



**AGENCY:** City Council  
**MEETING DATE:** Jan. 26, 2015  
**DEPARTMENT:** Community Devel.  
**PRESENTED BY:** J. Owen

## AGENDA ITEM SUMMARY

**TITLE:**

**RECEIVE REPORT, CONDUCT PUBLIC HEARING, AND CONSIDER ADOPTION OF CITY COUNCIL RESOLUTION APPROVING THE ADDITION OF SUPPLEMENTAL ACTIVITIES TO 2014 COMMUNITY DEVELOPMENT BLOCK GRANT #14-CDBG-9881**

**ISSUE:**

Pursuant to new Community Development Block Grant (CDBG) rules pertaining to use of Program Income, the City of Fort Bragg must add "Supplemental Activities" to its pending 2014 CDBG grant agreement in order to expend Program Income. On September 22, 2014, City Council adopted a new Program Income Reuse Agreement that explains and commits the City to the new Program Income use procedures and available alternatives for expending Program Income. On October 27, 2014, City Council reviewed and ranked several proposed Supplemental Activities to be added to the City's new 2014 grant. Specifically, City Council recommended the following Supplemental Activities for the 2014 grant, in the order provided below:

1. Mendocino Coast Food and Nutrition Program (Food Bank): installation of roof-top solar panels
2. City of Fort Bragg: Bainbridge Park Improvements Project
3. Fort Bragg Unified School District: Dana Gray Field Rehabilitation Project.
4. City of Fort Bragg: Sidewalk Infill Project at Boatyard Drive
5. City of Fort Bragg: Housing Rehabilitation Program

Per City Council's direction, available funding estimated at \$225,000 over the term of the 2014 grant should be split one-third each to the first three activities listed above. Any unanticipated Program Income receipts over \$225,000 may be available for the remaining activities.

**RECOMMENDED ACTION:**

Adopt City Council Resolution Approving the Addition of Supplemental Activities to the City's 2014 CDBG grant #14-CDBG-9881.

**ALTERNATIVE ACTION(S):**

1. No action. Under this alternative, the City would not submit Supplemental Activities for the 2014 CDBG grant. If no Supplemental Activities are submitted, the City will be unable to utilize at least \$225,000 in Program Income anticipated to be received and expended for grant activities over the term of the 2014 grant and would be required to return (disencumber) this amount in grant funds to the state.
2. Provide direction to staff to modify the specific dollar amounts allocated to grant Supplemental Activities. This would require a new Public Hearing with posting of new amounts. This would delay the 2014 grant agreement which would could jeopardize implementation and completion of activities included in the original 2014 grant application.

**ANALYSIS:**

The City collects CDBG Program Income when loans that are funded with the City's CDBG grants are repaid to the City. The CDBG rule change effective July 1, 2014, requires that Program Income cannot be accumulated and must instead be spent before any grant expenditures can be reimbursed from the grant. As Program Income is applied toward grant expenditures, the result is that grant funds are "freed up" and remain unexpended unless allocated to a new CDBG-approved activity.

Total Program Income expected to be allocated to the 2014 grant from regular CDBG loan payments is approximately \$225,000 over the estimated thirty month expenditure period of the 2014 grant. However, unexpected Program Income deposits occur for a variety of reasons, such as loan refinancings, so CDBG has recommended that jurisdictions submit extra activities to allow the expenditure of unanticipated Program Income. Activities #4 – Sidewalk Infill Project and #5 – Housing Rehabilitation Program above have been included, at City Council's direction, in the event unexpected Program Income deposits are received. In addition, CDBG recommended that amounts submitted for each activity may exceed actual amounts expended on an activity. The amounts included in Supplemental Activity Request Forms submitted to CDBG are listed as up to \$150,000 per activity, but actual amounts authorized are not expected to exceed \$75,000 for each activity.

There is no requirement that Supplemental Activities must be completed. However, if any CDBG funds are used to fund an activity, the activity must be completed within the grant term or the CDBG funds must be returned to CDBG. Before any activity can commence, Special Conditions specific to each activity must be cleared with CDBG, and the City must enter into subrecipient agreements with each nonprofit entity that is assisted. The first activity is expected to be started no sooner than December 2015, and all activities are required to be completed no later than September 30, 2017 (expected termination date of the grant). No activities will commence until sufficient funding has accumulated to complete the activity.

**FISCAL IMPACT:**

Approval of Supplemental Activities allows the City to expend Program Income on important community activities that might otherwise remain unfunded due to lack of resources. If Supplemental Activities are not approved, the City will be required to return awarded but unexpendable grant funds to the state. If Supplemental Activities are approved, activities will commence only if sufficient Program Income is on hand to complete each activity. Program Income may be used to pay Activity Delivery costs specific to each activity and may in some cases be allocated to General Administration costs. The City is allowed to use General Administration funding from any open CDBG grant to assist with program management, and there is adequate General Administration funding available to cover staff costs for these activities.

**CONSISTENCY:**

Approval of Supplemental Activities is consistent with the Program Income Reuse Agreement adopted September 22, 2014.

**IMPLEMENTATION/TIMEFRAMES:**

If 2014 Supplement Activities are approved by City Council, the Public Hearing notice and Resolution must be submitted to CDBG so each activity can be approved by CDBG. If all are approved, the City's 2014 grant agreement will be processed with these activities included. Once the agreement is executed, adequate Program Income funding must be accumulated and Special Conditions specific to each activity must be cleared before each activity can commence. Staff estimates that the first activity will be ready to commence by December 2015; the second by

September 2016, and the third by March 2017. All activities must be completed by September 30, 2017.

**ATTACHMENTS:**

1. Proposed Resolution Approving Addition of Supplemental Activities to the 2014 grant
2. Public Hearing notice for Addition of Supplemental Activities to the 2014 grant.

**NOTIFICATION:**

1. Nancy Severy, Food Bank
2. Chuck Bush, FBUSD

**City Clerk's Office Use Only**

Agency Action	<input type="checkbox"/> Approved	<input type="checkbox"/> Denied	<input type="checkbox"/> Approved as Amended
Resolution No.:	_____	Ordinance No.:	_____
Moved by:	_____	Seconded by:	_____
Vote:	_____		
<input type="checkbox"/> Deferred/Continued to meeting of:	_____		
<input type="checkbox"/> Referred to:	_____		