ITEM NO. 9

STAFF REPORT

CITY OF OCEANSIDE

DATE: March 2, 2011

TO: Honorable Mayor and City Councilmembers

FROM: Neighborhood Services Department

SUBJECT: **APPROVAL OF A COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM POLICY AND PROCEDURE DOCUMENT**

SYNOPSIS

Staff recommends that the City Council approve a policy and procedure document for the City's Community Development Block Grant Program.

BACKGROUND

The City of Oceanside has been a participating jurisdiction in the Community Development Block Grant (CDBG) Program of the U.S. Department of Housing and Urban Development (HUD) since the program was established by Congress in 1974. The CDBG program distributes federal funds to states, counties and urban cities to provide decent housing, suitable living environments, and expanded economic opportunities, principally for low and moderate-income persons. Basic requirements for a local CDBG program are set forth in CDBG Program Regulations 24 CFR 570. Federal requirements leave extensive leeway for how a local CDBG program shall be managed. Local procedures for managing the CDBG program have been approved by the City Council in the past as part of the City's five-year Consolidated Plan for Housing and Community Development. Occasionally the City Council has approved changes to procedures for allocating funds, as with the decision in 2009 to limit the allocation of CDBG public service funds in FY 2009-2010 and 2010-2011 to only those activities in City resource centers, parks and recreation facilities, and Neighborhood Revitalization Strategy Areas. The City does not currently have a CDBG policy and procedure document approved by the City Council.

ANALYSIS

After a monitoring visit to another jurisdiction, the HUD Los Angeles Field Office sent a notice to all CDBG entitlement cities and counties in Southern California concerning the federal requirement to have a single policy and procedure document that has been approved by the local legislative body. A portion of the HUD notice read:

> 24 CFR 570.501(b) states that "The recipient of HUD funds is responsible for ensuring that CDBG funds are used in accordance with all program requirements.

The use of designated public agencies, subrecipients, or contractors does not relieve the recipient of this responsibility."

A city's CDBG Program guidelines must fully describe program requirements through a policy and procedures manual approved by City Council that guides city employees, agencies and subrecipients on how to use and account for HUD funds. Please provide a copy to the HUD Los Angeles Field Office after approval by the City Council; the manual does not need HUD review prior to local approval.

While the City's policy and procedures for allocating, managing and reporting on CDBG funds are fully in compliance with federal regulations and applicable City policy and practice, the City does not have a specific CDBG policy and procedures document. Staff persons in the Neighborhood Services Department have prepared a draft policy and procedure document that includes information on federal regulations governing the CDBG program and local procedures for allocating funds to various activities, monitoring of subrecipients, financial management of block grant funds and program reporting. The draft document does not make any changes to current operation and management of the City's CDBG program. The Neighborhood Services Department remains responsible for CDBG programs and financial management, and does all reporting to HUD.

Once approved by the City Council the document can be revised to meet changes in federal regulations or by action of the City Council. The approved policy and procedures document will be added as an appendix to the 2010-2015 Consolidated Plan for Housing and Community Development and annual Action Plans. Copies will be made available to all current and future CDBG subrecipients.

FISCAL IMPACT

The proposed policy and procedures document applies only to the federal funds and does not impact the City General Fund. The proposed document is in accord with City financial policies and practices.

COMMISSION OR COMMITTEE REPORT

The Community Relations Commission reviewed the draft CDBG policy and procedure document at their February 17, 2011, meeting and recommended that the City Council approve the document. The Commission also recommended that the City Council consider enlarging the ad hoc Application Review Committee to include representatives from other advisory commissions when the Committee is next required to meet.

CITY ATTORNEY'S ANALYSIS

City Attorney analysis does not apply.

RECOMMENDATION

Staff recommends that the City Council approve a policy and procedure document for the City's Community Development Block Grant Program.

PREPARED BY:

John A. Lundblad
Management Analyst

SUBMITTED BY:

Peter A. Weiss
City Manager

REVIEWED BY:

Michelle Skaggs Lawrence, Deputy City Manager

Margery M. Pierce, Director, Neighborhood Services

Teri Ferro, Director, Financial Services FOR TF

Attachment: Community Development Block Grant Policy and Procedure Document

City of Oceanside – Neighborhood Services Department
Community Planning and Development Entitlement Grant Programs

COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) PROGRAM POLICY AND PROCEDURE DOCUMENT

2010-2015 Consolidated Plan for Housing and Community Development

A. Background

1. U.S. Department of Housing and Urban Development

The mission of the U.S. Department of Housing and Urban Development (HUD) is "to create strong, sustainable, inclusive communities and quality, affordable homes for all."

HUD's vision is "To improve lives and strengthen communities to deliver on America's dreams."

HUD's five-year (2010-2015) Strategic Plan with goals and outcome measures can be read at http://portal.hud.gov/portal/page/portal/HUD/program_offices/cfo/stratplan

Goal 1: Strengthen the nation's housing market to bolster the economy and protect consumers

Goal 2: Meet the need for quality, affordable rental homes

Goal 3: Utilize housing as a platform for improving quality of life

Goal 4: Build inclusive and sustainable communities free from discrimination

Goal 5: Transform the way HUD does business

2. Office of Community Planning and Development

The Office of Community Planning and Development (CPD) of the U.S. Department of Housing and Urban Development seeks to develop viable communities by promoting integrated approaches that provide decent housing, a suitable living environment, and expanded economic opportunities for low- and moderate-income persons. These goals come out of the mission of HUD to "create strong, sustainable, inclusive communities and quality, affordable homes for all." The primary means towards this end is the development of partnerships between all levels of government and the private sector, including for-profit and non-profit organizations.

Consistent with these objectives, the Office of Community Planning and Development has developed a set of underlying principles that are used in carrying out its mission.

a) Community building begins with job creation, employment, and creation of safe, decent and affordable housing.

b) Planning and execution of community development initiatives must be bottom-up and community driven.

c) Complex problems require coordinated, comprehensive, and sustainable solutions.

d) Government must be streamlined to be made more efficient and effective.

e) Citizen participation in Federal, State and local government can be increased through communication and better access to information.

CPD seeks to encourage empowerment of local residents by helping to give them a voice in the future of their neighborhoods; stimulate the creation of community based organizations; and enhance the management skills of existing organizations so they can

achieve greater production capacity. Housing and community development are not viewed as separate programs, but rather as among the myriad elements that make up a comprehensive vision of community development. These groups are at the heart of a bottom-up housing and community development strategy.

3. City of Oceanside Entitlement Programs

The City of Oceanside is a participating jurisdiction in three Community Planning and Development entitlement programs:

a) The Community Development Block Grant (CDBG) program for public services and improvements that benefit low- and moderate-income individuals, families and neighborhoods. In PY 2009, the City began to utilize additional funds made available through the American Recovery and Reinvestment Act (ARRA) of 2009, known as CDBG-R funds; these are devoted to capital projects that provide employment. The City completed and received approval on a substantial amendment to the PY 2009 Action Plan that identified projects for CDBG-R funding. Federal regulations governing the CDBG program are in Title 24 of the Code of Federal Regulations Part 570 (24 CFR 570).

b) The HOME Investment Partnership (HOME) program supports affordable access to homeownership and development of affordable rental housing for low- and moderate-income families. Federal regulations governing the HOME program are in Title 24 of the Code of Federal Regulations Part 92 (24 CFR 92). The City concentrates its affordable housing development funding for projects, both new construction and acquisition and rehabilitation, that benefit very low-income households.

c) The Homelessness Prevention and Rapid Re-Housing Program (HPRP) funded under the American Recovery and Reinvestment Act (ARRA) of 2009 Homelessness Prevention Fund for services that prevent individuals and families from becoming homeless, and the rapid re-housing of homeless individuals and families. The City completed and received approval on a substantial amendment to the PY 2008 Action Plan to implement the HPRP on a local level. This program will continue until funds are exhausted.

B. Policy Guidance

4. Overall Guidance for Compliance

The City shall follow Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* and the A-133 2010 Compliance Supplement for guidance on program objectives, procedures and compliance for the CDBG and other CPD programs. The City shall also follow OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*. OMB Circulars are available at http://www.whitehouse.gov/omb/grants_circulars . The City will ensure that all subrecipients (agencies and organizations that receive grant funds from the City) are in compliance with all applicable OMB circulars including A-133 and A-122, *Cost Principles for Non-Profit Organizations.*

Regulations governing the CDBG program are found in Title 24 of the Code of Federal Regulations (CFR) Part 570, *Community Development Block Grants*. Regulations governing the HOME Program are found in 24 CFR Part 92, *Home Investment Partnerships Program Final Rule*.

5. Eligible Activities

During each program year not less than seventy percent (70%) of CDBG funds must be used for activities that benefit low- and moderate-income persons. In addition, each activity must meet one of the following National Objectives for the program:

- Benefit low- and moderate-income individuals, families or neighborhoods;
- Prevention or elimination of slums or blight; or
- Address community development needs having a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community for which other funding is not available.

6. Environmental Review

All projects to which CDBG or HOME funds are allocated are subject to federal environmental review (NEPA). Contracts will not be executed with subrecipients and expenditures for City-managed projects will not be approved until environmental review is complete. In some cases State (CEQA) environmental regulations or Local Coastal Plan (LCP) requirements will also be considered. Environmental review forms and documents must be signed by the environmental planner in the City Planning Division. The City will ensure that all *Finding of No Significant Impact* (FONSI) and *Request for Release of Funds* (RROF) requirements are completed for capital improvement projects and housing rehabilitation programs prior to initiation of project activities.

7. Citizen Participation

The City shall follow the Citizen Participation Plan and Guidelines for Substantial Amendments as set forth in the Consolidated Plan and annual Action Plans. Any changes to this plan shall be approved by the City Council. The City shall encourage public participation during preparation of the five-year Consolidated Plan for Housing and Community Development, the annual Action Plan and the Consolidated Annual Performance Evaluation Report (CAPER). The City will comply with Executive Order 13166 of August 11, 2000, *Improving Access to Services by Persons with Limited English Proficiency*, in all citizen participation activities.

8. Relocation

In the event of any temporary or permanent relocation of residents or businesses as a result of CDBG- or HOME-funded activity, the City shall follow its Relocation Plan as set forth in the Consolidated Plan and annual Action Plans. Any changes to this Plan shall be approved by the City Council. The Plan shall be updated regularly to adhere to HUD Handbook 1378, *Real Estate Acquisition and Relocation Policy and Guidance*. The CDBG program manager shall maintain a current copy of HUD Handbook 1378 in the offices of the Neighborhood Services Department and update this handbook as it is amended.

9. ADA Requirements

The City shall abide by HUD regulations in Section 504, HUD's implementation of the American with Disabilities Act, to ensure that no qualified individual with a disability should, only by reason of his or her disability, be excluded from the participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving CDBG or HOME funds. The City shall include monitoring for Section 504 compliance as part of the annual monitoring of CDBG subrecipients and biennial monitoring of HOME-funded rental housing. Monitoring shall include inspection of facilities in which CDBG-funded program are offered to ensure that the facilities are accessible to persons with disabilities.

10. Labor Requirements

Whenever CDBG funds in excess of $2,000 are allocated for construction projects, the subrecipient and any contractor(s) shall abide by requirements of Davis Bacon and Related Acts (DBRA) for prevailing wages and of Section 3 economic opportunities for low- and very low-income persons. The City shall provide appropriate guidance to both subrecipient and contractor regarding DBRA requirements, including the wage determination applicable to the project.

11. Non-discrimination (Fair Housing and Equal Opportunity)

The City as a recipient of CPD funds shall ensure that subrecipients comply with Title VI of the Civil Rights Act of 1964 (prohibiting race, color, and national origin discrimination including language access for limited English proficient persons), Section 504 of the Rehabilitation Act of 1973 (prohibiting disability discrimination), Title IX of the Education Amendments of 1972 (prohibiting sex discrimination in education and training programs), the Age Discrimination Act of 1975 (prohibiting age discrimination in the provision of services), and a variety of program-specific statutes with nondiscrimination requirements.

Programs may target particular groups for services without violating guidelines regarding equal access to services, so long as any member of the particular group – e.g., any senior for a senior services program, any school-age child for a neighborhood-based afterschool program – is able to participate in the program.

The City shall ensure that provisions of Executive Order No. 11246 of September 24, 1965, as amended, regarding Equal Employment Opportunity are carried out on all CDBG- or HOME-funded projects or activities, and that subrecipients agree to and abide by federal (FHEO) and state (CA DFEH) fair housing and equal opportunity requirements for non-discrimination with regard to access to services or housing provided by the subrecipient.

The City will further ensure that provisions of Executive Order 13166, "Improving Access to Services by Persons with Limited English Proficiency," are carried out by subrecipients to improve access to CPD programs and activities by eligible persons with limited English proficiency (LEP).

12. Federal Reporting Requirements

The CDBG Program Manager shall ensure that HUD forms 60002 (Section 3 Summary Report), 2516 (MBE Contract Activity) and 4710 (Labor Standards) are filed correctly and in a timely manner. The Program Manager shall also ensure that reporting requirements of the Recovery Act of 2009 are completed including reporting to FederalReporting.Gov.

C. Application and Award Process

13. Solicitation of Applications for CDBG Funds

The City Council decided in Program Year (PY) 2009 to award PY 2010 public services grants only to those organizations that received funding in PY 2009, conditional upon availability of funds and satisfactory performance by subrecipients. The Council further directed that CDBG public service grants shall only go to organizations that provide services in City facilities, including recreation centers and community resource centers, or that are active in an approved Neighborhood Revitalization Strategy Area. This allocation practice will remain in place until such time as the Council makes changes to the practice; as a result there will be <u>no open application for public services grants for PY 2011</u>. The

Neighborhood Services Department will seek direction from the Council concerning CDBG public services funds for each new program year.

Since Congress appropriates all HUD program funds annually, the City Council will act to renew public services funds each year based on the amount of CDBG funds available to the City. The City Council will also act on capital project applications each year, conditional upon the availability of funds. Applications for renewal of grant funds for PY 2011 will be submitted together with the subrecipient six-month reports and will be due no later than January 14, 2011.

14. Assistance to Applicants (open application years)

When the City has an open application year in which any eligible organization can submit a proposal for CDBG funding, City staff will provide information sessions on the CDBG program and application requirements. These information sessions will be offered at least forty-five days prior to the deadline for submission of proposals. Attendance at these meetings will be required for applicants that are new to HUD grant programs and recommended for applicants that have applied previously but have not been awarded CDBG funds. City staff will present and answer questions on program guidelines, applicant and activity eligibility requirements, the National Objectives for the programs, local objectives and priority activities in the City's five-year Consolidated Plan, and application requirements. Staff will be available for technical assistance from the beginning of the application period until five days prior to the deadline for submission.

15. Review of Applications by Staff

In both open application years and for renewal of existing grants, City staff in the Neighborhood Services Department will review the applications after submission to ensure that the applications are complete, and that the applicant and proposed program qualify for funding under guidelines issued by the U.S. Department of Housing and Urban Development and the City's five-year Consolidated Plan. Staff will also review information on the applicant to ensure that the applicant is an eligible nonprofit organization.

Once this review is complete, staff will prepare and distribute copies of all applications to the following:

- ad hoc Application Review Committee members
- Mayor and City Councilmembers
- City Manager, City Attorney, City Clerk and City Treasurer
- Director, Neighborhood Services Department

The City staff person will keep original applications for subsequent use in preparation of contracts with agencies awarded 2011-2012 CDBG funds. The binders in the City Clerk's office and in the Neighborhood Services Department will be available for public review.

16. Commission Review (open application years only)

In years when grants for CDBG public services will be only for renewal of existing grants, as in PY 2011-2012, there will be no review of the applications by commissions. For program years for which there is an open application period, the applications will be initially reviewed and scored by four City advisory commissions. In January, staff will distribute copies of applications to members of the commissions to read. Applicants will attend the February meetings of the commissions to present particular programs and answer questions. Commission members will complete score sheets and return these to City staff; results of the scoring will be provided to the ad hoc Application Review Committee and to the City Council. The commissions are:

- The Housing Commission for applications for homeless programs
- The Senior Commission for applications for senior-serving programs
- Parks and Recreation Commission for applications for youth-serving programs
- The Community Relations Commission for all other applications.

17. Ad Hoc Application Review Committee

An ad hoc Application Review Committee shall be formed to review applications for CDBG public services funds in open application years. Composition of the ad hoc application review committee shall be determined by the City Council with special consideration given for members from the Community Relations Commission and Housing Commission.

The composition of the ad hoc committee shall to the greatest extent possible reflect the diversity goals of the City in terms of age, gender and racial/ethnic representation. Members of the Committee shall choose a chairperson to serve during the review period. Members shall read and abide by guidelines concerning conflicts of interest (see #18 below).

In open application years, members of the committee shall read carefully and evaluate the applications for CDBG funding, and make recommendations to the City Council as to allocation of the available funds. City staff will provide information to the Committee as to the maximum amount of funds available in the CDBG program and the amount that can be allocated for public services and capital projects. Members shall score applications solely on the basis of information provided in the application and the scoring results from the four advisory commissions (#12 above). Members shall look for how well the proposed program addresses the national goals and local objectives for use of CDBG funds, the extent to which Oceanside residents are or will be served by the program, and the extent to which the City benefits from the program. Members should refrain from independent investigation of particular programs or agencies. Members may ask City staff for additional information, which, if available and appropriate, will be provided to all members. Staff will provide results of performance evaluations to the committee.

In grant renewal years, the committee may but is not required to meet to review the six-month report of public services subrecipients to ascertain how well the agency is fulfilling goals and objectives set forth for the program. Subrecipients that demonstrate adequate fulfillment of goals and objectives shall be recommended for renewal. The amount of funds awarded may be adjusted based on the allocation of CDBG funds so that the City does not exceed the fifteen percent public services cap.

18. Information on Performance, Collaboration and Duplication of Services

In open application years, staff of the Neighborhood Services Department shall provide the ad hoc Application Review Committee and the City Council with a summary of each project or program submitted for consideration and a report on:

a) The amount of CDBG funding received by an applicant organization from the City in the past five years, if any;

b) The extent to which applicants have collaborated with other agencies or community organizations to deliver and/or expand services;

c) The extent to which a proposed program complements or expands upon existing services provided by other agencies or organizations, or duplicates existing services without demonstration of additional unmet needs;

d) The extent to which previously-funded organizations have met program objectives, satisfied contract obligations, and expended allocated funds in an efficient, appropriate and timely manner;

e) How closely the proposed project meets National Objectives, local objectives in the Consolidated Plan, and local priorities as determined by the City Council.

19. Reading and Evaluating CDBG Applications (open application years only)

a) City staff will review with the ad hoc Application Review Committee the National Objectives and local community development objectives from the City's Consolidated Plan for Housing and Community Development. Local objectives demonstrate the City's priorities for community development; all CDBG-funded programs must meet one of the National Objectives and one or more of the local objectives.

b) Members of the ad hoc Application Review Committee shall review applications thoroughly and fairly, and shall evaluate the proposals solely on the basis of information provided in the application and according to the evaluation criteria.

c) Members shall not give particular proposals unusually low or high scores in an attempt to influence unfairly the overall ranking by the committee. In cases in which the score of one member is significantly different from that of all other members, that score will be discarded.

d) Any request for clarification of an application or for additional information on an applicant organization shall be directed to City staff. Such information if available and appropriate will be conveyed to all members.

e) Members shall not be influenced by information that is not publicly available concerning the operation, management or staff of applicant agencies or organizations when rating the application.

f) Committee members shall judge applications solely on the merits of the application and the objective criteria, and should not be influenced by their personal convictions or viewpoints. If a member feels that she/he cannot judge an application fairly and impartially, conflict of interest provisions (below) shall apply.

g) With the development of performance measurement standards for projects and activities that receive any form of CPD funding, the ad hoc Application Review Committee will use reports of outcomes and performance against contract objectives as a factor in recommending funding for particular activities and/or subrecipients. Reports on performance by subrecipients will also be provided to the City Council upon request and always when a subrecipient has failed to perform according to contract.

20. Rating Criteria (open application years only)

The ad hoc Review Committee shall follow scoring guidelines when rating applications in an open application year; applications will be rated on the following criteria:

a) Extent to which the program addresses a National Objective

b) Extent to which the program addresses a Local Objective (need for the program

c) Extent to which the program provides a clear Community Benefit

d) Goals, objectives and proposed accomplishments

e) Budget and finances

f) Applicant qualifications (management and program staff)

g) Prior experience with CDBG or other federal funds

h) Collaboration and partnerships

21. Conflict of Interest Declarations

Before discussion of applicant organizations and agencies, ad hoc Application Review Committee members shall declare relationships, if any, with applicant organizations or persons associated with the applicants. This may include:

- Serving as a Board member of or volunteer in an applicant agency or organization;
- Membership or participant in activities of an applicant agency or organization;
- Direct contributor to an applicant agency or program;
- Beneficiary of the activities or services of an application agency or program;
- Any other connection with the applicant that would constitute or be perceived to constitute a conflict of interest.

When the member has a perceived or real conflict of interest with an applicant organization, the member shall refrain from ranking the application and shall withdraw from the interview with the applicant and any discussion of the merits of the application. Members shall also declare any personal interest in an organization that is in direct competition with an applicant organization that may cause them to rank the application other than strictly on the merits of the application. Committee members who have been involved with the preparation of an application shall withdraw from consideration of that application.

22. Interviews with Applicants (open application years only)

As a part of evaluation during open application years, each organization or agency applying for CDBG public services funding may sign up for an interview with the ad hoc Application Review Committee; Neighborhood Services staff will arrange the interviews. Currently funded applicants shall have ten (10) minutes to present information on how well the program is meeting its objectives and satisfying evaluation criteria, and to answer any questions from committee members. First-time applicants and applicants for programs that have not previously been funded shall have fifteen (15) minutes to present the proposed program and to respond to questions from the ad hoc Review Committee. Members of the Committee shall have five (5) minutes after each interview to complete Section B of the scoring form and return the form to CDBG staff.

Committee members shall treat all applicants with respect and without regard to personal beliefs, and shall not interject personal viewpoints on particular issues into interviews or committee discussions.

23. Observers at Interviews (open application years only)

The Mayor and City Councilmembers or their aides may be present to observe the interviews, but may not participate in the questioning. CDBG staff will distribute the interview schedule as far in advance as possible, but this often is no more than a few days prior to the interviews. No City personnel other than appropriate personnel from the Neighborhood Services Department may be present for the interviews.

24. Public Participation and City Council Action

Responsibility for the appropriation of all CPD funds rests with the City Council, but HUD regulations require a certain level of public participation. Public participation is

accomplished through a series of public hearings and opportunity for public comment on the annual Action Plan prior to the submission of the plan to HUD. The City shall follow its Citizen Participation Plan as set forth in the Consolidated Plan and Action Plan.

a) The City Council shall hold a public hearing in March at which the ad hoc Application Review Committee (open application years) or the Neighborhood Services Department (grant renewal years) shall present its recommendations to the City Council. Applicants as well as other members of the public will have opportunity to address the Council according to established procedures for public hearings. The hearing will be announced at least ten days in advance. The City shall follow guidelines from the U.S. Department of Justice concerning implementation of Executive Order 13166 *Improving Access to Services for Persons with Limited English Proficiency*.

b) In grant renewal years, the City Council shall take action to accept, modify or reject the recommendations at this public hearing,

c) In open application years, the public hearing shall be continued after applicants and interested persons have had opportunity to address the Council. Each Councilmember shall then submit his/her own set of allocation recommendations within ten days of the public hearing to the Neighborhood Services Department, based on the total amount of funding available for the particular program year. Councilmembers may recommend funding the entire amount requested by the applicant, a portion of the amount requested, or no funding. Councilmembers may recommend no more than $35,000 and no less than $7,500 of CDBG funds for a particular program, and may not recommend more than the applicant's requested amount. Councilmembers may recommend accepting the recommendations of the ad hoc Application Review Committee as presented. Maximum and minimum funding levels may be adjusted based on the amount of CDBG funds awarded to the City.

d) If a councilmember recommends more funding than is available for public services based on fifteen percent cap on public services, his/her set of recommendations shall be reduced proportionately.

e) At a subsequent meeting but no later than the first Wednesday in April, the City Council shall discuss and approve the overall CPD budget and allocations for various activities for the particular program year. Staff shall prepare a staff report for that meeting showing funding requests from City and community for public services and capital projects, the recommendations of the ad hoc Application Review Committee, recommendations of individual councilmembers, and the averages of all councilmember recommendations. This information shall be distributed to the City Council and made available to applicants at least 24 hours prior to the meeting. At this meeting Councilmembers may revise their individual recommendations so that all available CDBG funds are allocated, and that all public services allocations are at or above the $7,500 minimum when averaged and the total is within the fifteen percent (15%) cap on public services.

D. Management of the City's HUD-funded Programs

25. Preparation of Action Plan and other HUD Documents

a) Following appropriation of funds to subrecipients and approval of the CDBG program year budget by the City Council, staff in the Neighborhood Services Department will prepare the annual Action Plan of the five-year Consolidated Plan for Housing and Community Development based on the Council action, using the

HUD Consolidated Plan Management Process (CPMP tool). The City will publish a notice for a 30-day public review period, which shall include information as to where copies of the draft plan may be found and how members of the public can provide comment. The Action Plan shall be made available no later than April 10 of each year in print form at the City Library, City Clerk's office, and Housing Division office, and on the City website. Copies shall be provided to the City Council upon request. Following the 30-day public review period, the CDBG program manager shall present the Plan to the Council for review and approval at a public hearing at the first City Council meeting in May of each year. Once approved the City shall submit the Action Plan to the Los Angeles HUD Field Office no later than May 15 of each year (45 days prior to the start of the program year).

b) The Action Plan shall include goals, objectives and performance measurements for all CDBG-funded activities and projects.

c) Once HUD has received and reviewed the Action Plan, and the appropriate agreements with HUD have been signed for CDBG, HOME and any other HUD funds, City staff shall prepare and process agreements with subrecipients as approved by the Council. The City Attorney shall annually review the draft CDBG public services agreement to ensure compliance with federal, state and City codes and regulations, including non-discrimination clauses and City insurance requirements.

d) The City will follow the same procedure for allocation of grant funds awarded through the Neighborhood Stabilization Program, Homelessness Prevention and Rapid Re-Housing Program and CDBG-R funds provided through the Recovery Act (ARRA) of 2009. The City will adhere to guidelines and requirements for public participation and reporting set forth by HUD for these programs.

e) City staff will prepare and submit quarterly program and financial reports as required by the Recovery Act of 2009 and make these available to the public on the City web site.

f) The City shall utilize the HUD document "Guidelines for Preparing Consolidated Plan and Performance and Evaluation Report Submissions" for preparation of the five-year Consolidated Plan for Housing and Community Development and the annual Consolidated Annual Performance Evaluation Report (CAPER). The CAPER shall include performance measurement reports on each funded activity including how well the subrecipient addressed goals and objectives of the program as shown in the Action Plan.

26. Monitoring of Subrecipients

a) Monitoring of subrecipients concentrates on program, financial, and regulatory performance of the subrecipients, including subrecipients of Recovery Act funds and subrecipients of capital improvement project funds. Primary monitoring objectives are to make sure that subrecipients comply with all regulations governing administrative, financial, and programmatic operations. The City uses performance measurement including cost/benefit analysis when appropriate to analyze the benefits of CDBG funding.

b) City staff shall develop and implement a monitoring program to visit all new subrecipients within three months, and to visit as many continuing or renewed subrecipients as possible during the program year. Monitoring visits shall include review of compliance by funded agencies and organizations of federal EEO and Section 504 ADA requirements. The City shall include its monitoring program in

the annual Action Plan. A record of monitoring visits and any subsequent action shall be maintained in the files of CDBG subrecipients.

c) Monitoring of subrecipients shall include compliance tests including but not limited to the allowability of costs, review of financial reports, eligibility and number of beneficiaries served, and compliance with federal regulations and City program requirements.

d) City staff will provide technical assistance to subrecipients when monitoring indicates less than complete compliance with CDBG regulations or Office of Management and Budget (OMB) circulars, in particular OMB Circular No. A-122, *Cost Principles for Nonprofit Organizations.* The City shall provide each subrecipient with a copy of applicable OMB circulars and the latest edition of *Playing by the Rules* guidance for CDBG subrecipients.

e) City staff shall develop an implement a monitoring program to visit all HOME-funded rental housing projects at least once every two years to ensure that the projects are maintaining affordability as required in agreements and that the properties are maintained in a healthy and safe condition for residents. Staff shall use standard HOME monitoring forms for inspection and recordkeeping.

27. Financial Management of HUD Funds

a) The City provides reimbursement payments to sub-recipients based on verification of expenditures by submission of a request for payment form with all required back-up documentation. The payment request is reviewed upon submission and approved by CDBG Coordinator who forwards this submission to the accounting staff for payment. Accounting personnel verifies that there are enough available funds budgeted for such payment and prepares the formal payment request and obtains the appropriate authorized signature. This payment request is then forwarded to City Finance Department to issue and mail the check to the subrecipients. Per Financial Services Department policy, subrecipients may not personally pick up checks from the City.

b) Subrecipients shall normally be paid directly as reimbursement for eligible expenses. Subrecipients of CDBG funds for capital projects may request that funds be paid directly to a contractor or vendor; such request must be made at the beginning of the project. Payments will be made only upon presentation of invoices from the contractor or vendor and approved for payment by the subrecipient. Final payments to subrecipients will be made only upon submission of final program reports that document the achievement of program goals and satisfactory completion of the CDBG-funded activity.

c) Each request for payment must have adequate documentation for the costs incurred such as payroll records, purchase orders, copies of canceled checks, etc. Requests must be only for costs directly related to the approved activity and included in the approved budget attached to the contract.

d) Subrecipients may not use CDBG funds for general administrative costs or "overhead" costs unless the subrecipient has established cost allocation for such costs applicable to all subrecipient activities regardless of funding source.

e) Subrecipients will be encouraged to submit requests for reimbursement at least quarterly in order that the City may demonstrate its timely use of CDBG funds. In al cases the first request for reimbursement must be submitted prior to December 15 in order for the organization to qualify for funding in subsequent years.

Subrecipients will be required to submit copies of the annual audit of their organization.

f) CDBG expenditures as shown in the City's accounting system are reviewed on a quarterly basis by the Accounting Manager in the Neighborhood Services Department who initiates the paperwork for a drawdown of funds through the IDIS reporting system based on actual expenses. The drawdown request is forwarded to the department's accounting technicians whose duties are split between preparing the drawdown request and approving these drawdowns; one technician prepares the request for funds and the other approves the drawdown. Upon the approval of the drawdown all records are forwarded back to the Accounting Manager for entry into the City's accounting system after acknowledgement in IDIS of receipt of funds from the U.S. Treasury.

g) The City will not request funds in advance or as "float" funds from the U.S. Treasury.

h) Appropriation of CDBG funds in excess of $50,000 for capital projects (acquisition, rehabilitation or new construction) shall be extended as deferred loans for a period of five, ten or twenty years depending upon the amount of the allocation. Loans will be forgiven (reconveyed) at the end of the term so long as the property or equipment is used for CDBG-eligible purposes or serves a CDBG-eligible population during the period of the loan term. Loans will normally be secured by a Uniform Commercial Code filing; loans in excess of $250,000 will be secured by a note and deed of trust on the property. The note can be subordinated upon request of the subrecipient. Subrecipients shall file an annual report during the term of the loan demonstrating how the project has served a CDBG-eligible purpose or population.

i) During the life of any agreement with a subrecipient and for at least five years thereafter, the use of property acquired or improved using CDBG funds in excess of $25,000 cannot change without meeting one of the three national objectives. If a national objective is not met, the subrecipient must reimburse the City any CDBG funds invested in the property minus any pro-rata share for the number of years that the property did meet a national objective and approved activity. This requirement applies also to properties acquired and/or improved by the City with CDBG funds.

28. Program Income – HOME Program

a) First-time homebuyer programs sponsored by the City of Oceanside include recapture provisions for the entire subsidy amount regardless of original source of the subsidy funds. The City reports any recaptured HOME funds when making a drawdown of funds and applies program income to HOME expenditures before drawing down any new funds.

b) Repaid loans are returned (recaptured) as program income to the City's HOME program. The City has chosen the "Recapture entire amount" option for recapture requirements on HOME loans (CFR §92.254a.5.ii.A.1.), which states, "The participating jurisdictions may recapture the entire amount of the HOME investment from the homeowner." When recapture provisions are triggered by a sale (voluntary or involuntary) of the housing unit and the net proceeds are insufficient to repay the HOME investment due, the City can only recapture the net proceeds available from the sale of the property and not from the homeowner's non-housing assets.

c) HOME funds may be used for the acquisition, rehabilitation or new construction of rental units for low- and very low-income individuals and families. The City will give preference to housing developers that have been certified as Community Housing Development Organizations (CHDOs). The project developer shall sign a regulatory agreement that details rental and income restrictions for residents, the number of years that such restrictions shall apply, and whether "high HOME" or "low HOME" rents shall apply to the project.

d) When HOME funds from the City are used for the construction, acquisition and/or rehabilitation of rental units, the regulatory agreement shall detail how excess income from rental income shall be handled, including the amount that shall be set aside in a separate fund for repairs and upgrades beyond ordinary and ongoing maintenance costs. The agreement shall also detail under what circumstances and to what amount excess income shall be returned to the City beyond ordinary loan repayment.

29. Program Income – CDBG Program

a) The sole source for CDBG program income is from the repayment of rehabilitation loans made to homeowners; repayment happens when the owner refinances the mortgage on the home or when the home is sold. The City reports CDBG program income at drawdowns of CDBG funds and applies program income to expenditures prior to requesting new funds.

b) The City has used CDBG funds to construct or rehabilitate City facilities, including the Libby Lake Community Center, the Beach Community Center, Joe Balderrama Recreation Center, the Oceanside Senior Center and other facilities. The City will sometimes lease space in these facilities to other agencies upon approval by the City Council, such as Vista Community Clinic operating a clinic at the Libby Lake Community Center. The facilities are available for short-time use by private organizations or groups, such as church groups that use recreation center space on Sunday mornings. The lease/rental costs charged to agencies, organizations or private parties are calculated based on the actual cost for use, including necessary City staffing, maintenance, utilities, etc. As there is no income to the City from such leases and rentals above the cost of providing the space, these facilities do not generate program income for reporting as part of CDBG or HOME programs.

30. Program and Financial Reporting

a) The CDBG Program Manager shall ensure that SF 425 and SF 425-A, the Quarterly Federal Financial Report, are filed accurately and in a timely manner.

b) The CDBG Program Manager shall work with all subrecipients to ensure that they understand reporting requirements, with the understanding that the City and subrecipients share joint responsibility for carrying out permitted activities in conformance with federal requirements. Subrecipients shall provide documentation that demonstrates the achievement of program goals and the completion of activities. All requests for reimbursement shall have adequate documentation of how federal funds were used and that funds were used only for eligible activities. Complete records, and accurate and timely reporting, are essential to successful CDBG programs both for the City and all subrecipients.

c) The CDBG Program Manager shall prepare the Consolidated Annual Performance Evaluation Report (CAPER) using the HUD Consolidated Plan Management Process (CPMP) tool. The CAPER shall provide clear and correct financial and beneficiary information showing how the City is carrying out its housing and community

development strategies, projects and activities. The draft CAPER shall be available for a fifteen-day (minimum) public review period in September each year together with information on how to provide comment and/or questions. Print copies shall be available at the Oceanside Public Library, the City Clerk's office, and the Neighborhood Services Department office; a copy shall also be posted on the City web site. The City shall submit the final CAPER with public comments and City responses to the HUD – Los Angeles Field Office no later than September 28th each year, ninety days following the close of the program year.

d) The HUD Los Angeles Field Office prepares an annual Program Year Review Letter with comments on the use of CDBG and HOME funds as reported in the CAPER. The City will follow up on any necessary corrections or recommendations contained in the Review Letter as quickly as possible.

e) The CDBG Program Manager shall ensure that expenditures of CDBG, CDBG-R, HOME and HPRP funds shall be drawn down from the U.S. Treasury on a regular basis and not less than quarterly.

f) The CDBG Program Manager and financial management personnel shall prepare the required IDIS program and financial reports for submission with the CAPER.