rate. That's also a negotiated rate within our department.

Les Warner: And I know sometimes with indirect costs rates, the way that methodology is calculated -- for instance, if it's done on a transactional basis rather than overall dollars, something like a CDBG program, because we make -- oftentimes make multiple payments based on a transactional charge, is going to pay more also. So sometimes there's some negotiation there on methodology. Also had some interest in how you are -- or maybe tips you had to share about tracking those project delivery costs and how to capture those costs to be able to then charge them towards your activity rather than having them come out of your admin budget.

Alem Hagos: For instance, if you're putting together a program, I think that the thing we always look is this thing called "cost objective." Sometimes, we kind of do things the easiest way, and then this way is to assign to admin and get over with it. But we carefully look if whatever, even an admin staff does is really related to the delivery of that program.

For instance, we have environmental review and all those examples I mentioned. If you're putting together on the -- at the beginning stage of the program design, our FP and some other documentation that you're putting together so that the program can start moving forward, those

things -- we'll look at those things carefully, although the savings are small here and there. But our admin and analysts look at that, and we try to assign to the program delivery cost.

So for instance, rate proration and so on can be prorated in a very consistent way and transferred through the program delivery. But like I said, the argument is you're loading the programs in order to save yourself and -- to save yourself some admin money. But we also negotiate -- to rate this program is very -- if they're being delivered by other departments like public [inaudible] for our sidewalk improvements, some street improvement, and so on.

But we negotiate with them, whatever money we give is out of the door. We try to absorb all the engineering and design [inaudible] and stuff like that. So it's just case by case. It's a little bit tedious. That's why I was saying it's not earth-shattering, big idea. The [inaudible] thinks around. But it's just case by case on the program and see if you can carefully -- and locate whatever is assumed admin cost through a program delivery with good reason, with good cost objectives.

So it's very hard to really clearly answer, but we look at those kind of things carefully. And they do save a lot. But our saving really can't storm having that major -- a lot of other programs [inaudible] their [inaudible] CPD program within the department, so we think we're, what is it, [inaudible] city diving a little bit off the administration towards those other programs. Because of other programs, they -- if they're -- like, use it or lose it kind of thing. So we heavily lay on them than on CDBG. So that's where our main saving comes, from [inaudible] CDBG grants. Thank you.

Les Warner: Okay. Good. Thank you so much. So we're going to move on to a poll question. John's going to put up the poll for folks. And what we want to know from you is, do you document and account for activities-specific CDBG staff time as a program delivery cost, and we want to know whether -- are you doing this always, sometimes, or rarely or never? Looks like the poll is open, if folks can go ahead and vote, please.

John: The poll will be closing in 20 seconds.

Les Warner: All right. So we're kind of a mixed bag here. So we've got some folks that are always tracking those project delivery-related costs and charging them off, some folks that are doing sometimes, and then part of our group, rarely or never. So with that, we're going to close the poll, and we're going to hear from Andrew Friedman from Virginia Beach, who is our next speaker. Take it away, Andrew.

Andrew Friedman: Great. Thank you, Les. And as Les said, I'm Andy Friedman. I'm director of Housing and Neighborhood Preservation in the city of Virginia Beach, Virginia. Hopefully, some of you have heard of Virginia Beach, but it is a fabulous place to live, work, play, and retire at the intersection of the Chesapeake Bay and Atlantic ocean. And interestingly enough, we have -- we don't have a big -- we have a very big port here, Port of Norfolk is very large. And we also have, I believe, the world's largest naval station next to [inaudible] at Norfolk.

Let's see, move slides forward. Okay. So we have, interestingly, close to the same population as Long Beach, 450,000. We have about 182,000 housing units, and we're a consolidated city kind

of government. There is no separate county. We -- Virginia Beach -- Virginia houses opportunity for cities to do full services throughout the -- we have 330 square miles.

We don't have a separate housing authority in Virginia Beach as most of the cities in Virginia do. So we are a department of a city, but we have multiple HUD roles, including being the public housing agency. And we receive housing choice voucher funding. We are the entitlement grant agency, obviously. We're also the HOPWA regional funding administrative for the region all around. That includes multiple cities and counties in the area.

We also have that Continuum of Care lead agency, and we enforce code enforcement for the city. And we use that opportunity of our code enforcement staff to ensure we -- that we require all housing in the city, especially the HUD -- assisted housing can meet all of the lower codes and regulations. So even though we have a similar population to Long Beach, we have like one-third of the CDBG entitlement grant. And we're going to have to look into that one.

That -- or we have a $2-million-dollar CDBG grant, and you can see the other amounts there, total of $5.2 million in entitlement grant funding. We also have about $20 million in housing choice voucher funds and about $7 million of city funds for some of it that goes to our HUD supportive activities and some to just purely city activities. So our total budget's about $32 million. Yeah.

So I have to say, it's very impressive to see what Alem just did as far as how much admin funds they haven't used. And that's something we're going to have to look into. But I'm going to talk about how we effectively use admin funds and make them help us achieve as much as possible with our multiple funding sources.

And one other thing is to obviously study and review the rates, and that's a continuing issue because we have staff turnover and really need some experience with [inaudible] know what use them as [inaudible]. We obviously have to do a lot of planning, budgeting, and tracking. We have a cost allocation plan, and we allocate staff time -- staff [inaudible] detailed accounting, time tracking systems, which is our biggest challenge.

And then when we adjust things during the year, unlike this year, we're adjusting pretty much every month with the CARES funding. We have to adjust our tracking and our record-keeping to make sure we keep up with all the changes we're making. And I would mention one of lucky things we have is we always used to be charged for HUD admin cost, but we are not charged for that -- I mean, for city indirect cost, we are not charged by the city for any of that cost any more. So that's been a real help in balancing -- or using our admin funds.

So we have some advantages with multiple funding sources. Just like Alem said, we have some state funds, we have some city programs, and we have some multiple HUD funding sources. We have staff with some long history and experience, which really helps. We do have some city funds, general funds, to pay for things that are non-HUD eligible or would be really difficult to tract as far as eligible for HUD funding [inaudible].

In some cases, we just put 5 percent city funding into people's cost allocation so that if they do something that wasn't HUD-eligible, we can say it was paid for by city funds. And we have a great staff. The accountant and the grants manager are key to everything that we do successfully there.

So this particular spreadsheet, which is very detailed, but this is just an excerpt, this we created a long time ago, and it's really our bible of how we use HUD's funding. It shows all the different activities down the left and the different sources and types of funding, for instance, CDBG. We track housing and public facilities separately from public services, and then the admin separately.

And then we have also carried forward funds on the right side of the sheet. So this is what guides -- this is basically a summary of our annual plan. We see everything that the -- each source of funding is supporting, we look at it. We can see that we're needing the admin and public services capped. And it also has our -- some of our key performance measures that have to go into IDIS.

So this next one is our 15 -- it's an excerpt from our 15-column, 98-line department budget. This is the whole department budget with all of the funding sources, including some city and some state. But we have 15 different activity centers, our budget units, and 98 lines of expense or revenue. But that's all we need to keep track of things we -- and I will just say that my approach to this -- I've been doing this a long time -- is we're going to accept funding that is at least worthwhile accepting, which is usually like $25,000 at a minimum.

And we're going to work with partners who add value, and sometimes that makes things more complex than they might otherwise had been. But I'm always looking to add value to the community. So however we can do that, we're going to do that. So we have about ten major sources of revenue that's helped fund everything we do.

This is an excerpt from the revenue spreadsheet. It shows all the different sources, kinds of revenue. We have CDBG, admin, public service, and some other little breakdowns that are internal. And this shows where the money goes to, at least in the bigger groups. And then we're going to go on the next slide to an even smaller breakdown.

But we're going to first show you this, which is one of my favorite charts. Because we have so much money from so many different places coming in, I think it's important to be able to explain, well, what in the world are we doing, and where is it going? Well, where is it all coming from, and where is it all going?

So you can see at the top, you have brown boxes that are tax payers. Then you have HUD. You also have up there the state of Virginia. All the money has the different -- each source of money has a different color. All of the money that we get has to go through city council, be appropriated. And then most of it comes directly to -- comes to our departments. And then we allocate it to different activities based on the eligible uses.

So in green are all the CDBG activities that we did in this year; this is a prior year's chart. We have HOME activities in black, [inaudible] activities in beige. And we also have some things that are funded directly by city funds. And even the things on the right top, the purple, that is

things funded by the Continuum of Care. But this kind of visualization of where the money comes from and where it goes, it's helpful when we try to communicate to people, well, what in the world are you doing, and how do you know what's happening?

So here's where it gets down to the next step of detail, which is a salary allocation worksheet, where we take each employee and we determine what we are expecting them to spend their time on. In this case, this is a [inaudible] one. This is code enforcement employees. And in the city of Virginia Beach we have some CDBG-funded code enforcement activity that we do.

And so this worksheet shows the cost allocations of employees who's fund cases weren't just for CDBG, for city activities, in some case split between city and CDBG. As you can see, the percentages there as -- some as low as 92 percent, 98 percent, and as high as 77 percent CDBG. So it depends what they do. But this is how we budget for staffing.

And then the next step is what the staff has to do. They have to complete a timesheet. This is a sample of a timesheet showing about eight different charging -- charges that the staff can allocate their time to: city, CDBG, or admin. And there we have CDBG rehab implementation. That is the one program delivery cost that we do account for. They can working on the housing choice voucher program, home admin, or ESG or HOPWA or even now, we have the COVID-19 category for city expenditures.

So we have 90 employees in the departments. Everybody except me does a timesheet. So we have 90 of these coming in every week. And it's not, unfortunately, an automated system, so it's a huge amount of paperwork. But as everyone knows, if someone from HUD says, well, how -- where's this money for salaries going for this program? You have to be able to show something. This is what we have to get -- put together and sort out manually and show that the staff actually are reporting time spent that is close to what we budgeted for.

So this is the sample accounting report, and you're all familiar with the fact that not only do we have to track HUD funds but we still have to track HUD funds by year because they have expenditure deadlines. So -- and you can see expenditure of CDBG admin, CDBG rehab implementation, city, total. And then what you can't see is there's multiple years here, so we reflect [inaudible].

So all of this cost allocation, multiple sources, admin tracking, and public service tracking mean that our department as a 90-person department in the 7,000-employee city, we probably have the most complicated accounting system, but at least one or the top two [inaudible]. I think public works and human services may come close. But we do unbelievably detailed stuff in order to effectively get done what needs to be done using the money that we receive.

So what are the results and challenges? The CDBG admin funds are critical to support the basic grant administration functions. And I want to go back to what Alem said about 20 percent being enough. Well, I think it's different depending on the size of your grant. Alem could spend $1.2 million based on his $6-million-dollar CDBG grant.

But we can only spend $400,000 a year, and we definitely spend it all. I would like to save some of it, but with the complexity of what we're doing and the huge accountability that we have to provide, I'm not saying it's too little, but it's definitely not too much, for us, at least. But we combine them with every other source of admin funding and city funds to make sure we do what needs to be done.

We do track time and justify our cost allocations, but definitely it's time-consuming and complex. We have to keep on top of it and change it when people change. And we're hoping in these city [inaudible] is going to get us to in more route -- automated way to track the time, allow for automated reporting. And then even we might be able to get more concern and maybe start saving some admin money if we can have a better data system and some oversight that's automated of what we're doing.

And so we are very happy to have the CDBG admin source of funding that we do. We started around to do a ton of stuff in the community, and so I'd like to say that in 25 years -- because we're kind of a smaller agency, but we spent over a half a billion dollars of HUD funds and only had to give back $80,000 back one time in the late '80s. So that concludes my presentation. I really want to thank my accountant, Mary Michl; our grants and compliance manager, Cindy Walters; and my [inaudible] communications person, Jasmin Ciesielski, who made this presentation to look good. Thank you.

Les Warner: Thanks, Andy. Before we move on, I just wanted to ask one additional question. Are you -- it sounds like with trying to get people to report things appropriately on timesheets, have you had to put a lot of effort into kind of training staff and trying to make sure that they're actually following through on that?

Andrew Friedman: Yes. I would say we probably need to put even more than we do. That's one area where we definitely have opportunities to improve, to make sure staff are informed about what the categories of time -- what work should be charged to what categories of time, and to make sure they do it as accurately as possible. That -- and then when you have staff turning over, you have to do that again. That's a big deal for sure.

Les Warner: Great. Thank you so much. So we're going to move on to Jennifer Schumann. Jennifer, I'm going to switch it over to make you the presenter.

Jennifer Schumann: Fantastic. Thank you. It sounds like Andrew is rocking it in Virginia Beach. I cannot imagine having 90 timesheets to go through. My name is Jennifer Schumann, and I am the deputy director of Housing and Neighborhood Development division in Salt Lake City, Utah. I've had the pleasure of overseeing the deployment of HUD federal funding in 2008.

I'd like to spend a few minutes of our time together to give you a snapshot of Salt Lake City and our characteristics and then share a few thoughts about administrative costs and how I think about them here in Salt Lake. My hope is that you start to think about administrative expenses a little differently using tools and ideas that have been covered here today. And if that -- there's anything that I cover specifically that you have questions on, please reach out, and let's chat some more.

So with that, let's dive in, if I can change my slide. There. Okay. So Salt Lake City by the numbers. Our population is around 200,000. We have about 82,000 households. It's pretty much an even split between renters versus homeowners. The poverty rate in Salt Lake City is 14 percent, with a median household income of $64,000.

We are the capital city and a regional hub for Utah and the surrounding states. Salt Lake City is one of the fastest growing cities in the U.S., with low unemployment, which is awesome. But this growth has unfortunately stretched our housing market and transportation corridors. The challenges we are experiencing, like I'm sure most of you on this call, include a lot of naturally occurring, affordable housing, displacement of low-income households, an increase in behavioral health needs, and an increase in unsheltered individuals experiencing homelessness, especially at this point at the pandemic.

We benefit from collaborative partnerships with our regional funding partners, in particular, Salt Lake County and the state of Utah. We -- in total, we have about 16 different neighboring HUD grantees. We are part of region eight and also benefit from a collaborative and responsive HUD team, which goes a long way.

Salt Lake City has received CDBG funding since the inception of the program, and we have leveraged -- sorry, we average about $3.5 million in CDBG allocation. And we receive some program income each year. We also administer HOME, ESG, HOPWA grant programs, and some come city community grant programs as well. Overall, we've tried to continue to learn and grow so that as we address the current and future needs of our city, we can make sure we're being responsive.

And with that intro, let me move into some thoughts on reducing administrative costs. From an administrative perspective, our division has based questions around why CDBG allows for a 20 percent admin, yet capped public services at 15 percent, as Long Beach also referenced. So we're not alone here. The underlying thought there is to potentially reduce administrative dollars. This has also been questioned at the congressional level, as some folks are wanting to change this formula.

A shift like that can be negatively impactful for many communities, especially smaller ones, like Virginia Beach mentioned. To come back -- sorry, to combat this ideology, we really have to get very specific about what it costs to run our programs. That includes very apparent things, such as salaries and benefits, but also technology, training, connectivity, and overhead costs, just to name a few.

Many of you may not be the person who identifies that, so work within your organizational structure to learn these details. Talk about the salary of your grant administrators in terms of livable wages or other comparable industry sectors within your community. And then work to paint a bigger picture.

I really appreciate that Virginia Beach had visualizing the flow of funding chart. I love all those colors and how they all match together. These types of visual aids area so critical at helping

others understand the intensive nature and complicated structure of the grant administration requirements. So invest some time in creating documents that help tell your story from an administrative perspective.

Years ago, I needed to wrap my head around our grant administration and start talking about it in a different way than I had in the past. I created a beautifully messy spreadsheet that projected, week by week, the major things that my staff had responsibility for. So no fancy technology is needed here. This effort allowed me to visually show the many moving pieces that grant administrators are working on.

I could show this to our city council and decision makers that the applications they spent a couple weeks reviewing and discussing with a culmination of six-months' worth of effort by two staff members. I could also show that our monitoring season starts in December and flows into March, and at which time, the staff shifted their priorities to then work on the action plan. And as soon the action plan was submitted, it was time to start our citizen engagement.

And the list goes on and on and on. The visualization allowed everyone to see their role in the overall process and be committed and connected to fulfilling their piece in a timely manner. To be fair, it is -- for me, it was a visually overwhelming document. And why is that? It's because administering these grant funds in an impactful way takes time; it takes investment; it takes careful planning. And it takes all these different administrative tasks moving forward in tandem to create strategic, long-lasting impact in our communities.

We often talk about telling the story of the outputs and outcomes of our grant programs. Well, we need to make sure that we are capturing the story of administration and how critical that is to our overall success. So I think about the topic of reducing CDBG administration a little differently, and I'd like to challenge you to do so as well.

You see, this idea of reducing comes down to like, what we do as administrators, is maybe full of waste or perhaps it isn't important, it can lead to people feeling like what they do isn't impactful. Recognizing that in some communities the grant administrator could be a part-time portion of one position, figuring things out on their own, and in other communities, it's a robust team working in concert. Twenty percent has a much different impact in both of those spaces.

So while a grantee with a larger allocation might not need every single penny of it, mid-size and smaller communities are more likely to need every single penny. And in some cases, administrative dollars run short, which impacts your ability to participate in data learning or training or things like that, that would help make the program run better. This can leave people thinking, why would I reduce administrative costs? I don't have enough funding to really get it done as it is, and I'm constantly fighting for more support.

So my first thought when it comes to reducing this administrative cost isn't actually about making the administrative experience cheaper, but rather being more efficient with the administrative dollars that we are receiving. That may or may not revoke an immediate financial savings, but it will increase the capacity and performance of your program.

Salt Lake City is lucky to have general fund budget support the division in addition to federal grant administration projects. And we use that specifically for non-HUD-eligible items. But also, our office is working on other community grant programs as well. Regardless of whether -- where you fall on that list, the idea of being efficient applies to every single one of us. It's about working smarter, not harder.

So a few of the things that we have really focused on in Salt Lake City is to implement a grant administration software system to help automate processes. Salt Lake City uses ZoomGrants, which has been an incredible solution for us. I know that Collier County, Florida, uses a company called Neighborly. There are other. The point is, find a solution for you that works and fits your needs.

Thing about the consolidated plan efforts, and if necessary, shift towards activities that are less labor-intensive yet still have a really positive impact on your community. In Salt Lake City, we implemented a $30,000-dollar minimum funding level. A realistic funding floor not only makes your administration efforts efficient but it also has the same impact on your subgrantees.

I fully believe that partnerships are everything in the community development world. Look to see if you can partner with a neighboring community to share some of the administrative tasks where projects overlap. This could be things like environmental reviews, Davis Bacon, monitoring, even things like community engagement and data collection. The social issues that we address don't stop at our geographic boundaries, so our partnerships shouldn't stop either.

Within your municipality, you can look for partnerships as well. Are there other community grants being administered? How do your tasks compare? Can you learn efficiencies from inside your own organization? Do you have internal auditors? Can they help you be more efficient? If there's a contract or procurement office, can they help administer your contracts, or maybe not administer, but at least process your contracts?

Your finance office is probably processing payments. Are they also doing the financial reporting that -- and assist with reconciliation in IDIS? Even if there are not others within your organization that do the specific work that you do, there could be others that help uncover ways at which you can do your tasks more efficiently.

Another one is we found that we were answering the same questions over and over. And we found that it was very helpful to invest in providing grants -- sorry, subgrantees tools to answer their own questions. And look, this doesn't have to be complicated. It could be as simple as having a sharable FAQ that subgrantees can access and review. It could be providing them a link to the CDBG monitoring handbook, where I appreciate that many of the questions have regulatory citations.

When you host a training, you can record it and post it in a space where it's accessible so other subgrantees can review it at their own leisure. In Salt Lake City, this shift to empowering subgrantees to research and resolve their own questions equated to about -- our office receiving about half as many questions. It also has the benefit of answering questions that they didn't know that they had and naturally increasing the capacity and understanding of their organization.

So let's think for a moment what your life would be like if you had 50 percent less e-mails and phone calls. Right? That would be amazing. Building self-sufficiency of the agencies allows us to focus our energy on more complicated or nuanced questions that come up. I would also encourage each of you to take a step back and evaluate your tasks to process the easier forms, etc. Not all at once; that's terribly overwhelming.

But over time, you will likely find that you've been doing grant administration in a very specific way for years. And it may work for you, but is it efficient? Is it effective? Is there a better way to do it? Do regulations require that action, and is it necessary? I wouldn't be surprised if you found steps that are completely unnecessary and can be eliminated, thereby building efficiencies.

And last thing, another -- and lastly, another thing that has helped us tremendously was working towards no "single task" employees, so for example, having one person who only does Davis Bacon, or one person that does environmental reviews. Now, that may work in some offices, but for ours, we actually found that to be a challenge.

For many grantees, mine included, these tasks are not -- are -- sorry, these tasks don't require a full-time position. So as you're thinking about how you can build efficient, well-versed teams, it can help to take some of those other tasks and ensure that folks are very familiar with even those more nuanced pieces of grant administration.

Sorry. I lost my mouse. Give me one second.

So I want to pause for a moment and thank each and every one of you. Every single one of you are the most important piece to this program's success. Your commitment to thinking strategically, being creative to address community needs, becoming more efficient, seeking out partnerships and solutions will all help ensure that CDBG continues to impact hundreds of thousands of individuals and families year over year.

If you have seen successes at creating efficiencies, please share them. Share them here; share them what you've learned at national organizations like NCDA or [inaudible] or NARO or any other advocacy organization that can broadly share your successes. We all need to learn from each other. And lastly, I appreciate that HUD and ICF have partnered together to bring forward this webinar series. It's important to keep learning and keep connecting, as all of these topics are very important as we work to improve the lives of those in our community. So with that, I'm going to turn it back over to Les.

Les Warner: Thank you. All right. So I'm going to stand in in place of Collier County and share a little bit of their comments that they provided to us. And there's -- you kind of begin to see a lot of similarity on some common themes that folks are dealing with. I found one of those -- that Collier County's suggestion about, you know, there are some times when maybe you don't have to have internal staff that's actually going to handle that job responsibility.

And I think that might, in some cases, relate to what Jennifer was talking about, that in some cases, you need a particular area of expertise or a skill set. And maybe it's not a full-time

position; maybe it's sort of cyclical depending on the type of work or type of activities that you are funding. And so Collier County is suggesting that there may be some strategic ways to, instead of having internal staff that you're maintaining on salary and they're a full-time equivalent individual, that you may be able to contract out to a highly qualified expert as you need it and maybe not maintain that expertise in-house.

Keep in mind that we would obviously have to go through appropriate procurement on this, but that can certainly be one strategy that you might consider for your needs and your particular expertise. Another suggestion here, which kind of falls in line with what Alem and others mentioned about if -- there may be some times when you can get part of what you need done by some other part of your local unit of government rather than having to carry those costs internally.

So in this case, Collier County is able to work with their attorney's -- county attorney's office to do things such as reviewing the written agreements. And so it's not something where they have to either staff internally or bear those costs but are able to work in partnership where that capacity already exists in some other part of the same community.

And then talking a little bit about projecting the delivery costs. So thinking specifically about what are the project-specific activities and the costs that are going to be related to that, so including that as part of the project budget, and making sure, then, that you have the appropriate tracking systems in place to be able to collect that data and charge those costs off towards the delivery costs as opposed to having that come out of your admin budget.

And so their example on this -- is charging staff time to a project when staff is frequently visiting that project site. And so as we saw in the example with Andy's timesheets that broke out specifically what that employee was doing at any given -- on any given day and breaking that out across their sort of eligible categories by having a pre-setup system to be able to track, okay, so we're going track our site visit time, we're going to charge it off to a different spot on our timesheets that the -- so those charges then can be charged against the project cost, can be a way to maximize your admin dollars. But you have to have the systems in place to be able to do that.

We've heard a lot of our speakers talking about sort of economy of scale and working along with other programs, other funding sources that are being implemented. So Collier county was mentioning about having a monitoring unit that not only monitored CDBG but was monitoring other grants that were under their control or within their county.

And so by being able to then share the costs that are related to those monitoring functions with the other programs that are also being served by that same unit, and so a good way of budgeting and kind of having the capacity you need in place but not bearing the total burden of maintaining that in place.

And I thought their last tip was really interesting, is really thinking about if we carefully choose who we're going to fund, the project that we're going to fund, making sure that they're ready to go, that they have the appropriate capacity, that they've got a clear implementation plan, that some of the problems that you might get into with a particular program or with a particular

activity can be avoided by simply carefully -- more carefully choosing who your partners are, the types of activities that you're implementing.

We've heard a lot of folks talking about that challenge of keeping appropriate capacity, and that's not only internally, but it's also with subrecipients that you're working. And so kind of thinking about, on the front end, as you're making funding decisions, in thinking about what do we know about the subrecipients, about their capacity, their track record, and making some strategic decisions to try to avoid some of those projects that in scale might be the same as other projects but will take so much more time and administrative burden because of the problems or the issues that might arise from that undertaking.

So some great tips and examples shared by Collier County. So we want to do a final poll here. And one can know, what ways do you reduce CDBG administrative costs? John's going to open up the poll, but our options here are, our jurisdiction is contributing to the CDBG staff salary so we can use more of our CDBG funds for activities themselves; jurisdiction is sharing costs of the Environment Review Officer with regional CDBG grantees; jurisdiction sharing cost of an auditor with other CDBG grantees in the area; all of the above; or other. If you could go ahead and vote now, please.

John: The poll will be closing in 20 seconds.

Les Warner: Thanks, John. All right. So the one that really kind of resonated here for the group that got the most hits was the jurisdiction contributing to cover a part of the staff salaries, which frees up some of those admin funds, perhaps, to be able to dedicate those funds towards program activities as opposed to admin costs. And then we have a number of folks who have some other things that are happening, and a couple of folks saying, we're really trying to do all of the things on this list.

So before we go into the question and answer session, we just wanted to point out a few resources. So the HUD Exchange, there's a whole section for CDBG, which should be a really good go-to resource for everybody. Make sure, if you're not already, that you're signed up with a list serve for CDBG so as there are new resources or releases of things, that you would be notified immediately on that.

This session and all the others will be posted in the Best Practices session. And so as I mentioned, the slides will be there, the recordings of these sessions. These have to go through a little review before they're posted, so I would think those would be posted probably within the next -- probably within two weeks from when the session was actually provided. So keep an eye out for that. That's a good spot to be able to go back and reference on that.

And then there are a number of guides that are available, and there are some state-specific guides, [inaudible] entitlement guides, and we've provided a link. If you're not familiar with those, those can be really helpful for folks as a reference tool. I think everybody, no matter how long they've worked in this field, needs to go back and look things up and just double-check on things. And so I will encourage you to familiarize yourself with those.

So we've got another of question in the HOPWA and also have some ones that we have noted. So I'm going to close a few things on my screen just to make it a little easier to go through those. So I noticed, as part of listening to the presentation, that a number of our presenters talked about trying to figure out what's it actually cost to be able to administer the program and to be able to budget for that, and also then kind of think about what -- with our admin budget, where are we compared to what our actual costs are and how I should allocate that.

So one of our participants is saying they allocate their admin costs between their grants based on the fund expenses divided by a total of all the expenses, less any funds that are going to be left for admin costs. And so I'm wondering if each of our panelists could talk a little bit about on that planning end of things, what you're think about, here's my allocation that I'm receiving, here's my admin, and what do I know about my projected staff costs, and how you think about splitting out the admin that you have available to you. So let's just kind of go down the list. Alem, you have any comment that you want to add into thinking about budgeting for your admin? And Alem, you may be on mute.

Alem Hagos: I'm sorry.

Les Warner: Great.

Alem Hagos: Yeah. On the big admin budget, for instance, we have space for employees that work under CDBG admin, just staff. We -- those big things, we need to figure it out. Those are a given. So that's why our tendency, like I said in my presentation, is to use the whole 20 percent for planning and budgeting purpose, and then try to save as much as you can when you implement that admin activity.

But having said that, yeah, we do budget the main admin staff costs, and other obligations that we cannot, we figure out a way out. And it's -- that's where we stand. But regardless, like I said, we also budget the whole 20 percent. I don't know if I have answered the question. But yeah, we have our big arrangements.

Les Warner: Great. All right. Andy, you want to comment? Looks -- I think you have a pretty complicated process on your budgeting and have a real clear plan.

Andrew Friedman: Thanks. So we have -- we might be in a little bit of a rut, but we've had a kind of stable set of admin staff for quite a while and a reasonably stable CDBG allocation. So we're kind of dealing with [inaudible] not to and doing the same thing kind of year after year for a little while here.

We have -- we know these -- the functions aren't going away. We need a grants manager. We need our accountant. We need other support, another finance person. We'd look at all the sources that come in -- that we're expecting each year, but we don't have that much flexibility. We just kind of -- we are always balancing what's the best way to support this function and that function. So if we can get a better handle on our actual time tracking, we might be able to do more innovation on that and -- not that we're going to be looking at that in the next couple of years.

Les Warner: All right. Jennifer, anything you want to add?

Jennifer Schumann: Sure. Just super-fast. So we have manual timesheets that we use as well. I think that's very common across the nation. We spent probably a good year really, really doing some pretty heavy training on how to track your time appropriately. HUD loves budgets, but only for planning, and they're very clear that they really only want direct expenses being tied back to the grant.

And so we really had no idea -- five, six years ago, we had no idea what it actually costs to run our program. I probably shouldn't admit that with HUD on the line. So we got very, very focused on making sure that we were appropriately accounting for our time. And we continue to do that today and going forward.

And then we were able to identify what the fully loaded rate for each employee was and use that to help project out what it costs to run our program quarter over quarter, year over year. The great thing about these funds is it is cyclical in nature, and so you can really start to forecast what it's going to cost. And then as those costs come in, kind of look at the forecast versus what you're utilizing.

And then at Salt Lake City, we have a separate cost center that is kind of its own cost center that is for operational expenses that are tied to HUD-eligible activities. And being able to pull that out separate from any other expenses has been really great at being able to track and, again, kind of project, year over year, what that's going to cost.

Les Warner: Great. We had a couple of questions that were related to admin versus delivery cost. One of the questions was, well, if I'm charging more to the actual activity, I'm capturing those delivery costs, aren't I going to be eating away at the funds that I have available then, to do [inaudible] a bricks and sticks sort of thing because I'm now charging off some of those costs that I might have charged off to admin?

We also had questions from folks saying, well, if I save money from my CDBG admin, now, what's going to happen with that? Am I trying to roll that to subsequent years? So I wondered if any of you wanted to talk about, with your savings, whether you were then utilizing that savings to actually have more funds available for more CDBG activities, and part of what your strategy was for how those -- any savings would be best. Any panelist want to comment?

Jennifer Schumann: I think Long Beach talked about that, too, right? And the challenge is that the pie is only so big. So do you pay for staff and operational costs, or do you take away from program delivery? I think that's always a struggle, and I don't know that I have an answer. But is it -- but I do want to commiserate. Was that challenge between programs [inaudible] free and picking away at that versus administration? So I got nothing, but I feel you.

Alem Hagos: Yeah. I can add to that, Les. Yeah. I think that's the thing. You load the programs with all program delivery as much as you can. But like I said in my presentation, you have also -- in a way, have to negotiate with other department to also reduce the program delivery cost, like the example I gave you, by engineering, designing, and stuff like that. So otherwise, it won't be

fair to the programs if you add too much program delivery [inaudible] and what you end up is you don't put the dollars out there in the community for whatever program you're talking.

It can be harmful. It's almost like, what is the saying, "robbing Peter to pay Paul," actually. So you really have to be careful. I think in our case also, when we say the admin -- we can't [inaudible] over admin like home admin or like other NSD programs or something. So what we do is we do an action plan amendment, and we point so the public can see this is the $400,000-dollar saving from last year admin.

It's going to this particular program. Sometimes it might go to one year, one-time program. Sometimes it might supplement other ongoing programs. But we show the public exactly where this admin-saving money is going. We control it over because the 20 percent calculation is on yearly allocation and whatever programing can you earn that year.

Les Warner: Great. I would frankly think that there are different motivations. Some grantees are going to be struggling to live within the admin cap. And so their motivation is to try to control costs and containing them, whereas others may be trying to capitalize on some savings to be able to direct more funding towards actual activity investment.

One of the questions that we kind of commonly get from a lot of folks and the kind of feedback is, gee, we are so busy trying to manage the programs and kind of the day-to-day operations that it's difficult to find the time, then, to think about evaluating, coming up with new forms and systems to more efficiently try to track costs. And I wonder if any of you could kind of comment on that sort of push-pull between just keeping things running versus investing the time and energy into trying to rethink how you might be operating and where some savings might happen. Andrew, you want to start things out on that?

Andrew Friedman: Hi. This is Andy. Yeah. I think that's a major issue. And Jennifer talked about we should evaluate [inaudible] -- we definitely -- we should evaluate. I heard about the Neighborly grants management [inaudible], which would probably help us in Kronos time management, which we probably hold.

But this year, it's out of the question because of all the CARES money and the pandemic impact on doing everything. We're just here keeping organized with the massive change that we've -- that has happened this year. I think that's kind of an issue for HUD and you guys and ICF and everybody. Process improvement for this grants demonstration can probably result in a lot of help for organizations that can at least find a way to do a little more of that in kind of a packaged, sustainable approach. Over time, I think that would be really an excellent [inaudible] -- because it's really a challenge to [inaudible] --

Les Warner: So the abilities are, again, from somebody else's solutions, is helpful.

Andrew Friedman: Yeah.

Les Warner: Alem or Jennifer, want to weigh in?

Jennifer Schumann: Thank you. I would tell communities to not try to eat the elephant all at one time, that this can be something you do strategically over time. Even looking at the questions on your application and not copying the application from last year to this year and saying, okay, yep, that's what we're putting into the process, but really looking and thinking like, is there a way that I can do this better? Can I be more efficient? Do I have to ask all of these questions? How do I minimize the amount of work that has to be done, both on a subgrantee's part but then also mine as well, with still getting a great outcome?

Andrew talked about software. That for us, hands down, has been really huge. I know Kronos has the ability to do project and activity codes and can actually eliminate the need for paper-based timesheets, as long as you can make it work as a replacement mechanism. So I would say, definitely don't try to solve all the world's problems all in one day but rather get really strategic about what the easy stuff.

And I agree; COVID has made this space incredibly challenging. And maybe you just say, you know what? This is the not the year to do that. But then create a plan to continue looking at that as things settle down.

Les Warner: Great. Alem, did you want to weigh in, or should we move on to the next question?

Alem Hagos: We can move to the next question.

Les Warner: All right. So one of the questions that we got was asking about the level of detail that's included in employee timesheets and, I think, thinking about this issue of tracking costs. And so if -- I think if our panelists could each comment a little bit about the level of detail that's being collected in timesheets, that would be helpful for our participants. Alem, do you want to start that one?

Alem Hagos: Yeah. I can start. Just this -- it's not really indicate -- to give you an example, one of our admin staff does a lot of things. He has three, four major assignments, general assignments. He deals with environmental review, form preparation. He also works on those direct payments we give out for housing [inaudible] and so on. And he also goes out there and visits the sidewalk improvement, and he creates sometimes a quick [inaudible]. So he's got his plate full.

So what we do is we cannot just put, today I work one hour here, one hour here. But we have a general idea from past experience, and we assign 5 percent 10 percent, 20 percent, 30 percent [inaudible] the activities. So that's how we do it. So he's not quoting the timecard every day saying this is where it is. But there is this percentage assignment for each activity that we gleaned and got from experience, from past experience. That's how we got out.

And that's why it helps us for his -- although this person is in admin, but we can still say some activities that he's done is directly related to the housing rehab program or the sidewalk program. That's why we are able to, with documentation, manage to transfer some admin costs, program delivery, and so on.

Les Warner: Great. So Andy, you shared a visual on that. So let's ask Jennifer, what do your timesheets look like?

Jennifer Schumann: Sure. I would tell you that ours used to be very, very specific. So you would pick your grant types, so CDBG, ESG, HOME, or HOPWA. And it would be broken down into general, monitoring, environmental review, labor relations, training, community engagement. Several years ago, probably five or six years ago now, we actually walked that backwards. Because we weren't using that information -- so if you have a really detailed spreadsheet for your time tracking, I would encourage you to ask how you're using that information.

So if, ultimately, if I'm not going back to look at how many hours, year over year, that I'm spending on monitoring, why am I capturing it to that level of detail? So we walked it back, and we tracked hour by hour within each grant type and then, of course, COVID dollars as well. So CDBG, ESG, HOME, and HOPWA. And then we use our -- sorry, our job descriptions to also help identify the types of activities that we're capturing there.

So ours is pretty basic, and if anyone wants to reach out to me directly, I'm happy to share that. I like it best if it's on one page, so it just makes it easier.

Les Warner: Right. We're getting to the -- we're really at the end of our time. I'll just throw one thing in there, that I think a lot of folks have found over time, that trying to target some of these sort of big chunks of delivery costs and track those as opposed to breaking down every potential becomes sort of a more livable process that they can actually get done.

So first off, we want to thank our panelists who've done a great job, provided lots of good ideas. We would encourage everyone to take a look at the resources, participate in the remaining Best Practices session. And if you've missed some of the earlier ones, once they're posted on the HUD Exchange, take a look at those and see if they're also some ideas that you can adopt for your community. Thanks to every for participating. Hope this was helpful for you. Have a good day. Thanks.

Jennifer Schumann: Thanks, everyone.

(END)