

City of Hesperia

STAFF REPORT



DATE: December 19, 2017

TO: Mayor and City Council Members

FROM: Nils Bentsen, City Manager

BY: Rod Yahnke, Economic Development Manager

SUBJECT: Substantial Amendment to the Community Development Block Grant (CDBG) 2012/13 Action Plan

RECOMMENDED ACTION

It is recommended that the City Council conduct a public hearing and upon accepting public testimony adopt Resolution No. 2017-062 including any modifications or amendments thereto by the City Council approving 1) the Substantial Amendment to the 2012/13 Annual Action Plan ("Action Plan") by canceling one previously awarded activity totaling \$119,227 and reprogramming the funds to the 2017/18 CDBG Street Improvement Project activity; and 2) Authorize the City Manager and/or Economic Development Manager to execute and transmit all necessary documents, including the Substantial Amendment to the Action Plan to assure the City's timely expenditure of Community Development Block Grant (CDBG) funds.

BACKGROUND

The City of Hesperia is an entitlement community that receives an annual allocation of Community Development Block Grant (CDBG) funds from the U.S. Department of Housing and Urban Development (HUD). In recent years, the City has received an annual allocation of approximately \$950,000 for the purpose of expanding economic opportunities, providing decent housing, and creating a suitable living environment, principally for low- and moderate-income persons.

As the awarding entity 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. On April 10, 2017, HUD initiated a five day, on-site monitoring of the City's CDBG-funded activities. The following CDBG activities were reviewed for compliance with the CDBG program:

- 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, HUD issued a monitoring response letter detailing a total of four Findings and one Concern which resulted in the disallowance of costs in the amount of \$119,227. In order for the City to remain in compliance with the CDBG program, HUD is requesting the City reimburse its CDBG line of credit in the amount of \$119,227 from local, non-Federal funds and cancel the 2012 Microenterprise activity in HUD's Integrated Disbursement & Information System (IDIS).

In accordance with the City's Citizen Participation Plan (CPP), a Substantial Amendment to a Consolidated Plan and Annual Action Plan is required when a "substantial" change is proposed to funding priorities, elimination or addition of activities not previously identified in the Action Plan, and changes to the goals and objectives. The Substantial Amendment to the Action Plan is necessary in order to cancel the 2012 Microenterprise activity and reprogram the funds into the City's existing 2017/18 CDBG Street Improvement Project.

ISSUES/ANALYSIS

Overall the outcome of the U.S Department of Housing and Urban Development (HUD) monitoring was satisfactory particularly given the complexity of the City's programs. While the ultimate goal of a monitoring visit is to have no findings and no cause for repayment of funds, sometimes events occur that generate unintended consequences. At the conclusion of the monitoring, four Findings and one Concern were issued by HUD related to the 2012/13 Microenterprise activity. Staff reviewed the commentary by HUD and agreed with the findings which reported the City had insufficient documentation to justify the activity meeting a national objective under the (CDBG) program.

To avoid a protracted dispute and to move forward with contemporary CDBG-funded activities, program staff believe that the prudent approach is to reimburse the City's CDBG line of credit in the amount of \$119,227 with local, non-Federal funds and cancel the 2012/13 Microenterprise activity in HUD's Integrated Disbursement & Information System (IDIS). Such repayments for disallowed costs would be available to be reprogrammed to other eligible CDBG activities. For this reason, the City is proposing to reprogram the \$119,227 funds into the 2017/18 CDBG Street Improvement Project which will make necessary improvements to streets located in eligible CDBG Census Tracts/Block Groups (CT/BG's).

FISCAL IMPACT

The fiscal impact of this Substantial Amendment to the 2012-13 Annual Action Plan, the impacts to the City's FY 2017-18 Budget, and the related budget amendment request was described in the accompanying Staff Report and Resolution No. 2017-058 in the Consent Calendar section of the December 19, 2017 meeting.

ALTERNATIVE(S)

1. Provide alternative direction to staff.

ATTACHMENT(S)

1. Substantial Amendment to 2012/13 Action Plan
2. Resolution No. 2017-062