



AGENCY: City Council
MEETING DATE: Feb. 10, 2020
DEPARTMENT: Community Development
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AGENDA ITEM SUMMARY

TITLE:

Receive Report, Conduct Public Hearing, and Consider Adoption of City Council Resolution Approving an Application for Funding and Execution of a Grant Agreement and Any Amendments Thereto from the 2019-20 Funding Year of the State Community Development Block Grant (CDBG) Program

ISSUE:

On January 27, 2020, staff reported to City Council regarding direction for the 2020 Community Development Block Grant (CDBG) Application. The CDBG 2019-20 Notice of Funding Availability (NOFA) was released on January 21, 2020, and the 2019-20 CDBG Over-the-Counter (OTC) application is due February 14, 2020. The City of Fort Bragg is eligible to apply during the 2019-20 CDBG application cycle.

Staff explained the 2020 CDBG OTC NOFA requirements to City Council and presented City Council with a "bid ready" activity that appears to meet the requirements of the OTC process. City Council directed staff to prepare an application for CDBG Public Improvement funding to implement a Water Meter Replacement Project to be owned and operated by the City.

At this time, the Water Meter Replacement Project activity appears to be an eligible application opportunity, so staff is compiling the application for this activity. The application amount can be up to \$3,500,000, which includes construction, construction management and labor standards costs, as well as General Administration.

If the City Council wishes to proceed with the application, a public hearing must be held and a resolution authorizing submittal of the application must be approved.

ANALYSIS:

The CDBG Notice of Funding Availability (NOFA) was released by the State Department of Housing and Community Development (HCD) on January 21, 2020. The 2019-20 NOFA provides approximately \$60 million of statewide funding for years 2019 and 2020. HCD did not release a NOFA in 2019 making the current NOFA a two-year funding allocation. Applications to the State CDBG program are allowed only for "non-entitlement" jurisdictions in California, which include incorporated cities that are under 50,000 in population and counties with unincorporated area population of under 200,000 persons.

The 2019-20 NOFA is different from any previous NOFA in that HCD has adopted new CDBG program guidelines and implemented new processes. As a result, CDBG has made significant changes to the application parameters. Major changes in the 2019-20 NOFA include:

- Online application submission and management tool;
- Addition of an Over-the-Counter application process for all capital construction projects;
- Various funding limits for each application;
- Six different applications with varying submission dates and deadlines.

The City of Fort Bragg is able to apply in 2020 under the OTC application process and the competitive application process. The OTC applications have a submission date of February 14, 2020, whereas the competitive applications have an application deadline of April 15, 2020. The OTC applications are reviewed and awarded on a first-come, first-served basis. To be competitive in the OTC application process it is recommended that the City submits as soon as possible. Competitive application activities for the April 15, 2020 deadline will be summarized at a later date. An OTC project for the February 14, 2020 application date must meet specific readiness criteria. The following is required before application submission:

1. Project Concept Complete
2. Project Feasibility Complete
3. Project Environmental Review Complete (CEQA, NEPA, etc.)
4. Engineer's Estimate/Budget Complete
5. Bid Ready Plans and Specifications Complete
6. All Project Funding in Place
7. Site Control Obtained

Recommended Activity for the 2019-20 Application

As described in the January 27, 2020 City Council agenda report, staff has been seeking projects that will meet the needs of the Fort Bragg community as well as parameters of the 2019-20 OTC process. To solicit needs and proposals from the community regarding CDBG applications, staff conducted a CDBG-required Design Phase public hearing in 2019. The hearing was held on November 21, 2019, before the 2019-20 application parameters were confirmed and before the NOFA was released.

In addition, staff reviewed the FY2019-20 Capital Improvements Program for City infrastructure project priorities that could match 2019-20 application parameters.

At the January 27, 2020 meeting, staff presented City Council with one potential "bid ready" and eligible project for the 2019-20 CDBG OTC application. At that meeting, City Council provided direction to staff that an application should be prepared for the Water Meter Replacement Project. This project is described in greater detail below.

2019-20 OTC Application Activity: Water Meter Replacement Project

Project Description. The City owns and maintains 2,984 water meters. The project would consist of the removal and replacement of existing residential and commercial water meters.

Need and Benefit. The current water meters are at 94.2% reading accuracy, which means of the 621,000,000 gallons of water used in a year, 36,018,000 gallons of water are potentially unaccounted for, whereas the new water meters will be at 100% accuracy for 10 years providing many benefits to the City and customers. To highlight a specific issue, between January 1, 2019 and January 1, 2020, 73 utility customers were assisted through the City's water leak adjustment program as a result of leaks. It is estimated that nearly 2,342,736 million gallons of water was lost due to leaks among these 73 customers. The new water meters will provide early leak detection alarms both to the City and customers helping to prevent water loss and the amount of money spent due to leaks. Additionally, Public Works staff spends hundreds of hours manually reading water meters, turning them off and on and running various reports. The new water meters would provide remote access, reducing or illuminating the need for general manual maintenance at each water meter by Public Works staff. With the technology and software that accompanies the new water meters, the City and utility customers would have a greater ability to understand overall water usage.

Beneficiaries: This project would be a public benefit and identified as a Low-Moderate Area (LMA) Benefit according to the CDBG program. To be identified as LMA at least 51% of households in the area must be earning at 80% or less than the income levels published by HUD's Housing and Urban Development Area Median Family Income. The City of Fort Bragg meets this eligibility with 52.65% LMA.

Grant Application Activities and Amounts

This project would be funded entirely with CDBG 2019-20 funding. As proposed, the CDBG application will include the following activities and amounts:

Funding Category	Amount
Public Improvement Activity	\$2,798,331
General Administration Funds (7%)	\$ 171,712
Application Total	\$2,970,043

Although CDBG calculates Activity Delivery funds as a separate cost category, Activity Delivery funds may be used for Activity costs. Activity funds are intended to cover construction costs, procurement process costs (construction management/contractor), construction management activities, labor standards administration costs, and other direct project costs including staff time expended on project activities.

General Administration funds may be used for CDBG-related program management, oversight and coordination, fair housing activities, and indirect costs.

All CDBG grant awards are distributed on a reimbursement basis only for actual amounts expended up to the amount of grant awards.

RECOMMENDED ACTION:

After Conducting Public Hearing, Adopt City Council Resolution Approving an Application for Funding and Execution of a Grant Agreement and any Amendments Thereto from the 2019-2020 Funding Year of the State Community Development Block Grant (CDBG) Program.

ALTERNATIVE ACTION(S):

1. No action. Under this alternative, the City would not submit a 2019-2020 application at the February 14, 2020 submission date.
2. Provide direction to staff to change the application activity or to modify the application amount. If a different activity is submitted, a new Public Hearing Notice would be required. Public Hearing Notices require a 10-day posting period per CDBG regulations. As of this date, there is not adequate time before the February 14th application submission date to submit a Notice to the local newspaper for publication for the required ten day posting period. If changes are made to the application that are not encompassed in the Notice that was published on January 30, 2020, the City will be unable to submit a 2019-2020 CDBG OTC application on the February 14, 2020 submission date.
3. Provide direction to staff to identify a different project, prepare the new project to meet OTC requirements (engineers estimate, plans and specs and environmental, etc.) and apply before the 2019-20 CDBG OTC application closing date of September 30, 2020. This alternative could exclude the City from securing funding during the current NOFA cycle since OTC funding is awarded on a first-come, first-served basis.

FISCAL IMPACT:

CDBG funding will allow replacement of an essential utility owned by the City, a project for which no alternative funding has been identified. The project would help customers and the City save water and money. Implementation of CDBG-funded projects and programs brings funding to Fort Bragg to create job opportunities in the community. CDBG grant administration requires a significant commitment of staff time, but CDBG provides funding for administrative activities (up to 7% of grant funds) that is generally adequate to service the program.

CONSISTENCY:

The State CDBG mission is to improve the lives of low- and moderate-income residents through the creation and expansion of community and economic development opportunities, which supports livable communities for all residents. This mission is consistent with City Priority Areas established in City Council's March 2019 Goal Setting process including Priority Area 4 "Infrastructure" (pursue CDBG funding for developed projects) with an emphasis on water.

IMPLEMENTATION/TIMEFRAMES:

If the grant application is approved by City Council, and after the Public Hearing is held, staff will complete the application and submit it by the February 14, 2020, submission date. The NOFA does not outline the award period for OTC or Competitive application. Preconstruction activities will commence as soon as funding is available. Due to the readiness of the project, construction commencement will begin soon after Standard Agreement (no more than 90 days from Standard Agreement). CDBG grants generally provide up to two years after the expenditure termination date to achieve the "National Benefit." The benefit for the Water Meter Replacement Project would be fully achieved when all water meters are replaced.

ATTACHMENTS:

1. Proposed Resolution Authorizing Application Submittal
2. Public Hearing Notice for Application Submittal

NOTIFICATION:

1. Subscribers to City "Notify Me" email for CDBG Activities list.