

# City of Hesperia

## STAFF REPORT



**DATE:** December 19, 2017

**TO:** Mayor and Council Members

**FROM:** Nils Bentsen, City Manager

**BY:** Rod Yahnke, Economic Development Manager  
Juli Rull, Senior Management Analyst

**SUBJECT:** Amend the General Fund Fiscal Year 2017-2018 Budget to Reimburse the U.S. Department of Housing and Urban Development (HUD) – 2012-2013 Microenterprise

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### RECOMMENDED ACTION

It is recommended that the City Council: (i) approve Resolution 2017-058 amending the City's Fiscal Year 2017-18 General Fund Budget, to reimburse the City's line of credit with the U. S. Department of Housing and Urban Development (HUD); (ii) authorize a budget amendment to increase the City's CDBG expenditure account (251-29-700-7142-8000); and (iii) authorize the City Manager or Economic Development Manager or their designee to execute and transmit all necessary documents required to complete the repayment of \$119,227 and the reprogramming of funds into other eligible CDBG activities.

### BACKGROUND

The U.S. Department of Housing and Urban Development (HUD) requires all entitlement communities receiving Community Development Block Grant (CDBG) funds to prepare and submit a Consolidated Plan every five years to establish a unified, strategic vision for economic development, housing and community development activities.

The Consolidated Plan is carried out through Annual Action Plans which provide a concise summary of the actions, activities, and the resources that will be used each year to address the priority needs and specific goals identified by the Consolidated Plan.

As the awarding authority of CDBG funds, HUD is granted the authority to perform periodic onsite monitorings of the City's CDBG programs and activities to ensure compliance with the eligibility and national objective requirements found at 24 CFR 570.201 and 570.208, respectively. Such eligible activities include but are limited to the following: Acquisition, Public Service, Housing, Economic Development and Public Facilities and Infrastructure Improvements. The authorizing statute of the CDBG program requires that each activity funded, with the exception of program administration and planning activities, meet one of the following three national objectives:

- 1) Benefit low- and moderate- income (LMI) persons;
- 2) Aid in the prevention or elimination of slums and blight; and
- 3) Meet a need having a particular urgency (referred to as urgent need).

In March 2017, the City received confirmation of a scheduled onsite monitoring visit commencing on April 10, 2017 by HUD for the City's B-15-MC-060578 grant. City staff assisted the HUD Auditors during the monitoring visit and met with the HUD Auditors for a closeout meeting on April 14, 2017 to discuss the monitoring visit.

## **ISSUES/ANALYSIS**

During the City's onsite monitoring visit conducted by the U.S. Department of Housing and Urban Development (HUD) in April 2017, the following Community Development Block Grant (CDBG) activities were reviewed to ensure compliance with the CDBG program eligibility and national objective requirements:

- 2013 Housing Rehabilitation Loan Program (Housing)
- 2015 San Bernardino County Library Adult Literacy Program (Public Service)
- 2016 Fir and Rodeo Street Improvement Project (Infrastructure Improvement)
- 2012 Microenterprise (Economic Development)

On June 7, 2017, a formal monitoring letter was generated by HUD reporting the City's Findings and/or Concerns observed during the monitoring visit. HUD defines a Finding as a violation of the federal regulations that require immediate corrective action(s) and may result in the disallowance of costs which could involve repayment to the City's CDBG line of credit from local, non-Federal funds. An Observation is a matter that, if not properly addressed, could result in program deficiencies and potentially become a Finding. Note that such repayments for disallowed costs are to be issued to the HUD program account and would thus be available to be reprogrammed to other eligible CDBG activities. The City's monitoring letter resulted in a total of four (4) Findings and one (1) Concern of which applied primarily to the 2012 Microenterprise activity. HUD determined, that although the City's Microenterprise activity was an eligible Economic Development activity, it did not meet a national objective under the CDBG program and thus would result in the repayment of funds to the City's line of credit for the CDBG program in the amount of \$119,227.

In order to complete the repayment of disallowed costs, HUD requires the City to reimburse its line of credit with the U.S. Treasury for the 2012 Microenterprise activity with local, non-Federal funds. This process will allow the City to cancel out the 2012 Microenterprise activity within HUD's Integrated Disbursement & Information System (IDIS) and allow the reprogramming of the \$119,227 to the City's current 2017-18 CDBG Street Improvement project, which is anticipated to go out to bid before the end of the calendar year. The reimbursement to the City's line of credit with the U.S. Treasury with non-Federal funds will be for an amount not to exceed \$119,227.

## **FISCAL IMPACT**

An appropriation of \$119,227 from the FY 2017-18 General Fund Budget account 100-19-220-0000-7749 is needed to reimburse HUD/CDBG for the disallowed costs. An additional appropriation of \$119,227 is needed for the FY 2017-18 CDBG Budget account 251-29-700-7142-8000 in order to reprogram the reimbursed funds for use in the FY 2017-18 CDBG Street Improvement Project.

## **ALTERNATIVE(S)**

1. Provide alternative direction to staff

## **ATTACHMENT(S)**

1. Resolution No. 2017-058