



# Council Communication

Office of the City Manager

Date July 24, 2006

Agenda Item No. 36  
Roll Call No. 06-  
Communication No. 06-451  
Submitted by: Chris M. Johansen, Housing  
Services Director

## AGENDA HEADING:

Approving Community Development Block Grant (CDBG) carryover funds, budget amendment and administrative changes for the 2006 Neighborhood Conservation Services (NCS) programs.

## SYNOPSIS:

Recommend approval to carryover prior years' CDBG funds for the 2006 NCS Technical Assistance, Home Owner Rehabilitation and Investor Owner programs to allow NCS to fund commitments allocated in 2005 and complete rehabilitation projects undertaken in 2005. A transfer of \$25,291 of 2006 CDBG funding from Technical Assistance to Home Owner Rehabilitation reflects the need for more staff time in homeowner rehabilitation activities. Administrative changes will allow NCS CDBG work programs to span a two-year period in order to utilize new administrative procedures. The new procedures will help the City comply with audit standards for the financial reconciliation process. The procedures were adopted in response to audit concerns about reconciling federal expenditures between the CDBG program year and the City's fiscal year.

## FISCAL IMPACT:

Amount: \$1,376,486

Funding Source: U.S. Department of Housing and Urban Development (HUD)/Community Development Block Grants 2006-2007 Operating Budget, SP020 CDD049900, Pages 312-313.

This action authorizes \$1,351,195 of 2005 carryover dollars to be allocated to the following programs:

- \$2,494 for 2006 NCS Technical Assistance (CDBG2006015)
- \$522,430 for Home Owner Rehabilitation (CDBG2006014)
- \$826,271 for Investor Owner (CDBG2006017)

This action also authorizes a \$25,291 transfer of 2006 CDBG funding from Technical Assistance (CDBG2006015) to Home Owner Rehabilitation (CDBG2006014).

## ADDITIONAL INFORMATION:

The City audit for the Fiscal Year ending June 30, 2005 pointed out a lack of timely reconciliation between the City's accounts and federal financial expenditure records. The process is further complicated by the difference between the CDBG Program Year, the City's Fiscal Year and the large number of accounts needed to track expenditures. NCS and the Finance Department have developed a reconciliation process, which would be simpler if NCS work programs spanned a two-year period. For

example, the City has two-year funding contracts with the Polk County Housing Trust Fund and the Federal Home Loan Bank, and these would better coincide with a two-year CDBG contract period.

In addition, as of March 30, 2006, 100% of the 2005 CDBG Home Owner Rehabilitation funds were expended, but the contract terminated on December 31, 2005, requiring the City to “carryover” funds for the Program Year beginning January 1, 2006. With a two-year contract, this action will not be necessary and will more accurately reflect and record what is being accomplished in each contract period. This is also consistent with how NCS activities are conducted. The more complex projects typically take 24 -36 months from the initial point of interest to final occupancy.

On November 21, 2005 the City Council approved an allocation of \$60,000 in 2006 CDBG funding for the NCS Technical Assistance Program. In preparing the revised budget, staff requested that \$25,291 be transferred to the Home Owner Rehabilitation Program because of the need for additional staff time in that component of the program.

#### **PREVIOUS COUNCIL ACTION(S):**

Date: November 21, 2005

Roll Call Number: 05-2812

Action: On proposed Second Action Year Plan (2006) for the 2005-2009 HUD Consolidated Plan. (Council Communication No. 05-651). Moved by Hensley to adopt the City Manager’s recommendation, the City Manager to come back after January 1 with a recommendation on the reprogramming dollars with priority given to Demolition, CHDC and Excel. Motion Carried 6-1. Nays: Brooks.

#### **BOARD/COMMISSION ACTION(S):**

Date: June 21, 2006

Roll Call Number: Neighborhood Revitalization Board (NRB)

Action: Recommended approval of NCS carryover, budget adjustment, and contract period.

**ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE**