

**REQUEST FOR COUNCIL ACTION**  
CITY OF SAN DIEGO

CERTIFICATE NUMBER  
(FOR COMPTROLLER'S USE ONLY)  
3000005822 & 100480941

TO: CITY COUNCIL	FROM (ORIGINATING DEPARTMENT): CDBG/Economic Development	DATE: 12/03/2012
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SUBJECT: FY 2013 Community Development Block Grant (CDBG) Reprogramming of Unused Project Balances

PRIMARY CONTACT (NAME, PHONE): Amy Gowan, 236-6464, 56D	SECONDARY CONTACT (NAME, PHONE): Shirley Reid, 236-6421, 56D
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**COMPLETE FOR ACCOUNTING PURPOSES**

FUND	600000	600000	600000	600000	600000
DEPT / FUNCTIONAL AREA	OTHR-00000000-NS	OTHR-00000000-NS	ADAP-00000000-CL	OTHR-00000000-NS	OTHR-00000000-NS
ORG / COST CENTER	1316130001	1316130001	1714121323	1316130001	1316130001
OBJECT / GENERAL LEDGER ACCT	512066	512117	512025	512117	512066
JOB / WBS OR INTERNAL ORDER	BU1000003-11	UC1000003-13	S10026.08	UC1000003-12	BJ1000003-12
C.I.P./CAPITAL PROJECT No.					
AMOUNT	\$400,000.00	\$1,133,331.60	\$285,000.00	\$28,361.41	\$400,000.00

FUND	600000	600000	600000	600000	600000
DEPT / FUNCTIONAL AREA	OTHR-00000000-NS	OTHR-00000000-NS	OTHR-00000000-NS	OTHR-00000000-NS	OTHR-00000000-NS
ORG / COST CENTER	1316130001	1316130001	1316130001	1316130001	1316130001
OBJECT / GENERAL LEDGER ACCT	512066	512066	512066	512066	330028
JOB / WBS OR INTERNAL ORDER	ER1000003-10	HN1000003-10	IJ1000003-10	OG1000003-09	Program Income
C.I.P./CAPITAL PROJECT No.					
AMOUNT	\$24,925.00	\$65,000.00	\$40,000.00	\$141,159.00	\$154,722.58

COST SUMMARY (IF APPLICABLE): Please see Attachment A to resolution.

**ROUTING AND APPROVALS**

CONTRIBUTORS/REVIEWERS:	APPROVING AUTHORITY	APPROVAL SIGNATURE	DATE SIGNED
Environmental Analysis	ORIG DEPT.	Broughton, Kelly	12/27/2012
Liaison Office	CFO		
Debt Management	DEPUTY CHIEF		
Financial Management	COO	Goldstone, Jay	1/10/2013
Comptroller	CITY ATTORNEY		
	COUNCIL PRESIDENTS OFFICE		

PREPARATION OF:  RESOLUTIONS  ORDINANCE(S)  AGREEMENT(S)  DEED(S)

1. Approve the staff recommendation to reprogram all of Community Development Block Grant (CDBG) Program unexpended project balances identified in Attachment A to this resolution, totaling \$2,672,499.59 to the defeasance of all outstanding HUD Section 108 loans, contingent upon certification of fund availability by the Chief Financial Officer.

2. Authorize the Chief Financial Officer or his designee to decrease the Fiscal Year (FY) 2013 Capital Improvement Project (CIP) Program Budget in Fund 600000, CDBG Program, by \$285,000 from WBS S10026.08 PALISADES PARK COMFORT STATION REPLACEMENT.
3. Authorize the Chief Financial Officer to de-appropriate \$285,000 in Fund 600000, CDBG Program, from WBS S10026.08 PALISADES PARK COMFORT STATION REPLACEMENT.
4. Authorize the Chief Financial Officer or his designee to appropriate \$154,722.58 of program income to FY13 108 Loan Defeasement Program, Fund 600000, Federal Grants, Grant 1000003-2013.
5. Authorize the Chief Financial Officer to transfer appropriations in a total amount not to exceed \$2,517,777.01 in reprogrammed CDBG project balances to FY 2013 108 Loan Defeasement Program, Fund 600000, Federal Grants, Grant 1000003-2013, which consists of the following: (a) \$28,361.41 from FY12 Unobligated CDBG (b) \$1,133,331.60 from FY13 Unobligated CDBG, (c) \$285,000 from CIP project, and (d) \$1,071,084 from Non-CIP projects.
6. Authorize the Chief Financial Officer to appropriate and expend up to a total amount not to exceed \$2,672,499.59 to defease the following identified HUD Section 108 loans in the following priority to the extent that such funds are sufficient to do so: (a) Camp Hope (Loan No B-03-MC-06-0542-B), (b) Logan Heights Family Health Center (Loan No B-98-MC-06-0542-A), (c) San Diego LGBT (Loan No B-04-MC-06-0542), and (d) Central Police (Loan No B-97-MC-06-0542), contingent upon certification of fund availability by the Chief Financial Officer. Any remaining balance after the completion of this loan defeasance will be held until the next reprogramming and/or allocation process.
7. Authorize the Chief Financial Officer or his designee to take any and all actions required to defease the identified HUD Section 108 loans, including but not limited to negotiating and executing any necessary agreements.

**STAFF RECOMMENDATIONS:**  
Approve the Requested Actions.

**SPECIAL CONDITIONS (REFER TO A.R. 3.20 FOR INFORMATION ON COMPLETING THIS SECTION)**

COUNCIL DISTRICT(S):	Citywide
COMMUNITY AREA(S):	Citywide
ENVIRONMENTAL IMPACT:	This activity will not result in a direct or reasonably foreseeable indirect physical change in environment, and is not subject to CEQA pursuant to CEQA Guidelines Section 15060(c)(2).
CITY CLERK INSTRUCTIONS:	

**COUNCIL ACTION**  
**EXECUTIVE SUMMARY SHEET**  
CITY OF SAN DIEGO

DATE: 12/03/2012

ORIGINATING DEPARTMENT: CDBG/Economic Development

SUBJECT: FY 2013 Community Development Block Grant (CDBG) Reprogramming of Unused Project Balances

COUNCIL DISTRICT(S): Citywide

CONTACT/PHONE NUMBER: Amy Gowan/236-6464, 56D

**DESCRIPTIVE SUMMARY OF ITEM:**

CDBG staff is requesting that City Council authorize the reprogramming of unused CDBG allocations and program income, and authorize the Mayor or his designee to utilize the CDBG funding from the reprogrammed project balances to defease outstanding HUD Section 108 loans. This action is requested in order to meet U.S. Department of Housing and Urban Development's (HUD) expenditure timelines, which are measured in April of each year.

**STAFF RECOMMENDATION:**

Approve the Requested Actions.

**EXECUTIVE SUMMARY OF ITEM BACKGROUND:**

The City of San Diego has received CDBG funding annually since 1975 and this funding is administered by the Economic Development & Project Management Division of the Development Services Department. CDBG Program staff are responsible for grant compliance, contracting, reimbursement payments, and overall administration of the City's CDBG Program.

Annually, HUD reviews the performance of the City's CDBG entitlement grant to determine whether the CDBG Program is carrying out its grant-funded activities in a timely manner. HUD performs this review 60 days prior to the end of each program year (April 30th), 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 FY 2010, HUD performed its timeliness review in May 2010 and found that the City had over 1.8 times its current annual entitlement amount on hand and that the City was not in compliance with the timeliness rule. As a result, the City committed to a two year work-out plan in August 2010, which included an expenditure plan based on projected program spending, along with other corrective actions necessary to bring the City into compliance.

Consistent with the workout plan and Council Policy 700-02, in FY 2011 and FY 2012, the City used excess CDBG project balances to defease outstanding Section 108 loan balances in order to reduce the City's CDBG Program liability and meet HUD's timeliness requirement. Defeasance is a financing tool wherein the bonds issued by HUD which funded the Section 108 loans are legally retired without a bond redemption. In this case, CDBG funds are set aside and used to purchase government securities whose principal and interest earned are sufficient to meet all future principal and interest payments on the bonds. Once the outstanding principal and interest balances of these loans are defeased, all City obligations to repay the loans are removed. Through this method of reprogramming unused CDBG funds and defeasing Section 108 loans,

the City has achieved timeliness goals for FY 2011 and FY 2012 and is currently in good standing with HUD.

Council Policy 700-02 states that, “funds not used within 18 months of the start of each fiscal year will be subject to reprogramming by the City Council.” Accordingly, CDBG staff reviewed all FY 2013 remaining project balances and identified \$2,517,777.01 of unused CDBG funds that consist of: (a) \$28,361.41 from FY 2012 Unobligated CDBG Program account, (b) \$1,133,331.60 from FY 2013 Unobligated CDBG Program account, (c) \$285,000 from CIP and (d) \$1,071,084 from non-CIP projects. These amounts represent either projects that were completed and left remaining balances or projects that were not completed because: (1) contract not executed, (2) the agency declined to use the funds, or (3) full expenditure could not be completed by contract end date to enable compliance with HUD timeliness. With the addition of program income in the amount of \$154,722.58 to the remaining project balances of \$2,517,777.01, a total amount of \$2,672,499.59 is available for reprogramming. Attachment A provides a listing of the projects and corresponding scenarios. For each instance listed in Attachment A, where the project has been completed, the 18 month timeframe has expired.

Council Policy 700-02 provides that “funding for the repayment of HUD Section 108 loans will be taken from the city’s overall annual allocation prior to funding being made available to address other Consolidated Plan goals.” By reprogramming prior year’s balances to defease Section 108 loans, more funding will be available in future fiscal years, because the loan repayments will not need to be subtracted from the annual allotment.

With this particular action for which the City’s CDBG staff has already obtained the approval of HUD, the City can continue the progress achieved to date and meet this year’s timeliness requirements by using the \$2,672,499.59 in program income and unused CDBG funds to defease as many Section 108 loans as possible. The remaining Section 108 loans are: (1) Logan Heights Family Health Center, (2) Camp Hope, (3) San Diego LGBT, and (4) Central Police.

**FISCAL CONSIDERATIONS:**

All funding for these actions comes from the U.S. Department of Housing and Urban Development. These actions will not result in any fiscal impacts to the City's General Fund.

By taking this action, the City will be able to comply with HUD timeliness requirements and will also reduce outstanding Section 108 loan balances due to HUD.

**EQUAL OPPORTUNITY CONTRACTING INFORMATION (IF APPLICABLE):**

This action is exempt per November 14, 2011 memo subject: Requests for Mayoral and/or City Council Action - Projects Exempt from Equal Opportunity Contracting Program Review.

**COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:**

A Public Notice for the proposed reprogramming is being published in the San Diego Daily Transcript, La Prensa, Voice & Viewpoint, Channel 24 (CityTV), and the City's CDBG Program web page ([www.sandiego.gov/cdbg/general](http://www.sandiego.gov/cdbg/general)), as well as the CDBG Program's agency distribution list.

**KEY STAKEHOLDERS AND PROJECTED IMPACTS:**

By taking this action, the City will be able to comply with HUD timeliness requirements and will also defease all outstanding Section 108 loan balances due to HUD.

This action does not result in a direct impact to agencies that receive CDBG funds. Should these unspent balances not be used for defeasement purposes, they would rollover and be included to the FY 2014 allocation process. However, this scenario would cause the City to be out of compliance with HUD's timeliness rule.

For each project listed on Attachment A, either an acknowledgement authorizing the City to reprogram unused funds has been signed by the agency, or the 18 month timeframe has expired.

Broughton, Kelly

Originating Department

Goldstone, Jay

Deputy Chief/Chief Operating Officer

**COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM  
LIST OF UNUSED PROJECT BALANCES**

<b>PROJECTS COMPLETED</b>		
<b>PROJECT</b>	<b>BALANCE</b>	<b>STATUS</b>
ST LIGHTS IN D7	566.00	COMPLETE
OCEAN BEACH RECR TN	14,235.00	COMPLETE
ENCANTO COM PK CON	4,190.86	COMPLETE
MISSION BEACH COMMUN	5,579.78	COMPLETE
FY 12 UNOBLIGATE CDBG	3,789.77	COMPLETE
<b>FY12 UNOBLIGATED CDBG PROGRAM</b>	<b>28,361.41</b>	
ADA PROJECTS BACKLOG-CD5-SD REG	2,767.10	COMPLETE
LG ACMY MTZM S00972	124,366.74	COMPLETE
FY13 CDBG Balance	3,406.00	COMPLETE
HUD ADM-PE-12	455,504.48	COMPLETE
HUD ADM-NPE-12	37,861.85	COMPLETE
ACCESS-MICRO-12	8,473.37	COMPLETE
ACCION-MICROLEND-12	35,623.84	COMPLETE
HORN-REFUGEE-12	11,117.20	COMPLETE
UPAC-ECON DEV-12	11,620.10	COMPLETE
URBAN-GREEN-12	4,581.71	COMPLETE
CHW-HOMEOWN-12	5,626.50	COMPLETE
ALPHA-TAKE-12	21,730.05	COMPLETE
ANGEL-SR FOOD-12	12,615.28	COMPLETE
CCS-U R SOLTN-12	1,215.35	COMPLETE
4TH DIST-ENHANCE-12	12,535.47	COMPLETE
NFJW-WOMEN-12	25,404.39	COMPLETE
PRO KIDS-EXPAND-12	20.82	COMPLETE
SDHC-CORTEZ-12	3,141.95	COMPLETE
SDHC-HEWSP-12	32,797.05	COMPLETE
SDWFP-HIRE YTH-12	40,883.88	COMPLETE
SAY-TEEN-12	636.12	COMPLETE
SVDP-HOMELESS-12	31,500.62	COMPLETE
STAR/PAL-YTH-12	20,131.64	COMPLETE
SEC 108-COL/ROL-12	0.05	COMPLETE
SEC 108-D4 SR CTR-12	0.05	COMPLETE
SEC 108-LGM FAM-12	0.20	COMPLETE
FY12 108 LOAN DEFEAS	21,313.17	COMPLETE
HUD ADMIN-11	15,061.65	COMPLETE
SOUTHWEST CLG AST-11	6,434.34	COMPLETE
REBUILD SD-11	87,965.94	COMPLETE
REBUILD SD HOME-11	3,794.39	COMPLETE
SD IMP CNTY HOME-11	21,855.99	COMPLETE
MENTOR PROTÉGÉ-11	551.87	COMPLETE
PROJECT MGMT - FY10	11,269.05	COMPLETE
LINDA VISTA THTR 10	625.00	COMPLETE
MCAFEE RESIDENCE 10	10.00	COMPLETE
TREESMART SD 10	13,811.29	COMPLETE

**PROJECTS COMPLETED**

<b>PROJECT</b>	<b>BALANCE</b>	<b>STATUS</b>
AFFD HSG REH-WINSON	7,707.15	COMPLETE
REBUILD CITY HGHT 10	1.00	COMPLETE
NORTH SHORES VOC CTR	3,940.85	COMPLETE
CDBG ADMIN PE & NPE	9,580.04	COMPLETE
CDBG CONSULTANTS(2)	208.00	COMPLETE
PE AND NPE PROJ MGMT	15,622.77	COMPLETE
CITY OF SD-PROJ MGMT	9,872.16	COMPLETE
LSNP ENF/OUTREACH	145.13	COMPLETE
<b>FY13 UNOBLIGATED CDBG PROGRAM</b>	<b>1,133,331.60</b>	

PROGRAM INCOME	154,722.58	
<b>PROGRAM INCOME</b>	<b>154,722.58</b>	

**PROJECTS NOT COMPLETED**

<b>PROJECT</b>	<b>BALANCE</b>	<b>STATUS</b>
CITY-PR-PALISADES-13	285,000.00	CONTRACT NOT EXECUTED
<b>CAPITAL IMPROVEMENT PROJECT (CIP)</b>	<b>285,000.00</b>	

ELDERHELP OF SD-11	400,000.00	DECLINED FUNDS
ELDER-COMM CTR-12	400,000.00	DECLINED FUNDS
CROSSROADS-ADA COMP	24,925.00	DECLINED FUNDS
AFFORD HSNH REHAB 10	65,000.00	CONTRACT EXPIRED
NEIBRHD BIKE RACK 10	40,000.00	DECLINED FUNDS
NEIL GOOD DAY CTR-09	141,159.00	CONTRACT EXPIRED
<b>NON-CIP PROJECTS</b>	<b>1,071,084.00</b>	

**FY 13 REPROGRAMMING GRAND TOTAL****2,672,499.59**



ACCOUNTING DATA

Doc. Item	Fund	FY	Funded Program	Internal Order	Functional Area	GA/Account	Business Area	Cost Center	WBS	Original Amount	Comptrollers Certificate
1	600000	2011		BU1000003-11	OTHR-0000000-NS	512066	1316	1316130001		400,000.00	3000005822
2	600000	2013		UC1000003-13	OTHR-0000000-NS	512117	1316	1316130001		1,133,331.60	3000005822
3	600000	2013			ADAP-0000000-CL	512025	1714	1714121323	S10026.08	285,000.00	3000005822
4	600000	2012		UC1000003-12	OTHR-0000000-NS	512117	1316	1316130001		28,361.41	3000005822
5	600000	2012		BU1000003-12	OTHR-0000000-NS	512066	1316	1316130001		400,000.00	3000005822
6	600000	2010		ER1000003-10	OTHR-0000000-NS	512066	1316	1316130001		24,925.00	3000005822
7	600000	2010		HN1000003-10	OTHR-0000000-NS	512066	1316	1316130001		65,000.00	3000005822
8	600000	2010		IJ1000003-10	OTHR-0000000-NS	512066	1316	1316130001		40,000.00	3000005822
9	600000	2009		OG1000003-09	OTHR-0000000-NS	512066	1316	1316130001		141,159.00	3000005822
10	600000	2012			OTHR-0000000-NS	330028	1316	1316130001		154,722.58	100480941

2,672,499.59