

Community Development Block Grant: Extensions and Reprogramming of Funds

Government Performance and Financial Management Committee

January 14, 2020

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Purpose of Briefing

- Review Community Development Block Grant (CDBG) timely expenditure requirements
- Recommend extension and reprogramming of prior year unspent funds
- Seek Committee's favorable recommendation to move forward with the January 22 resolution authorizing
 - Extension of CDBG funds;
 - Preliminary adoption of Reprogramming Budget #1 for the FY 2019-20 Action Plan; and
 - Calling the public hearing
- Review Next Steps

Timely Expenditure Requirements

- There are two tests to ensure that CDBG funds are spent in a timely manner
 1. U.S. Department of Housing and Urban Development (HUD) as required by federal regulations
 2. City policy as directed by City Council resolution

HUD Expenditure Requirements

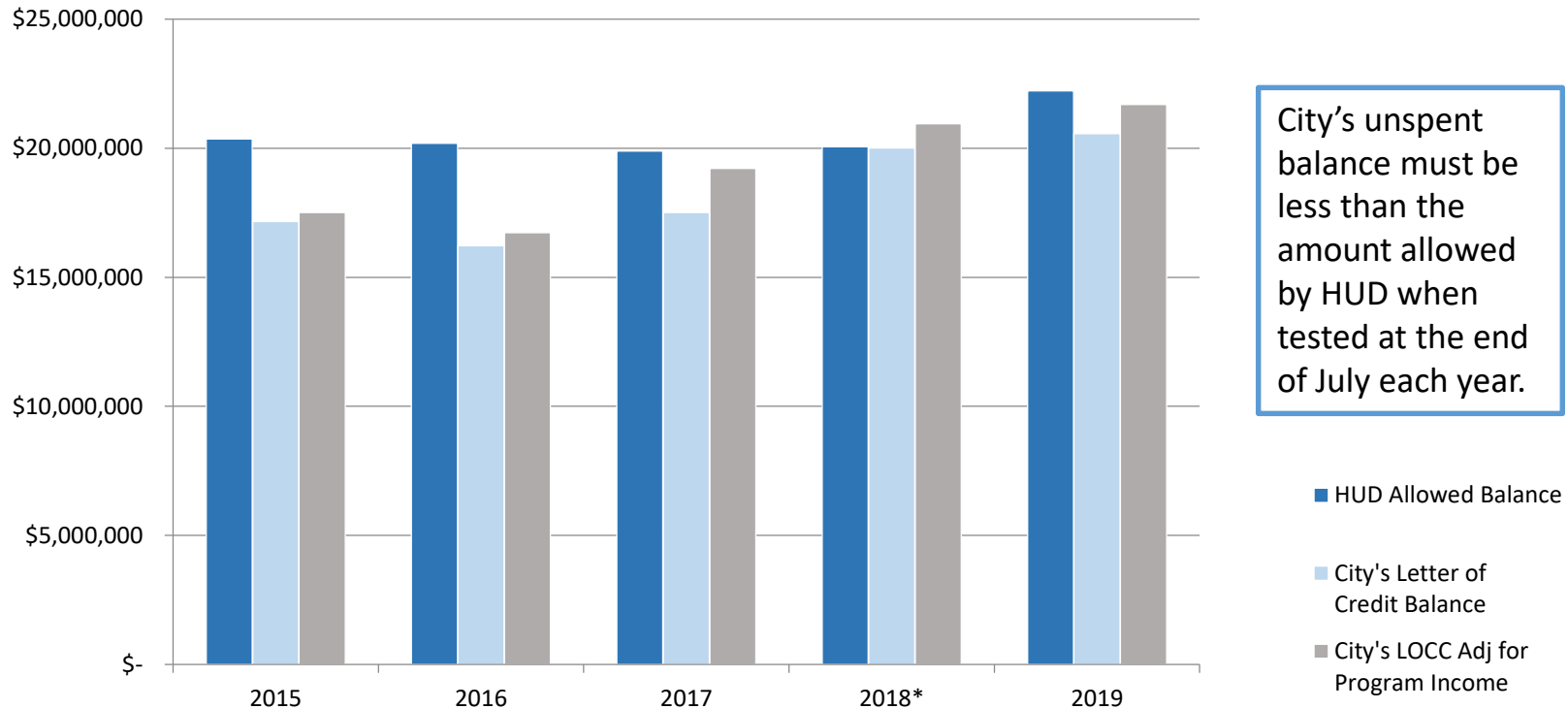
- HUD requires that CDBG funds be expended in a timely manner
 - Federal regulations limit amount of CDBG funds that may be unspent to no more than 1.5 times grantee's annual grant allocation
 - Failure to meet this requirement could result in a reduction of the next annual grant allocation
- Requirement is tested annually on August 2
- Test is conducted on two undisbursed amounts of CDBG funds
 - One is based on grant funds alone (unadjusted)
 - One is adjusted to include program income the City has received and reported to HUD

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HUD Expenditure Requirements

- HUD tests were conducted on August 2, 2019
 - For the first test (unadjusted), the City's balance was equivalent to 1.39, in compliance with the 1.5 threshold
 - For the second test (adjusted for program income), the City's balance was equivalent to 1.46, also within the required limit of 1.5

HUD Expenditure Requirements



* Note: City did not meet HUD's spending requirement in 2018. The non-compliance was cleared when the City met the requirement in 2019.

City Expenditure Requirements

- City Council established a policy in August 1993 to ensure timely expenditure of CDBG funds
 - CDBG funds must be obligated within 12 months and expended within 24 months
- In March 2007 the City Council added criteria and benchmarks to further define compliance with the policy
- City Council has authority to extend the time allowed for the expenditure of CDBG funds or may reprogram the unspent funds to other uses

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City Review

- Annual review is conducted during the Fall of each year to determine the status of each project
- Unspent project funds that are not in compliance with the City's internal policy are either recommended for an extension or reprogrammed to another eligible purpose
- Based on the most recent review
 - Unspent funds remaining in 5 projects were recommended for extension (total \$280k); and
 - Unspent funds remaining in 10 projects were recommended for reprogramming (total \$2.5m)

CDC Review

- Review by the Community Development Commission (CDC) occurred during December and January
 - CDC Financial Monitoring Committee reviewed the City Manager's recommendation on December 18 and made no amendments
 - On January 6, CDC reviewed and approved the Financial Monitoring Committee's recommendation
- List of projects provided in the Attachment

Recommendations

- On January 22, Council will be asked to approve
 - Extension of the City's timely expenditure policy for 5 CDBG projects and \$280k to allow additional time to complete the projects
 - Preliminary adoption and call for a public hearing to reprogram unspent prior year funds from 10 projects totaling \$2.5m for other eligible uses

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Recommendations

- To ensure the City continues to meet HUD's expenditure requirements in a timely manner, staff recommends moving forward with budgeting of unspent prior year funds
 - Approximately \$2.5m from 10 projects
- Recommended use of reprogramming funds
 - Residential Development Acquisition Loan Program (Housing) - \$2,098,680
 - Vickery Meadow Community Court (Public Improvement) - \$400,000

Recommendations

- The Residential Development Acquisition Loan Program allows for more eligible housing activities, and includes both single-family and multi-family uses
 - Approximately \$1.9m from Home Improvement and Preservation funding (specifically for multi-family projects) is included on the list of projects recommended for reprogramming due to the limited scope allowed by this program
- Vickery Meadow Community Court project is currently underway and additional funds are needed to complete the project
- CDC gave favorable recommendation during their January 6 meeting

Next Steps

- January 14 – Committee’s consideration to move forward with extensions and reprogramming as recommended
- January 22 – City Council consideration
 - Extension Requests;
 - Preliminary adoption of Reprogramming Budget #1 for the FY 2019-20 Action Plan;
 - Call the public hearing
- February 26 – Hold public hearing; and Final adoption of Reprogramming Budget #1 for the FY 2019-20 Action Plan

Attachment

Extensions & Reprogramming Project Listing By Department



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