



THE CITY OF SAN DIEGO
REPORT TO THE CITY COUNCIL

DATE ISSUED: October 28, 2009 REPORT NO: 09-155
ATTENTION: Council President and City Council
SUBJECT: FY 2010 Community Development Block Grant (CDBG)
Reprogramming Hearing

REQUESTED ACTIONS:

1. Approve the reprogramming of CDBG funds for the Mayor's Office and all Council District offices, set forth in Report to the City Council No. _____, a copy of which is on file with the Office of the City Clerk as Document No. RR- _____, contingent upon Comptroller certification of fund availability.
2. Direct that the City's Funding Obligations and those projects and programs approved for funding in the reprogramming hearing be incorporated into an amendment to the City's FY 2010 Annual Action Plan.
3. Authorize the Chief Financial Officer to accept the additional funding appropriations from the San Diego Housing Commission (SDHC) for the City's Homeless Emergency Winter Shelter Program and the Cortez Hill Family Center, contingent upon approval by the Housing Commission Board.
4. Approve FY 2010 revised budgets for the City's Homeless Emergency Winter Shelter Program and the Cortez Hill Family Center, contingent upon Comptroller certification of fund availability.
5. Authorize the Mayor or his designee to negotiate and execute agreements, or amendments, with those agencies for which projects and programs have been approved for CDBG and/or SDHC funding, contingent upon Comptroller certification of fund availability.
6. Authorize the Chief Financial Officer to appropriate and expend the CDBG and SDHC funds for the City's Funding Obligations and those projects and programs approved for CDBG and/or SDHC funding, contingent upon Comptroller certification of fund availability.

STAFF RECOMMENDATIONS:

Adopt the Requested Actions.

BACKGROUND:

The Federal Housing and Community Development Act of 1974 established the Community Development Block Grant (CDBG) Program, which is administered by the Department of Housing and Urban Development (HUD). The City of San Diego (City) has received CDBG

Entitlement funds annually since its inception. The overarching goal of the CDBG Program is to develop viable urban communities through the provision of decent housing, suitable living environments, and economic activities for persons of low and moderate income.

The CDBG Program allows local jurisdictions latitude in deciding upon a community development strategy and determining the types of projects to fund. However, there are restrictions on the types of activities that are eligible for funding. These restrictions are defined in the Code of Federal Regulations (24 CFR 570).

The CDBG Program is administered by the Economic Development Division staff of the City Planning & Community Investment Department. CDBG staff is responsible for grant compliance and the overall administration of the City's CDBG Program. Each year, the City is obligated to follow a HUD-defined "consolidated planning" process to ensure community involvement, project eligibility, and a strategic approach to utilizing CDBG funds. The City is required to submit both a five-year strategic plan and annual action plans (which are subject to HUD approval) in order to qualify for funding.

In an effort to assure City accounting records match HUD's Integrated Disbursement & Information System (IDIS), CDBG Program staff began conducting a comprehensive review of all CDBG transactions in both systems dating back to 1994. This was necessary as part of a program-wide reform to improve the internal controls of the CDBG Program's accounting records. The transactions reviewed included: 1) all allocations made at the start of a fiscal year; 2) all reprogramming of funds; 3) mid-year transactions if adjustments were made to funding; and 4) any other adjustments required by the City Comptroller's Office to properly record transactions.

CDBG Program staff has been working with the City Comptroller's Office to identify all unexpended balances from CDBG projects. In addition, staff is working with the CDBG Project Managers in order to obtain information on all open CDBG-funded projects. Staff is continuing to complete:

1. Documentation of every City expense matched with draws from HUD's IDIS system;
2. Reconciling City approved budgets to appropriated amounts in HUD's IDIS system; and
3. Updating records in the City's new SAP system to balance with HUD's IDIS system for the current fiscal year and forward.

DISCUSSION

At the beginning of FY 2010, CDBG Program staff was able to confirm a total of \$1,239,944 of CDBG funds that remain unallocated by Council District offices from prior years. The unallocated amount represents unexpended funds resulting from: 1) terminated projects with unspent balances; 2) projects unable to be implemented or cancelled by agencies themselves; 3) projects unable to meet eligibility and/or contract requirements; or 4) entitlement funds awarded that were never allocated to projects.

A separate application process was implemented by the CDBG Program office to allocate these unallocated CDBG balances. On July 13, 2009, the City's FY 2010 CDBG Reprogramming Hearing Application packet was made available to the public. All potential applicants were required to attend one application workshop session. A total of two workshops were conducted by CDBG Program staff. Workshop participants were required to fill out and submit a Certification of Compliance form.

The deadline for submission of the CDBG applications was August 11, 2009. All applications submitted by the designated deadline were reviewed to ensure compliance with application submittal requirements. For example, each applicant was required to include a copy of their FY 2008 Audited Financial Statement and filed tax documents for review. Agency staff submitting CDBG application packets was required to remain present during the review of their application packet by CDBG staff. Those deemed in non-compliance with application submittal requirements were not accepted and the entire application packet was returned to the applicant, along with a Missing Items from Application Submittal form. Those in compliance with the application submittal requirements were issued a Certification of Submittal form that included a notification that acceptance of the application packet did not represent final approval from the CDBG Program office.

A more thorough secondary review of the CDBG applications was conducted during the period of August 12, 2009 through September 14, 2009. CDBG Program staff conducted detailed reviews of the proposed project descriptions to determine eligibility. In addition, a review of the applicant's financial status was conducted to determine whether accounting records were maintained using generally accepted accounting principles and to ensure/determine their capacity to effectively utilize CDBG funds on a cash reimbursement basis. During this review process, additional applications were determined to be ineligible to be forwarded for funding consideration. These agencies received letters explaining why their project applications were not forwarded.

On September 16, 2009, a total of 35 eligible FY 2010 CDBG Reprogramming Hearing Applications were provided to each Council District Office for review and consideration of funding. On September 17, 2009, one additional eligible application was forwarded to the Council District offices. As a result, a total of 36 project applications were made available for review and funding consideration for the reprogramming hearing process.

In accordance with the current Council Policy 700-02 "Community Development Block Grant Program," each Councilmember identified their respective funding priorities in a written memorandum. The Mayor's Office put forth funding recommendations for discretionary funding in the "Citywide" category. A copy of all CDBG funding recommendations was forwarded to all Council District offices.

In addition, a list of the CDBG funding recommendations was posted on the City's CDBG Program website (www.sandiego.gov/cdbg/general).

On October 14, 2009 the proposed funding recommendations for the FY 2010 CDBG Reprogramming Hearing were presented to the Public Safety and Neighborhood Services (PS&NS) Committee. At the meeting, CDBG staff informed the Committee there was an oversight in the proposed citywide allocation to the San Diego Housing Commission's (SDHC) Acquisition of Affordable Housing project. After careful review, staff recognized that the agency would require the full requested amount of \$286,117 to complete the project. An amount of \$180,000 was initially proposed on the spreadsheet presented at the PS&NS Committee meeting. To cover the shortfall to the Housing Commission, staff is requesting a revision to the proposed citywide allocations to reduce the proposed citywide funding for two projects. The Committee directed staff to ensure affected agencies are contacted and to gauge whether the proposed revisions result in non-completion of their proposed projects. CDBG staff contacted La Maestra Family Clinic and San Diego Second Chance and were assured both projects could still be completed if approved with the revised funding allocations, as detailed in Attachment I in the Citywide column labeled "revised".

In addition to the issues presented at the PS&NS Committee meeting, staff has identified that SDHC's proposed funding appropriation of \$380,000 for the Homeless Emergency Winter Shelter Program, approved in the CDBG Program's First Allocation Hearing, requires a revision. Based on confirmation by SDHC given to CDBG staff, a total of \$400,000 from their Housing Trust Funds and local funds was earmarked for the City's Cortez Hill Family Center (\$200,000) and the City's Homeless Emergency Winter Shelter Program (\$200,000). As a result, staff is also seeking approval of revised budgets (Attachment 2) for these homeless programs as part of this FY 2010 CDBG Reprogramming Hearing. The revised budgets include the proposed allocation of an additional \$20,000 in SDHC funding.

FISCAL CONSIDERATIONS:

There is no impact to the City's General Fund from this action. Funding for each project described in this report is available from the U.S. Department of Housing and Urban Development (HUD) through its Community Development Block Grant Program and from the San Diego Housing Commission.

PREVIOUS COUNCIL AND/OR COMMITTEE ACTION:

PS&NS Committee - FY 2010 Reprogramming Hearing presentation on October 14, 2009
FY 2010 CDBG and ESG Second Allocation Hearing on July 6, 2009 (R-305030)
FY 2010 CDBG and ESG First Allocation Hearing March 3, 2009 (R-304705)

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

The FY 2010 CDBG Reprogramming Hearing application process was noticed on the City of San Diego's CDBG Program website, and notices were mailed to over 400 potential applicants included in the City's CDBG Program mailing database. A Public Notice for the FY 2010 Reprogramming Hearing was advertised in the San Diego Union Tribune for the period of October 27, 2009 through November 10, 2009. In addition, a copy of the Public Notice was posted on the City's CDBG Program website during this period.

KEY STAKEHOLDERS AND PROJECT IMPACTS:

Residents of low and moderate income communities, community-based organizations, community planning groups, and other community development organizations.


Mark Murray
Deputy Director
Community Development Division


William Anderson, FAICP
Director
City Planning and Community Investment

- Attachments:
1. Proposed CDDG Budget Recommendations
 2. Proposed Budget Allocations for HEWSI and CDFI

COMMISSION ON THE BUDGET
FOR THE FISCAL YEAR 1964
REPORT OF THE COMMISSION

Total Available for Operations: \$1,000,000,000
 Total Available for Capital: \$500,000,000
 Total Available for Debt Service: \$500,000,000

Item	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	Total
1. General Fund	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	1,000
2. State Income Tax	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	1,000
3. Federal Income Tax	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	1,000
4. State Sales Tax	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	1,000
5. Federal Excise Tax	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	1,000
6. State Lottery	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	1,000
7. State Gas Tax	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	1,000
8. State Motor Vehicle Tax	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	1,000
9. State Property Tax	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	1,000
10. State Bank Tax	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	1,000
11. State Insurance Tax	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	1,000
12. State Unemployment Tax	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	1,000
13. State Social Security Tax	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	1,000
14. State Education Tax	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	1,000
15. State Health Tax	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	1,000
16. State Pension Tax	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	1,000
17. State Capital Tax	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	1,000
18. State Debt Service Tax	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	1,000
19. State Miscellaneous Tax	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	1,000
20. State Total	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	1,000

Notes: 1. This table shows the estimated total revenue for each year from 1961 to 1980. 2. The total revenue is divided into three categories: General Fund, State Income Tax, and Federal Income Tax. 3. The General Fund revenue is the sum of all other taxes. 4. The State Income Tax revenue is the sum of all state income taxes. 5. The Federal Income Tax revenue is the sum of all federal income taxes. 6. The total revenue is the sum of all three categories. 7. The total revenue is used to pay for the state's operating expenses, capital expenditures, and debt service. 8. The total revenue is also used to pay for the state's social security and pension obligations. 9. The total revenue is also used to pay for the state's health and education expenses. 10. The total revenue is also used to pay for the state's miscellaneous expenses.

PROPOSED REVISED FY 2010 BUDGETS

HOMELESS EMERGENCY WINTER SHELTER PROGRAM

Funding Source	Original Approved Amount	Revised Amount	Difference
Emergency Shelter Grant	\$217,115	\$217,115	\$0
Community Development Block Grant	\$105,000	\$293,000	\$188,000
San Diego Housing Commission	\$780,000	\$200,000	(\$580,000)
Total FY10 Budget	\$1,102,115	\$710,115	\$392,000

CORTEZ HILL FAMILY CENTER

Funding Source	Original Approved Amount	Revised Amount	Difference
Emergency Shelter Grant	\$403,129	\$403,129	\$0
Community Development Block Grant	\$243,368	\$33,368	(\$370,000)
San Diego Housing Commission	\$0	\$210,000	\$210,000
Total FY10 Budget	\$646,497	\$646,497	\$0,000