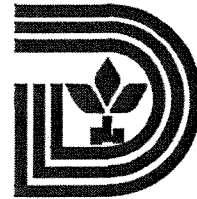


Memorandum



CITY OF DALLAS

DATE February 1, 2008

TO Honorable Mayor and Members of the City Council

SUBJECT FY2007-08 Community Development Block Grant
Extensions and Reprogramming Briefing

The February 6th agenda includes a briefing on the Community Development Block Grant (CDBG) Extensions and Reprogramming for FY2007-08. The briefing is attached for your review.

This briefing reviews the HUD's timely expenditure requirements and the City's policy to ensure compliance with HUD's requirements. All projects that are not in compliance with the policy are reviewed and are submitted for Council approval of an extension of the funding so that projects may be completed. Any remaining unspent funds for completed projects are reprogrammed.

The Community Development Commission reviewed the list of extensions and reprogramming projects on January 3, 2008 and made recommendations to the Council. On January 22, 2008, the City Council's Housing Committee was briefed on the FY 2007-08 CDBG Extension and Reprogramming recommendations and made amendments. Unspent funds remaining in 47 CDBG projects, totaling \$7,754,992, were recommended for extension. Approval to extend the twelve-month obligation and twenty-four month expenditure requirement for these projects through September 30, 2008 is requested. In addition, 59 CDBG projects, totaling \$1,433,599 are identified for reprogramming. It is recommended that the reprogramming funds be used in conjunction with development of the FY2008-09 Consolidated Plan budget. An item is scheduled for Council action on February 13, 2008.

Please let me know if you need additional information.

A handwritten signature in black ink, appearing to read 'D. Cook'.

David Cook
Chief Financial Officer

C: Mary K. Suhm, City Manager
Ryan S. Evans, First Assistant City Manager
Charles W. Daniels, Assistant City Manager
A. C. Gonzalez, Assistant City Manager
Jill A. Jordan, Assistant City Manager
Ramon F. Miguez, Assistant City Manager
Thomas P. Perkins, City Attorney
Deborah Watkins, City Secretary
Craig Kinton, City Auditor
Jeanne Chipperfield, Interim Director, Budget Services

FY2007-08 Community Development Block Grant Extensions and Reprogramming

Presented to the
City Council
February 6, 2008



Purpose of Briefing

- Review the Community Development Block Grant timely expenditure requirements and compliance with the requirements
- Discuss CDBG funds to be included in the FY2008-09 Consolidated Plan budget

HUD Requirement and Compliance

- U.S. Department of Housing and Urban Development requires that CDBG funds be expended in a timely manner
 - Federal regulations only allow for the cumulative unspent balance of all CDBG grants to be no more 1.5 times the annual grant allocation
 - Tested on July 31 annually

- Non-compliance with the regulation causes a reduction in the next annual grant
 - The next annual grant is reduced by the amount that the accumulated balance exceeds the 1.5 requirement

- City is in compliance with this requirement as of July 31, 2007

\$18.41m FY 2006-07 annual grant allocation
x 1.5
\$27.61m HUD goal for July 31, 2007
\$27.48m Actual July 31, 2007 balance
\$ 0.13m Performance better than goal

City Requirement and Compliance

On August 18, 1993, the City Council established a spending policy for all CDBG projects:

- Project funds should be obligated/encumbered within 12 months of the beginning of the fiscal year and
 - Unobligated funds appropriated in FY2006-07 must be extended to continue spending
- Project funds should be expended within 24 months of beginning of the fiscal year in which the project was appropriated
 - Unexpended funds appropriated prior to FY2006-07 must be extended to continue spending

City Requirement and Compliance

On March 28, 2007, the City Council enhanced the criteria used to determine compliance with the City's existing timely expenditure policy by adding benchmarks:

- Categorized the various CDBG projects based on the intended use of funds
- Set timeframes regarding the obligation and expenditure of funds for each category of project
- Council has the authority to approve extensions outside of the benchmark timeframe for implementation

Timely Expenditure Policy –

Benchmarks added in the following categories:

1. On-going Programs
2. Unspecified Programs
3. Public Improvement Projects
4. Davis Bacon Restitution Funds

Timely Expenditure Policy (cont'd)–

1. On-Going Programs

Description: On-going programs are continuing operating programs that are funded annually.

- Individual program budgets are an annual allocation and include these types of costs
 - Staffing, supplies and materials
 - Contracted services
 - Direct assistance to benefit low/mod clientele

- The programs are designated by HUD in specific categories - Public Services, Housing, Economic Development, Planning & Program Oversight

- The following categories have spending caps which limit the annual obligation and expenditure of funds
 - Public Services cap - 15% of allocation
 - Planning & Program Oversight cap - 20% of allocation
 - Extension of funds in 2 these categories may cause the City to exceed the caps and should be considered carefully

Timely Expenditure Policy (cont'd)–

1. On-Going Programs (cont'd)

Benchmarks:

- Reprogram unobligated funds for all categories of on-going programs at the end of the fiscal year.
 - Exception: allow a 2 year period to obligate funds in programs that provide direct assistance to low/mod clientele in the non-capped Economic Development and Housing categories.
 - All unobligated funds budgeted prior to FY2005-06 are subject to reprogramming in FY2007-08.
 - These programs include: Home Repair Programs, SHARE, Replacement Housing, Relocation Assistance, Mortgage Assistance.

- Extension of encumbered funds will be considered annually in accordance with the current policy

- All unobligated staff and contract costs have been recommended for reprogramming

Timely Expenditure Policy (cont'd)—

2. Non Specific Projects

Description: Projects that are budgeted without specific details for implementation.

- Examples include the Business Development Program, Fair Park Commercial Corridor Demonstration Program, and Residential Development Acquisition Loan Program

Benchmarks:

- 1 year to identify the project
- 1 year to secure additional financing and complete design
- 1 year to initiate implementation or construction
- Annually, the extension of funds will be evaluated for project viability and the potential for reimbursement of ineligible CDBG expenses to HUD from the General Fund
- The extension recommendation will be submitted to the Council for approval, in accordance with the current policy

Timely Expenditure Policy (cont'd)–

3. Public Improvement Projects

Description: Capital improvements. These projects generally require more time to implement. Examples include NIP Public Improvements, Park Facilities Improvements, City Facilities Major Maintenance, Sidewalk Improvements, Barrier Free Ramps.

Benchmarks:

- Specific Public Improvement Projects (project location identified in the budget)
 - 1 year for design
 - 1 year to initiate construction
- Non-specific Public Improvement projects (project location not identified in the budget)
 - 2 years to identify project(s) and complete design
 - 1 year to initiate construction
- Annually, the extension of funds will be evaluated for project viability and the potential for reimbursement of CDBG expenses to HUD from the General Fund
 - The extension recommendation will be submitted to the Council for approval, in accordance with the current policy

Timely Expenditure Policy – Additional Considerations (cont'd)

□ 4 Non-profit Public Improvement Projects

- Effective with the FY 2003-04 budget, Council established a new policy to no longer fund public improvements located at non-profits
- The following projects were begun prior to the policy and exceeded the recommended implementation period for Public Improvement Projects. During the FY2006-07 process, extensions were approved through February 28, 2008 to allow an additional year to complete the improvements
- Extension recommended pending legal review/recommendation for City's options

Project	Year Funded	Amount Spent/ Repayment to HUD	Amount Remaining to Draw	Status Update
Alameda Heights - #31	FY1999-00	\$67,495	\$107,505	Recommend extension
Centurion Project/ Human Services Network - #32	FY2001-02	\$40,695	\$8,841	Recommend extension
E's Haven - #42/#43	FY1996-97 FY1997-98	\$11,000 \$0	\$39,000 \$100,000	Recommend extension
N2WIN!/Bama Pie - #89	FY2000-01	\$197,478	\$92,522	Recommend extension

Timely Expenditure Policy (cont'd)—

4. Davis Bacon Restitution

Description:

- ❑ Davis Bacon Act requires minimum wage rates for certain construction work classifications
- ❑ City staff evaluates contractor's compliance with the Act
- ❑ To resolve violations, a restitution amount is determined and the City or Contractor has to contact the affected employees
- ❑ Payments to the contractor are suspended and the funds are retained to pay restitution to the affected employees
- ❑ Restitution funds must be held for 3 years, beginning from 1st documented notification to the employee (escrow period)

Benchmark:

Unclaimed restitution funds will be reprogrammed at the end of the project's 3 year escrow period.

City Manager's Recommendation

- A review of the projects was conducted based on the timely expenditure policy (including the benchmarks)
 - Unspent funds remaining in 35 Projects recommended for extension - total \$6.0m
 - Unspent funds remaining in 71 Projects recommended for reprogramming- total \$3.1m

- Attachment B includes the explanations.

Community Development Commission Review

- CDC's Financial Monitoring Committee reviewed all required CDBG projects on January 3rd with City staff
- On January 3rd, the CDC recommended City Manager's proposed extensions and reprogramming of CDBG funds with 1 amendment:
 - Moved 4 projects from the reprogramming list to the extension list (\$1,414,164)

Note: CMO did not object to CDC recommendation provided that projects meet all HUD requirements prior to expenditure of funds.

Subsequent Review

- ❑ Initial extension recommendation of the City Manager and the CDC did not include the 4 nonprofit public improvement projects (see page 11)
- ❑ After consultation with the City Attorney's Office an extension is requested to review the City's legal options
- ❑ City Manager and CDC extension recommendations were updated to reflect additional projects.

Housing Committee Recommendation

- On January 22nd, the City Council's Housing Committee reviewed the CDBG projects and made the following recommendations:
 - Moved 8 projects from the reprogramming list to the extension list (\$280,844)
 - 1 directed reprogramming from the Neighborhood Street Improvement Petition Grants program to the Sidewalk Improvement Program (\$119,253)

Current Recommendations

- As recommended by the Housing Committee
 - Unspent funds remaining in 47 Projects recommended for extension - total \$7.7m
 - Unspent funds remaining in 59 projects recommended for reprogramming – total \$1.4m
- No decision be made on any use of the \$1.4m reprogramming funds
- Reprogramming funds be allocated as part of the FY2008-09 budget process

Next Steps

- Feb 13 – Agenda item for consideration of extension requests
- Mar 6 – CMO recommended FY2008-09 Consolidated Plan Budget briefed to CDC
- Apr 16 - FY2008-09 Consolidated Plan Budget with CDC recommended amendments briefing to Council
- May 14 - Preliminary adoption of FY2008-09 Consolidated Plan Budget