



MINUTES OF THE BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES, STATE OF CALIFORNIA

Violet Varona-Lukens, Executive Officer
Clerk of the Board of Supervisors
383 Kenneth Hahn Hall of Administration
Los Angeles, California 90012

Director of Children and Family Services

At its meeting held February 10, 2004, the Board took the following action:

15

The following item was called up for consideration:

The Director of Children and Family Services' recommendation to approve and authorize the Director to prepare a Cooperative Agreement with the Director of the California Department of Social Services (CDSS) and request the State to submit an application for a waiver of certain provisions of Title IV-E of the Social Security Act and authorization from the Secretary of the U.S. Department of Health & Human Services, Administration for Children and Families, for the State to conduct a Child Welfare Waiver Demonstration Project in Los Angeles County; approve proposal for a Title IV-E Demonstration Waiver Application to be submitted by the County to CDSS on behalf of the State and authorize the Director participate in negotiating the final terms and conditions of the Title IV-E Waiver Agreement between CDSS and the U.S. Department of Health & Human Services and the Cooperative Agreement between the County and the State, subject to acceptance and approval by the Board.

Supervisor Yaroslavsky moved a joint recommendation by Supervisors Yaroslavsky and Antonovich to amend the Director of Children and Family Services' aforementioned recommendation, which was seconded by Supervisor Antonovich, for the Board to approve the proposal for a Title IV-E Demonstration Waiver Application and direct the Director of Children and Family Services to modify the proposal to include language that would allow the State to expend Title IV-E funding on service blending and capital expenses for a residential academy to support life-skills, individualized educational opportunities, and enriched services for improved emancipation outcomes.

(Continued on Page 2)

15 (Continued)

Bruce Saltzer, representing the Association of Community Human Service Agencies, Miriam Krinsky, representing the Children's Law Center of Los Angeles, Andrew Bridge representing Los Angeles Appleseed, Merritt Holloway, Warren Williams, Yvonne Michelle Autry and Candace Owen addressed the Board.

After discussion, Supervisor Yaroslavsky clarified that his amendment was for a new residential academy and that services should be held harmless.

Dr. David B. Sanders, Director of Children and Family Services, and Tyler J. McCauley, answered questions posed by the Board.

After discussion with the Auditor-Controller, the Board tabled the Director of Children and Family Services' aforementioned recommendation and Supervisors Yaroslavsky and Antonovich's joint amendment pending a written report from the Auditor-Controller by the end of the day regarding the ability of the County to use service dollars to make lease payments to a nonprofit corporation.

Later in the meeting the Auditor-Controller provided the Board with the attached report dated February 10, 2004, regarding the Reimbursement of Facilities Costs.

On motion of Supervisor Knabe and by common consent, there being no objection, the Director of Children and Family Services' aforementioned recommendation, and Supervisors Yaroslavsky and Antonovich's original aforementioned amendment were continued one week to February 17, 2004.

5021004-15

Attachment

Copies distributed:

Each Supervisor
Chief Administrative Officer
County Counsel
Auditor-Controller



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 525
LOS ANGELES, CALIFORNIA 90012-2766
PHONE: (213) 974-8301 FAX: (213) 626-5427

J. TYLER McCAULEY
AUDITOR-CONTROLLER

February 10, 2004

TO: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Yvonne Brathwaite Burke
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

FROM: J. Tyler McCauley *JTM*
Auditor-Controller

SUBJECT: REIMBURSEMENT OF FACILITIES COSTS

As requested, we are providing the following information on the ability of the County to use service dollars to make lease payments to a non-profit corporation.

If the County enters into an "operating lease agreement," the payments can be reimbursed against the program. An operating lease is generally defined as a short-term rental agreement with a non-related third party. In the case in point, if the owner is a non profit that is charging the County for monthly rental or lease charges, and where the intent is to provide reimbursement for the reasonable cost of operating the program, then it is likely the agreement would be considered an operating lease and service dollars may be used to make payments. The payments would be eligible for federal and State reimbursement as provided by program regulations.

A long-term lease (25-35 years), which is referred to as a "capital lease" would still be eligible for reimbursement from program dollars. However, the reimbursement method and resultant amount of dollars would most likely be less favorable as compared with an "operating lease". Specifically, under a capital lease structure the County is reimbursed over a period of 50 years or 2% per year for purposes of recovering the principal costs of the facility.

"To Enrich Lives Through Effective and Caring Service"

While we have only made a cursory review of the proposed business plan, it appears that the County would enter into a capital lease and acquire an ownership interest in the facility. Under such an arrangement the County is generally allowed to recover interest costs as incurred, plus the 2% principal cost as referred to above.

A possible alternative may be to consider including this capital financing issue as part of the proposed waiver, now or at a later date.

Our Office in conjunction with the CAO Real Estate Division has begun to discuss with the federal government similar lease transactions that have taken place with DPSS such as the West Los Angeles welfare building. Our goal is to achieve a more favorable reimbursement policy that is mutually acceptable and advantageous to the County and the federal government.

JTM

c: David E. Janssen
Lloyd W. Pellman
David Sanders, Ph..D