

# REPORT

To the Honorable Mayor and City Council  
From the City Manager

May 19, 2008

## SUBJECT

Fiscal Year 2007-08 Amendment of the Community Development Block Grant and HOME Budget

## RECOMMENDATION

Adopt a Resolution approving the amendment of the Fiscal Year 2007-08 Community Development Block Grant & HOME Budget and Annual Action Plan and a Plan to reduce cash and meet Timely Expenditure requirements by reprogramming Program Income and prior year funds.

## BACKGROUND

The City is required to submit a Federal Cash Transaction Report (SF-272) to the U.S. Department of Housing & Urban Development each quarter. The purpose of the report is to disclose the amount of CDBG related cash the City has on hand every 90 days of the fiscal year. The source of the City's cash on hand consists of the Revolving Fund Account, which are principal and interest payments received on single family and multi-family housing rehabilitation loans, principal and interest payments earned from First Time Homebuyer loans, and rents received from the purchase or rehabilitation of real property. Interest earned on the cash account is not considered to be income and is returned to the U.S. Treasury each quarter.

### Statement of the Problem

According to CDBG regulations, any amount more than 1/12<sup>th</sup> the amount of the City's annual entitlement amount in a cash account must be expended before drawing down additional grant funds from the Letter of Credit, or the funds must be returned to the U.S. Treasury. Based on the City's last entitlement, the City should have no more than \$89,000 above the Revolving fund balance. Instead, as of March 31, the City's Program Income balance was closer to \$220,000. Program Income funds had previously been allocated to Habitat Lincoln Townhomes and the project did not proceed according to schedule. Because of this fact, the Cash Transaction Report showed that the City was out of compliance with HUD's spending rules. HUD had just received the City's Cash Transaction Report for January – March.

On April 28, 2008, Council was asked to approve the Housing and Human Concern Committee's recommendations for reprogramming approximately \$911,029 in prior year funding, which included program income allocated to Habitat and projects that had not proceeded. In early May, HUD staff contacted the City to resolve the problem or face the possibility of losing funding.

Staff subsequently met with the Financial Management Staff of HUD regarding the City's latest Cash Transaction Report. HUD Staff advised the City to be reimbursed for expenditures incurred for the period of January through March from the cash account in order to immediately reduce cash on hand.

Proposed Solution

Staff has proceeded as HUD advised and revised the Summary of Funds Available for Reprogramming with the express intent to allocate Program Income funds to activities that can expend all of the Program Income cash by June 30. One source of the City's cash is in an account held by a third party fiscal agent (Rolison Road Repossession – rents). In order to reduce the cash in that account, \$20,000 in program income funds are being allocated to the Housing Accessibility Modifications program, an ongoing activity where there is a demand for service and a standing waiting list.

Most Program income payments are received monthly. Finance will develop a system to review and reprogram accrued program income throughout the year. Staff will coordinate this review with the quarterly preparation of the Federal Cash Transaction Report.

Conclusion

It is recommended that Council approve the new focus of the Reprogramming which now seeks to: 1) Reduce Cash, and 2) Allocate grant funds to activities previously funded with program income funds to activities that can expend funds in a timely manner.

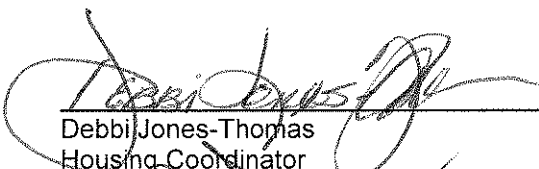
The requested budget changes result in an amendment to the 2007-2008 Annual Action Plan. Finance will be able to expend all of the excess Program Income in the month of May and record expenditures from prior year funds to bring the City into compliance with federal spending rules by the end of this fiscal year.

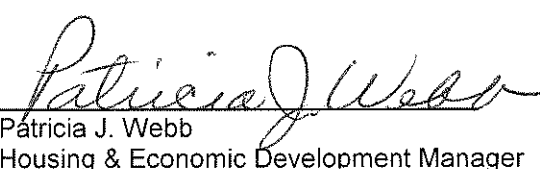
**ALTERNATIVES**

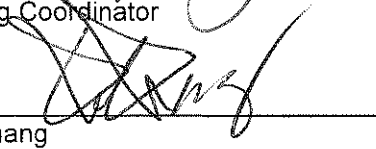
Direct staff to return excess program income cash to the U.S. Treasury to be deposited into the City's Letter of Credit.

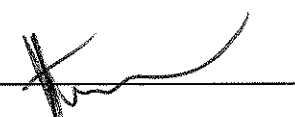
**FISCAL IMPACT**

The re-appropriation of \$911,029 in CDBG and HOME funds to projects represents no net change to the budget balance. Amendments simply move sources of funding from one activity to another within the budget already approved by Council so that the City can meet spending rules. There is one net change of \$20,000 where funds held by a third party fiscal agent are being allocated to an ongoing project in order to reduce cash in that account.

  
\_\_\_\_\_  
Debbi Jones-Thomas  
Housing Coordinator

  
\_\_\_\_\_  
Patricia J. Webb  
Housing & Economic Development Manager

  
\_\_\_\_\_  
Chu Chang  
Acting Community Development Director

  
\_\_\_\_\_  
Peter Ingram  
Interim City Manager

**ATTACHMENTS**

1. Resolution Amending FY 07/08 CDBG/HOME Budget
2. Summary of Funds Available for Reprogramming – First In First Out
3. SF-272 Second Quarter Federal Cash Transaction Report (1/1/08 – 3/31/08)

**RELATED DOCUMENTS IN CITY CLERK'S OFFICE** None

## RESOLUTION NO. \_\_\_\_\_

**RESOLUTION APPROVING THE AMENDMENT OF THE FISCAL YEAR  
2007/2008 COMMUNITY DEVELOPMENT BLOCK GRANT AND HOME  
BUDGET AND ANNUAL ACTION**

**WHEREAS**, the City is required to submit a Federal Cash Transaction Report (SF-272) to the U.S. Department of Housing & Urban Development each quarter in order to disclose the amount of CDBG related cash the City has on hand every 90 days of the fiscal year; and

**WHEREAS**, On April 28, 2008, Council approved the Housing and Human Concern Committee's recommendations for reprogramming approximately \$911,029 in prior year funding, which included program income allocated to projects that had no proceeded in order to meet timely expenditure requirements; and

**WHEREAS**, during a meeting with HUD Financial Management Staff it was suggested that the City modify proposed funds to be reprogrammed to require the City to be reimbursed for expenditures incurred for the period of January through March from the case account in order to reduce cash on hand; and

**WHEREAS**, the City has revised the Summary of Funds Available for Reprogramming with the express intent to allocate Program Income funds to activities that can expend the funds by June 30 or soon thereafter; and

**WHEREAS**, the focus of the Reprogramming is to reduce cash, allocate grant funds to activities previously funded with program income funds to activities that can expend funds in a timely manner; and

**WHEREAS**, the requested budget changes result in an amendment to the 2007-2008 Annual Action Plan; and

**WHEREAS**, program income payments are often received monthly, so it will be important for the City to have a system to review and reprogram accrued program income throughout the year.

**WHEREAS**, Staff will coordinate this review with the quarterly preparation of the Federal Cash Transaction Report.

**NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF REDWOOD CITY, AS FOLLOWS:**

1. Adopt a resolution approving the amendment of the FY 07-08 Community Development Block Grant & HOME Budget and Annual Action Plan as stated above.
2. This Resolution shall be effective upon the date of its adoption.

\* \* \*

**SUMMARY OF FUNDS AVAILABLE FOR REPROGRAMMING**

**FIRST IN FIRST OUT (FIFO)  
STRATEGY**

**CDBG Program Income & Grant Funds Exchanged for First In First Out (FIFO)**

| Fund #  | Program # | Project # | \$ Amount         | Program/Object Name                     |
|---|-----------|-----------|-------------------|---|
| <b>TIMELY EXPENDITURE CASH REDUCTION REPROGRAMMINGS</b> |           |           |                   |   |
| 1. FROM Program Income                                  | 257       | 1733      | 167,770.20        | Habitat Lincoln Homes                   |
|   | 257       | 1733      | 49,916.19         | Rollison Road Offsites (Fence)          |
|   |           |           | <u>217,686.39</u> |   |
| TO Program Income                                       | 257       | 1733      | 167,770.20        | General Administration                  |
|   | 257       | 1733      | 49,916.19         | Home Improvement Program Support        |
|   |           |           | <u>217,686.39</u> |   |
| 2. FROM Program Income                                  | 257       | 1743      | 5,000.00          | Rollison Road Repossession (Rents)      |
|   | 257       | 1743      | 15,000.00         | Rollison Road Repossession (Rents)      |
|   |           |           | <u>20,000.00</u>  |   |
| TO Program Income                                       | 257       | 1743      | 20,000.00         | CID Housing Accessibility Modifications |
| 3. FROM CDBG Grant                                      | 258       | 1700      | 160,511.00        | General Administration                  |
|   | 258       | 1701      | 7,259.20          | General Administration                  |
|   | 258       | 1701      | 49,916.19         | Home Improvement Program Support        |
|   |           |           | <u>217,686.39</u> |   |
| TO CDBG Grant   | 258       | 1700      | 160,511.00        | Service League Hope House for Men       |
|   | 258       | 1701      | 7,259.20          | Service League Hope House for Men       |
|   | 258       | 1701      | 49,916.19         | Kainos Senior Housing Rehab             |
|   |           |           | <u>217,686.39</u> |   |
|   |           |           | 237,686.39        | TOTAL FIFO Exchange                     |
|   |           |           | 20,000.00         | Net Fiscal Impact                       |

**ATTACHMENT 2**

**SUMMARY OF FUNDS AVAILABLE FOR REPROGRAMMING**

**FIRST IN FIRST OUT (FIFO)  
STRATEGY**

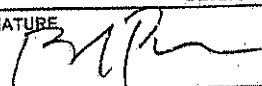
**IMPLEMENTATION OF REMAINING REPROGRAMMINGS APPROVED APRIL 28, 2008, RESOLUTION # 14856**

| Fund #   | Program # | Project # | \$ Amount         | Program/Object Name                                  |
|--|-----------|-----------|-------------------|--|
| <b>4. FROM PI &amp; Prior Year<br/>CDBG &amp; HOME</b> |           |           |                   |  |
| 257  | 66383-59  | 1733      | 6,027.00          | CDBG PI Homebuyer                                    |
| 257  | 66383-59  | 1732      | 2,599.91          | RRP PI Homebuyer                                     |
| 258  | 66323-59  | 1718      | 211.03            | Rollison Road Offsites (Fence)                       |
| 258  | 66358-59  | 1701      | 45,363.15         | Site Acquisition for Affordable Housing              |
| 258  | 66318     | 1708      | 96,573.72         | Habitat Lincoln Homes (HOME funds)                   |
|  |           |           | <u>150,774.81</u> |  |
| <b>TO</b>  |           |           |                   |  |
| 258  | 66351-59  | 1733      | 6,027.00          | Kainos Senior Housing Rehab                          |
| 257  | 66351-59  | 1732      | 2,599.91          | Kainos Senior Housing Rehab                          |
| 258  | 66351-59  | 1718      | 211.03            | Kainos Senior Housing Rehab                          |
| 258  | 66351-59  | 1701      | 45,363.15         | Kainos Senior Housing Rehab                          |
| 258  | 66351-59  | 1708      | 96,573.72         | Kainos Senior Housing Rehab (HOME funds)             |
|  |           |           | <u>150,774.81</u> |  |
| <b>5. FROM PI &amp; Prior Year<br/>CDBG &amp; HOME</b> |           |           |                   |  |
| 258  | 66318-59  | 1718      | \$ 113,658.47     | Habitat Lincoln Homes                                |
| 258  | 66318-59  | 1720      | \$ 39,571.33      | Habitat Lincoln Homes                                |
| 258  | 66318-59  | 1708      | \$ 4,915.52       | Habitat Lincoln Homes (HOME funds)                   |
| 258  | 66358-59  | 1707      | \$ 124,090.00     | Site Acquisition for Affordable Housing (HOME funds) |
| 258  | 66358-59  | 1728      | \$ 43,548.99      | Site Acquisition for Affordable Housing (HOME funds) |
| 258  | 66383-59  | 1746      | \$ 6,445.49       | HOME Homebuyer (HOME PI)                             |
|  |           |           | <u>332,229.80</u> |  |
| <b>TO</b>  |           |           |                   |  |
| 258  | 66379-59  | 1718      | 113,658.47        | Service League Hope House for Men                    |
| 258  | 66379-59  | 1720      | 39,571.33         | Service League Hope House for Men                    |
| 258  | 66379-59  | 1708      | 4,915.52          | Service League Hope House for Men                    |
| 258  | 66379-59  | 1707      | \$ 124,090.00     | Service League Hope House for Men                    |
| 258  | 66379-59  | 1728      | \$ 43,548.99      | Service League Hope House for Men                    |
| 258  | 66379-59  | 1746      | \$ 6,445.49       | Service League Hope House for Men                    |
|  |           |           | <u>332,229.80</u> |  |
| <b>6. FROM Prior Year HOME funds</b>                   |           |           |                   |  |
| 258  | 66318-59  | 1708      | \$ 210,337.51     | Habitat Lincoln Homes (HOME funds)                   |
| 258  | 66358-59  | 1708      | \$ 210,337.51     | Site Acquisition for Affordable Housing (HOME funds) |
|  |           |           | <u>911,028.51</u> |  |
| <b>Total Reappropriations</b>                          |           |           |                   |  |

|  |  |  |
|--|--|--|
| <p align="center"><b>FEDERAL CASH TRANSACTIONS REPORT</b></p> <p><i>(See instructions on the back. If report is for more than one grant or assistance agreement, attach completed Standard Form 272A.)</i></p> | OMB APPROVAL NO. 0348-0003   |  |
| 1. Federal sponsoring agency and organizational element to which this report is submitted<br><b>U.S. Department of Housing and Urban Development</b>   |  |  |
| 2. RECIPIENT ORGANIZATION<br><br>Name: <b>City of Redwood City</b><br><br>Number and Street: <b>1017 Middlefield Road</b><br><br>City, State and ZIP Code: <b>Redwood City, CA 94063</b>                       | 4. Federal grant or other identification number<br><b>B-07-MC-060014</b> | 5. Recipient's account number or identifying number    |
|  | 6. Letter of credit number   | 7. Last payment voucher number                         |
|  | <i>Give total number for this period</i>                                 |  |
|  | 8. Payment Vouchers credited to your account                             | 9. Treasury checks received (whether or not deposited) |
| <b>10. PERIOD COVERED BY THIS REPORT</b>   |  |  |
| 3. FEDERAL EMPLOYER IDENTIFICATION NO. <input type="checkbox"/>  | FROM (month, day, year)<br><b>1/1/08</b>                                 | TO (month, day, year)<br><b>3/31/08</b>                |

|   |  |                 |
|---|--|-----------------|
| 11. STATUS OF FEDERAL CASH<br><br>(See specific instructions on the back)                 | a. Cash on hand beginning of reporting period  | \$ 1,211,411.58 |
|   | b. Letter of credit withdrawals                | 0.00            |
|   | c. Treasury check payments                     | 0.00            |
|   | d. Total receipts (Sum of lines b and c)       | 0.00            |
|   | e. Total cash available (Sum of lines a and d) | 1,211,411.58    |
|   | f. Gross disbursements                         | 70,866.40       |
|   | g. Federal share of program income             |                 |
|   | h. Net disbursements (Line f minus line g)     | 70,866.40       |
|   | i. Adjustments of prior periods                |                 |
|   | j. Cash on hand end of period                  | \$ 1,140,545.18 |
| 12. THE AMOUNT SHOWN ON LINE 11, ABOVE, REPRESENTS CASH REQUIREMENTS FOR THE ENSUING Days | <b>13. OTHER INFORMATION</b>                   |                 |
|   | a. Interest income                             | \$ 13,736.97    |
|   | b. Advances to subgrantees or subcontractors   | \$              |

14. REMARKS (Attach additional sheets of plain paper, if more space is required)  
 Interest earned for the quarter ending 3/31/08 is \$13,736.97. A wire transfer for the amount of interest is scheduled for execution on 4/17/08. Cash on hand at the end of the period includes balance in the Revolving Loan Fund (RLF).

|   |                     |  |   |
|---|---------------------|--|---|
| <b>15. CERTIFICATION</b>  |                     |  |   |
| I certify to the best of my knowledge and belief that this report is true in all respects and that all disbursements have been made for the purpose and conditions of the grant or agreement. | AUTHORIZED          | SIGNATURE<br> | DATE REPORT SUBMITTED<br><b>04/16/2008</b>                        |
|   | CERTIFYING OFFICIAL | TYPED OR PRINTED NAME AND TITLE<br><b>Brain Ponty, Director of Finance</b>                       | TELEPHONE (Area Code, Number, Extension)<br><b>(650) 780-7072</b> |

THIS SPACE FOR AGENCY USE