



**The Continuum of Care
For the City and County of Racine, U.A.**

Date: May 29, 2014

To: Diana Schultz
City of Racine

From: Gai Lorenzen
President

Re: Extension of ESG Contract (1/1/13 – 6/30/14)

On behalf of Legal Action of Wisconsin, Inc. (LAW) and Racine Kenosha Community Action Agency (RKCAA) the CoC is requesting that the contracts issued to them be extended. Spending projections from both organizations indicate that funds allocated to them will not be able to be fully spent by June 30, 2014.

The ESG program requires that allocations made to shelter and street outreach be limited to the greater of the 2010 allocation to those services or 60% of the total ESG allocation. At the current time the 2010 allocation is being utilized. The remaining funds must be allocated to HMIS, homeless prevention or rapid re-housing. LAW and RKCAA fall into the homeless prevention and rapid re-housing category. The funds must be spent on those categories and cannot be transferred to any of the organizations providing shelter services. In addition to City ESG funding, there are also State ESG funds that must be allocated in a similar manner for contract periods of July 1 – June 30.

RKCAA-The CoC recommended that RKCAA receive ESG funds for housing stability case management in connection with its HOME TBRA project. Persons meeting the ESG eligibility criteria would receive case management paid for by ESG, and rental assistance from HOME. Due to the 30% CMI income limitation of ESG it was difficult to identify individuals that met that requirement and the housing stability indicators that had been identified for the TBRA program. There were few individuals that met both criteria. After discussions with RKCAA, the CoC and City of Racine, it was determined that the funding would not be fully spent if it remained allocated in this manner. Thus, it was determined that funds should be used for prevention rental assistance. RKCAA and LAW have collaborated on a prevention project with both City and State ESG funds for several years that has been very successful, and this model was again

implemented this spring for the remaining funds. It is very possible that all funds will be spent by June 30, 2014 but we are requesting at this time that the contract with RKCAA be extended in the event that funds are not fully spent by that date.

LAW-The current contract with LAW was not entered into until February 2014 for a number of reasons. It is the practice of LAW, and other organizations, not to spend money until there is an executed contract. LAW had a fairly large State and City ESG prevention allocation in previous years due to larger HUD allocations, and was operating under a contract extension from the City for the January 2012-June 2013 contract. In the summer of 2013 it was discovered by LAW and City staff that the January 2013-June 2014 contract had not been issued. At the same time it was discovered that several other CoC agencies were serving clients eligible for ESG shelter rather than ESG prevention funding that had been allocated to them, and that there was a decrease in the projected amount of ESG funding being awarded to the City. At that time, LAW agreed it would not take its allocation to address the decrease in the award to the CoC and to make the adjustments needed for the funds being spent in the wrong category by 2 other agencies. In the late fall of 2013 it was determined that LAW not taking funding would not resolve the problem because of the shelter cap on funding (greater of 2010 allocation or 60% of total current allocation), and in fact either LAW or RKCAA would need to spend the money because they were the only two agencies doing prevention or rapid re-housing work. A re-allocation was done by the CoC to reduce funding in the shelter category to address the reduction in the ESG award and the 2 agencies that had been spending money in the wrong category. LAW's contract was not fully executed until February 2014 and did not start spending funds until February 2014. Thus, there remained 5 months of what would have been a 18 month period to spend the same amount of funding. It is unlikely that all funds can be spent by June 30, 2014. However, LAW will fully expend the funds sometime between now and the end of 2014.

The CoC is requesting that these contracts be extended so that the funding can be fully utilized in our community rather than being returned to HUD. We believe the funds will be spent before December 31, 2014 but are asking that the contracts be extended through that date so it will not be necessary to continually request extensions between now and the end of the year.

If there are questions, please do not hesitate to contact me.

cc: Sharon Schulz, RKCAA
Francisca Murillo, LAW