



Department of Administration
Budget and Management Division

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May 9, 2024

MEMORANDUM

To: Chair Marina Dimitrijevic
Honorable Members of the Finance and Personnel Committee

From: Andrea Fowler, American Rescue Plan Act Director

Subject: Status of SDC Funding

The Social Development Commission (SDC) was established in 1963 as an intergovernmental commission under Wisconsin statutes. SDC describes its mission as providing “human service programs for low-income individuals and families in Milwaukee County.” The City of Milwaukee has regularly funded various programs at SDC over a number of years and has enjoyed a good working relationship.

In March, 2024, City staff became aware of concerns about SDC’s handling of funds. Specifically, the City learned that the State of Wisconsin, Department of Administration, Division of Energy Housing and Community Resources had suspended SDC’s weatherization contract, a move that was prompted by the discovery of late payments to contractors. After further investigation, it was determined that approximately \$100,000 of weatherization funding from State agencies had been misallocated. SDC laid off and failed to make payroll for a number of workers, and subsequently lost most of its executive staff.

SDC currently receives funding from three sources of City funds: the American Rescue Plan Act (ARPA), Community Development Block Grant (CDBG), and Home Investment Partnership (HOME). This memorandum summarizes the City’s response to the current situation at SDC and describes our plans moving forward.

I. Current City Funding to SDC.

There are four American Rescue Plan Act subawards to SDC:

- **Milwaukee Health Department’s Lead Remediation Program** awarded a \$7,824,299.73 subaward to SDC to conduct lead risk audits and contract for remediation work. As of April 30, 2024, MHD had reimbursed SDC for \$3,219,633 of that subaward. MHD expects that additional invoices may be pending with SDC, and is aware that SDC is holding at least \$215,147 in unpaid contractor invoices.
- **ECO’s Energy Efficient Upgrades Program** awarded a \$700,000 subaward to SDC for energy audits and energy upgrade contracting for homes remediated for lead. As of April 30, 2024, ECO had reimbursed \$1,645.02 for a February 2024 invoice, and had received a second invoice for \$1,117.95 in SDC staff costs. ECO is aware that SDC is currently holding approximately \$4,500 in unpaid contractor invoices.

- **City of Milwaukee Housing Trust Fund ARPA Program** awarded a \$350,000 subaward to SDC for homebuyer counseling services. This program has not started, and no funds have been spent or committed by SDC to any contractor.
- **Employ Milwaukee Inc.’s Lead Workforce Training Program**, itself a recipient of a City ARPA subaward, in turn subawarded \$1,545,905.00 to SDC for construction occupational skills training combined with supportive services, incentives, stipends, lead abatement certifications, and job placement assistance. SDC met their training goal in 2023, concluded training, and their remaining contract amount for personnel/fringe was to be spent placing trainees into jobs. EMI terminated SDC’s contract on April 26, 2024. A total of \$1,441,124 was reimbursed to SDC over the course of the contract. EMI has received an invoice for \$17,232.75.

In addition to the ARPA funding, the City provides funding to SDC through the Community Development Grants Administration. SDC was awarded 2024 funding for the following projects; however, none of the 2024 contracts have been executed, so there is no additional risk to the funding.

- **Neighborhood Improvement Program.** CDGA awarded \$109,500 of CDBG funds and \$367,500 of HOME funds to SDC to provide rehabilitation work to owner-occupied properties. This program currently has eight projects in progress from prior year funding.
- **Homebuyer Counseling.** CDGA awarded \$100,000 CDBG funds to SDC to provide homebuyer literacy, credit counseling and mortgage assistance.
- **Employee Services.** CDGA awarded \$150,000 of CDBG funds to SDC to provide training and job readiness to participants in the following skills: culinary safety and sanitation, knife skills, flavors, and cooking techniques and construction training.
- **Community Organizing NSP 18.** CDGA awarded \$50,000 to SDC to provide a tool for organizing residents, neighborhood clean ups, identifying nuisance properties, block club formation and other neighborhood issues.

II. Response to News of SDC’s Alleged Misappropriation.

In response to news reports of SDC’s challenges, the Mayor’s Office directed all departments to cease any payments to SDC until further analysis could be done. Staff from the Department of Administration conducted a site visit and financial analysis of those records related to the expenditure of City funding, and found no evidence of misuse by SDC. The results of that site visit, combined with independent on-site verification from City staff that expected work was completed, and the thorough cost report documentation that the Department of Administration and the Comptroller’s Office receives and scrutinizes on a regular basis from SDC, provides DOA with confidence that City funds were used by SDC for their intended purposes. DOA will continue to provide heightened scrutiny of any SDC invoices that still require payment.

In addition to verifying proper use of City funds, City program staff have also reached out to known SDC contractors to determine whether those contractors have unpaid invoices pending with SDC. Program staff are working to ensure those contractors receive payment in a timely and reliable manner, while meeting federal grant requirements. While the exact method of payment is still under consideration, one option is the issuance of two-party checks.

III. Moving Forward.

The Department of Administration remains committed to ensuring that ARPA, CDBG, and HOME funds are used for their intended purposes: lead remediation in homes with lead-poisoned children, lead remediation workforce training, energy efficient upgrades, and repairing residents' homes faced with municipal building code violations, lead hazards, and/or health and safety concerns. To that end, program staff have finalized plans to reallocate remaining SDC funding while limiting program interruptions for residents in need of these vital services.

- **Milwaukee Health Department's Lead Remediation Program** will reallocate remaining funding from SDC to another program subrecipient, Habitat for Humanity, which will add another 60 units to Habitat's scope of work. MHD will also begin administering lead remediation work directly, and expects to release RFPs for that lead remediation work shortly.
- **ECO's Energy Efficient Upgrades Program** will reallocate approximately \$500,000 from SDC to current subrecipient Habitat for Humanity who will coordinate energy efficiency projects in sequence with MHD's lead abatement projects. ECO also plans to reserve approximately \$40,000 for city-contracted energy audits, and award approximately \$160,000 to [Me²](#) for program energy efficiency incentives in disadvantaged neighborhoods with completed lead abatement work or otherwise interested homeowners. The City has already issued an RFP for home energy auditors¹. ECO plans to work with Slipstream, Inc who has been a long-standing implementation partner on the Me² program and who will continue to receive referrals from MHD's lead program.
- **CDGA's Housing Trust Fund ARPA Program** will reallocate its unspent \$350,000 as part of the overall final ARPA reallocation process in the summer and fall of 2024.
- **Employ Milwaukee Inc.'s Lead Workforce Training Program** will continue contracting with Revitalize Milwaukee to provide hands on training for the remainder of the project period. This includes reallocating any funding left on SDC's terminated contract.
- **Neighborhood Improvement Project** will work with the Department of Neighborhood Services to assess the status of each open project and create new scopes of work if necessary. Some or all of the projects may need to be transferred to another NIP agency to provide the necessary oversight for contractor work and completion. Contractors that are in good standing will be retained (referred to the new NIP agency assigned to project) to complete their scopes. Clients with projects in progress will be notified of the next steps and clients that were ready to begin will be transferred to other NIP agencies.

The Department of Administration will continue to support SDC's corrective process and is willing to provide assistance to SDC as it reorganizes and institutes new safeguards, processes, and procedures.

¹ This RFP is also connected to a pending EPA Environmental Justice grant and the statewide Focus on Energy program.