

COUNTY OF MILWAUKEE
Inter-Office Communication

DATE: January 13, 2020

TO: Theodore Lipscomb, Chairman - Milwaukee County Board of Supervisors

FROM: Mary Jo Meyers, Director, Department of Health and Human Services
Prepared by James Mathy, Housing Administrator, Housing Division

SUBJECT: **Report from the Director, Department of Health and Human Services (DHHS), requesting approval of an appropriation transfer of \$550,000 from the allocated contingency to DHHS and execution of a fiscal agent contract for the Milwaukee County Lead Remediation Low Interest Loan Program**

Issue

The 2020 Adopted Housing Budget provides for the continuation of a lead abatement loan program established by Resolution File No. 19-727 in October of 2019. The budget earmarks \$550,000 in an allocated contingency account in Org. Unit 1940-1945 – Appropriation for Contingencies to allow any Milwaukee County resident, regardless of income, to have access to a low interest revolving loan program for the sole purpose of lead abatement. The budget stipulates that additional administrative costs shall not exceed 10 percent. The budget also directs DHHS to submit an appropriation transfer request to the County Board for approval to access the funds needed to effectuate the program.

To implement the Milwaukee County Lead Remediation Low Interest Loan Program, DHHS is requesting approval of the following:

- 1) An appropriation transfer of \$550,000 from Org. Unit 1940-1945 – Appropriation for Contingencies to the 2020 DHHS Budget
- 2) Execution of a fiscal agent contract with Community Advocates to disperse approved loans to homeowners

Background

For several years, Milwaukee County has offered lead abatement assistance as a part of the Housing Division's Home Repair Program which is funded by the Department of Housing and Urban Development (HUD). The Housing Division administers this program and offers lead grants of up to \$12,000 for individuals who apply to the Home Repair Program. Common requests for home repair loans are furnaces, roofs, plumbing, and electrical. The primary goal of the program is to keep families "warm, safe, and dry." Per HUD regulations, staff must ensure that any home that is being repaired within the program must also be free of lead.

Housing Division inspectors are certified in lead abatement and conduct testing on each home. If lead is found, inspectors add the removal of lead to the general scope of work. Depending upon existing funding, a grant is awarded to homeowners to cover the cost of the lead removal. If the bids are above the \$12,000 threshold, the remaining balance is loaded into the homeowner's Home Repair loan. Home Repair Program loans are zero percent interest loans and the term of the loan is dependent upon the household's income. Before applications to the Home Repair Program are approved, they must pass through the Housing Division's Loan Committee. This committee reviews the approved scope of work for reasonableness, the household's income, and the ability to repay the loan.

Lead Remediation Low Interest Loan Program

The newly-proposed Milwaukee County Lead Remediation Low Interest Loan Program will operate similarly to the current Home Repair Program and will use existing policies and procedures with new language to incorporate the proposed program (see attachment A). Loans would target households at or below 125 percent of area median income and serve any municipality within Milwaukee County, including the City of Milwaukee. Approved loans would carry a three percent compounded interest rate as a part of the revolving loan fund. The maximum loan that would be made is \$50,000. This limit may be increased by the Home Repair Review Board at its discretion. Loans would be tracked in Loan Ledger, the existing software program the Housing Division uses for Home Repair loans.

DHHS is recommending that Community Advocates serve as a fiscal agent for the funds based on its experience as a fiscal agent for other programs administered by the Housing Division. Housing Division staff will send invoices and backup documentation to Community Advocates for payment of contractors that have been approved by Milwaukee County. The repayment of loans will be deposited into an account managed by Community Advocates. Community Advocates will also have a representative on the Loan Committee responsible for approving each application.

Administrative Costs

Currently, the 2020 Budget specifies that only 10 percent of the \$550,000 in funding, or \$55,000, can be set aside for administrative costs for the Housing Division. Due to the additional workload, DHHS is preparing a request to the Department of Human Resources for the creation of one full-time equivalent (FTE) Housing Inspector at an estimated annual cost of \$60,000 in salary and social security costs. In addition, Community Advocates has requested \$10,000 to serve as the fiscal agent. Therefore, total administrative costs would reflect about 13 percent or \$70,000 of the \$550,000 in funding available for this program. This would leave a balance of \$480,000 for the loan program – please see the chart below:

	Amount
Housing Inspector (estimated salary & social security)	\$ 60,000
Community Advocates Administrative Fee	\$ 10,000
Total Administrative Costs	\$ 70,000
% Administrative Cost	13%
Funding from Allocated Contingency	\$ 550,000
Less Administrative Costs	\$ (70,000)
Amount Remaining for Loans	\$ 480,000

Recommendation

It is recommended that the Milwaukee County Board of Supervisors authorize the Office of the Comptroller and the Department of Administrative Services Performance, Strategy and Budget to establish an appropriation transfer from Org. Unit 1940-1945 – Appropriation for Contingencies to Agency 800 – Department of Health and Human Services for the Milwaukee County Lead Remediation Low Interest Loan Program. Further, DHHS requests authorization to execute a fiscal agent contract with Community Advocates for \$490,000 (\$480,000 for loans and \$10,000 for administration). In order to fund the fiscal agent fee and a new Housing Inspector position, the percentage of the \$550,000 dedicated to administrative costs would need to increase from 10 percent to 13 percent.

Fiscal Effect

Funding of \$550,000 from Org. Unit 1940-1945 – Appropriation for Contingencies would be utilized to fund the Milwaukee County Lead Remediation Low Interest Loan Program as well as \$70,000 in administrative costs. A fiscal note form is attached.



Mary Jo Meyers, Director
Department of Health and Human Services

Attachment (1)

cc: County Executive Chris Abele
Raisa Koltun, County Executive's Office
County Supervisor James "Luigi" Schmitt

County Supervisor Marcellia Nicholson
Scott Manske, Office of the Comptroller
Teig Whaley-Smith, Director, DAS
Kelly Bablitch, County Board
Steve Cady, Research Director, Comptroller's Office
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