

EXECUTIVE SUMMARY SHEET
CITY OF SAN DIEGO

DATE ISSUED: _____ REPORT NO: _____
ATTENTION: Council President and City Council
ORIGINATING DEPARTMENT: City Planning and Community Investment Department
SUBJECT: FY 2011 Community Development Block Grant (CDBG)
Reprogramming of Project Balances
COUNCIL DISTRICT(S): Citywide
CONTACT/PHONE NUMBER: Angela Nazareno/619-236-6944

REQUESTED ACTIONS:

1. Approve the reprogramming recommendations for City's CDBG Program project balances; contingent upon certification of fund availability by the City Comptroller.
2. Authorize the Mayor or his designee to utilize the reprogrammed CDBG project entitlement funding balances to defease the following CDBG Section 108 loans: 1) SEDC, 2) Cortez Hill, 3) Ocean Beach Library 4) District 3 Public Improvements and 5) Otay Library; contingent upon certification of fund availability by the City Comptroller.
3. Direct the City Comptroller to de-appropriate \$859,395 in CDBG entitlement funds from the San Diego Housing Commission as part of clean up.

STAFF RECOMMENDATIONS:

Adopt the Requested Actions.

SUMMARY:

The CDBG Program is administered by the Economic Development Division of the City Planning and Community Development Department. CDBG staff is responsible for grant compliance, contracting, reimbursement payments and overall administration of the City's CDBG Program. The City of San Diego has received CDBG funding annually since 1975. As a result of a 2007 monitoring letter and recommendations sent to the City by the U.S. Department of Housing and Urban Development (HUD)'s, a clean-up of the City's project history in HUD's Integrated Disbursement and Information System (IDIS) has been undertaken. This exhaustive accounting reconciliation and project history clean-up included all of the City's unused CDBG balances from over 850 projects dating from 1992 to 2010.

These project balances were verified through comparison with all of the City's available automated accounting resources, including the City's AMRIS, SIMPLER and SAP systems, as well as HUD's IDIS database. Individual project managers were contacted to collect status information on all projects with balances.

In April 2010 of this year, while the clean-up was in process, HUD reviewed the City's CDBG performance for all HUD entitlement grants (CDBG, ESG, HOME, and HOPWA) to determine whether the City, as grant recipient, is carrying out its CDBG-assisted activities in a timely manner. HUD performs this review on an annual basis, 60 days prior to the end of each program year, to ensure that the City has no more than 1.5 times its current annual entitlement grant amount on hand in accordance with HUD's timeliness rule. In 2010, HUD reviewed the City's total amount of CDBG entitlement grant funds available on May 3, 2010 and found that the City was not in compliance. Part of the reason for the City's finding of non-compliance is that the City has approximately \$10 million in project balances from 1992 through 2010 that are not

actively being spent on the projects approved by City Council. HUD notified the City on May 17, 2010 that the City currently has 1.8 times its current annual entitlement amount on hand.

HUD placed the City's CDBG program on a "work-out plan" on August 25, 2010, which identifies an expenditure trend-line that must be adhered to and corrective actions that will be taken to bring the timeliness requirement to less than 1.5 times the City's entitlement by April 30, 2011. Recognizing that the reconciliation had identified \$10 million in funds that cannot be used to complete CDBG projects; CDBG staff requests that Council approve the recommendation to transfer all unused funding from prior years' projects to the defeasance of existing Section 108 loans. The Section 108 Loans to defease are: 1) SEDC, 2) Cortez Hill, 3) Ocean Beach Library, and 4) District 3 Public Improvements. This March, 2011 is a critical deadline for all expenditure and reporting to ensuring that the City is in full compliance with the timeliness requirement before HUD's next timeliness review in April, 2011.

The project balances recommended herein for reprogramming to Section 108 loan defeasance consist of the following statuses: 1) project was completed and left a remaining balance, 2) project did not have enough funding for completion, 3) agency declined to use the funds, 4) project was an ineligible activity; or 5) project could not be completed by the March 1, 2011 deadline implemented by the CDBG Program to enable reporting to HUD by the end of April, 2011, timeliness rule deadline.

In addition, a budget of \$859,395 was identified in the City's accounting systems allocated to the San Diego Housing Commission (SDHC) in FY 2002. The CDBG office notified the SDHC and staff confirmed that this funding was no longer in the agency's budget. Due to the fact that this budget was not corroborated by project entries in IDIS nor SDHC's accounting system, the City Comptroller's office requests that these funds be de-appropriated by Council to close the project budget as part of the clean-up process.

EQUAL OPPORTUNITY CONTRACTING:

This agreement is subject to the City's Equal Opportunity Contracting (San Diego Ordinance No. 18173, Section 22.2701 through 22.2708).

This Agreement is subject to the Non-Discrimination in Contracting Ordinance (San Diego Municipal Code Sections 22.3501 through 22.3517).

FISCAL CONSIDERATIONS:

All funding for these actions comes from the U.S. Department of Housing and Urban Development and will have no impact on the City's General Fund.

PREVIOUS COUNCIL AND/OR COMMITTEE ACTION:

N/A.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

A Public Notice for the proposed reallocation is being published in the Union Tribune, San Diego Daily Transcript, La Prensa, the Voice & Viewpoint, Channel 24 (CityTV), and the City's CDBG program webpage (www.sandiego.gov/cdbg/general). The public will have an opportunity to comment when the City Council considers adoption of the revision at a public meeting.

KEY STAKEHOLDERS AND PROJECTED IMPACTS:

Residents of low and moderate income communities.


Beth Murray
Deputy Director
Economic Development Division