

STAFF REPORT**CITY OF OCEANSIDE**

DATE: August 7, 2013

TO: Honorable Mayor and City Councilmembers

FROM: Neighborhood Services Department

SUBJECT: **APPROVAL OF AN AMENDMENT TO THE FY 2013-14 COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) PROGRAM BUDGET DUE TO THE CDBG FUNDING ALLOCATION EXCEEDING THE AMOUNT ANTICIPATED; APPROVAL TO ALLOCATE AN ADDITIONAL \$30,400 FOR CDBG PLANNING AND PROGRAM ADMINISTRATION; APPROVAL TO ALLOCATE AN ADDITIONAL \$22,799 IN GRANT FUNDING TO PUBLIC SERVICES PROGRAMS; AND APPROVAL TO AMEND THE 2013-2014 ACTION PLAN ACCORDINGLY.**

SYNOPSIS

Staff recommends that the City Council approve an amendment to the FY 2013-14 Community Development Block Grant (CDBG) program budget due the CDBG funding allocation exceeding the anticipated amount; approve allocation of an additional \$30,400 for CDBG Planning and Program Administration; approve allocation of an additional \$22,799 in grant funding to public services programs; authorize the City Manager to execute agreements with subrecipients for the use of CDBG public services funds as approved by the City Council; and approve amendment of the 2013-2014 Action Plan accordingly.

BACKGROUND

The City receives Community Development Block Grant (CDBG) and HOME Investment Partnership (HOME) program funds each year from the U.S. Department of Housing and Urban Development (HUD). Congress appropriates funding for these programs each year. HUD then determines the entitlement grant for each participating jurisdiction by a formula based on a number of factors including population, poverty level and the age of housing in the jurisdiction.

The City Council approved the FY 2013-14 CDBG budget on March 27, 2013, and the FY 2013-14 Action Plan on June 6, 2013, for use of the CDBG and HOME funds based on anticipated reduced allocations due to the sequestration process. Notification by HUD of final CDBG and HOME funding allocations was not received until May 30, 2013. The expected reduction in the national CDBG budget was offset by an allocation of \$300 million that was made from CDBG funding in FY 2012-13 for disaster recovery and not carried forward into FY 2013-14. This offset the anticipated sequestration reduction,

resulting in a 4.4 percent increase in CDBG formula national funding levels for FY 2013-14. The City's CDBG allocation increased from \$1,180,708 in FY 2012-13 to \$1,260,686 in FY 2013-14. As the offset is a one-time occurrence, significant reductions are expected in the CDBG allocation for FY 2014-15.

The national FY 2013 HOME appropriation of \$1 billion was reduced by 5.1 percent due to sequestration and then by another 0.2 percent as a result of an across the board rescission. The result was a HOME formula amount of \$947 million. Approximately \$17 million was added back into the national formula from funds recaptured from participating jurisdictions (PJs) that failed to meet HOME deadline requirements or that requested voluntary grant reductions in lieu of repayment for ineligible activities. Therefore, the HOME formula was run at \$964 million. Most HOME PJs (66 percent) experienced a decrease in their HOME allocation for FY 2013-14 due to sequestration; however many PJs', including Oceanside, received increased allocations due to the use of 2006-2010 American Community Survey data as one of the factors in determining HOME allocations. The HOME allocation for the City increased from \$397,796 in FY 2012-13 to \$409,306 in FY 2013-14.

CDBG Program: The primary objective of the CDBG Program is the development of viable urban communities, principally for low- and moderate-income persons, through decent housing, a suitable living environment and expanded economic opportunity. The City may allocate its CDBG funding to a range of eligible activities, including housing rehabilitation, capital improvement projects, public services, code enforcement, economic development, and other community development activities. All activities funded through the CDBG program must meet one of three National Objectives:

1. Primarily benefit low- and moderate-income individuals, families and neighborhoods;
2. Prevent or eliminate slums and blight;
3. Meet an urgent local need (such as the firestorms in San Diego County).

HOME Program: HUD regulations require that participating jurisdictions use HOME Program funds to promote homeownership and/or to develop housing projects affordable to low- and very low-income individuals and families. The City currently uses HOME funds for housing projects such as the Mission Cove mixed-use housing development on Mission Avenue and the previously completed Lil Jackson senior housing project on Lake Boulevard. HUD regulations limit ("cap") use of HOME funds for program management to ten percent of the entitlement grant for the year.

HUD regulations (24CFR570) require that a participating jurisdiction adopt a five-year Consolidated Plan for Housing and Community Development and annual Action Plans. The Consolidated Plan demonstrates how a local jurisdiction will address the national goals of decent housing, a suitable living environment, and expanded economic opportunity for all residents, and lists the City's objectives for affordable housing, homeless services, community services, neighborhood revitalization and economic development. The Consolidated Plan shows how the City will use available financial resources including the block grant funds, City funds and other resources to implement

plans and activities that address the objectives. The City Council adopted the 2010-2015 Consolidated Plan on May 5, 2010; this plan will expire on June 30, 2015.

The five-year Consolidated Plan provides the framework for the City's annual Action Plan. The Action Plan presents the specific strategies and activities the City will undertake to fulfill the goals and objectives of the Consolidated Plan during a particular year, and shows how available resources will be used during that year as determined by the City Council. The 2013-2014 Action Plan will be updated to reflect the additional CDBG and HOME funds received and allocated and will be resubmitted to HUD for approval.

ANALYSIS

The City's CDBG allocation for FY 2013-14 is \$1,260,686 which is a 6.78 percent increase over the FY 2012-13 funding level and a \$152,001 increase over the CDBG allocation anticipated when the CDBG budget was approved by City Council on March 27, 2013. This increase in overall grant funding impacts how much can be used for administration and planning, and how much for public services, which are restricted by percentage "caps". The City's HOME allocation for FY 2013-14 is \$409,306 which is a \$12,001 (2.9 percent) increase from the FY 2012-13 funding level.

The Public Services category includes services and programs for youth, senior citizens, adults with disabilities and homeless persons, and other activities that benefit low- and moderate-income individuals, families and neighborhoods. HUD regulations restrict the use of CDBG funds for public services to no more than 15 percent of the sum of the annual entitlement plus program income from the prior year. On March 27, 2013, the City Council approved the CDBG budget allocating \$174,290 in public services funding. The final CDBG allocation raises the amount available for public services under the 15 percent cap to \$197,089, an increase of \$22,799. The recommended amended budget (Exhibit A) allocates an additional \$16,000 to the Oceanside Senior Citizens Association for their Senior Nutrition and Junior Seau Club 55 Senior Fitness Programs. This brings the total Oceanside Senior Citizens Association CDBG grant for FY 2013-14 to \$33,330, with \$7,500 of that amount directed to operating costs for the Club 55 program, including staff salary and program liability insurance. The remaining \$6,799 is allocated to the Community Resource Centers for materials and supplies for Neighborhood Resource Fairs in the Crown Heights, Eastside and Libby Lake neighborhoods during the first half of 2014.

The Oceanside Senior Citizens Association (OSCA) manages a Senior Nutrition program at the Country Club Senior Center. The program serves a hot, healthy meal to seniors at the center and by delivery to homebound seniors and persons with disabilities. The program has 550 seniors signed up for congregate meals and 122 clients on their homebound program. Last month they served an average of 50 seniors daily in the congregate setting with over 1,500 congregate meals and over 2,000 home-delivered meals served. While OSCA manages the senior nutrition program and is responsible for all day-to-day operations, the City retains ownership of all permanent

equipment. The services OSCA provides for Oceanside seniors have been under increasing financial pressures over recent years with ongoing cuts in funding available through CDBG, the County of San Diego, and other funding sources. The additional allocation included in the recommended budget amendment would increase the CDBG portion of their budget to \$33,330. This is slightly below the level of CDBG funding they received in FY 2010-11 (\$34,400) and will assist them in continuing this vital service for Oceanside seniors. OSCA also operates the Junior Seau Club 55 fitness program. The goal of Club 55 is to improve the overall health and fitness of Oceanside seniors and the program currently has 169 members.

Staff recommends that the remaining \$6,799 available under the cap for public services in the FY 2013-14 CDBG budget be allocated to the Community Resource Centers for materials and supplies for Neighborhood Resource Fairs in the Crown Heights, Eastside, and Libby Lake neighborhoods during FY 2013-14. There has been limited funding for these events in recent years through CalGRIP grants, however funds under existing grants have been expended and no replacement funding is currently identified for events to be held in the first six months of 2014. If approved, the funding would support annual resource events such as the Crown Heights Community Festival, Eastside Day of the Child event, and Libby Lake Park Community Resource Fair. Costs supported would include rental of attractions and stages, payment of entertainers, craft supplies for activities, and purchase of incentive items for participating youth (soccer balls, footballs etc.) which are all allowable expenses under CDBG.

Administration, Planning, and Housing Rehabilitation

The CDBG Administration and Planning category includes housing program development, grants administration, activities to promote fair housing and management of neighborhood revitalization programs. HUD regulations restrict administration and planning activities to no more than 20 percent of the sum of the current year's entitlement plus current year program income; the amended 2013-14 CDBG budget of \$262,785 is at this limit.

Action by the City Council will be to approve, modify, or deny the CDBG budget amendment. Once the Council takes action on CDBG allocations, staff will incorporate the proposed amendments into the Program Year 2013-14 Action Plan. The Action Plan includes all activities supported by HUD funding, including funds from the HOME Investment Partnership Program that are provided to increase the supply of affordable housing and to assist low-income first-time homebuyers.

FISCAL IMPACT

The City will receive \$1,260,686 of CDBG entitlement grant funds in 2013-14 and an estimated \$53,242 in program income from loan repayments. The cap for CDBG public services for FY 2013-14 is \$197,089 and the CDBG program administration and planning cap for FY 2013-14 is \$262,785. The HOME program allocation for the City increased from \$397,796 in FY 2012-13 to \$409,306 in FY 2013-14.

An increase of \$ 152,001 for CDBG and \$ 12,001 for HOME will be allocated to the following Budgeted accounts:

Description	Business Unit	Debit	Credit
Grants Admin-Rev	921769000237.4381.0001		\$30,400
Grants Admin-Supply	921769000237.5355	\$ 30,400	
Community Res-Rev	921115300237.4381.0001		6,799
Community Res-Supply	921115300237.5355	6,799	
Senior Prgm-Rev	921558500237.4381.0001		16,000
Senior Prgm-Contrib	921558500237.5395	16,000	
Contingency CDBG	921790000237.4381.0001		98,802
Contingency CDBG	921790000237.5450	98,802	
HOME Prgm Adm.	923477500277.4391		1,200
HOME Prgm Adm-Supply	923477500277.5355	1,200	
HOME Prgm CHDO	923479800277.4391.0002		1,800
HOME Prgm-CHDO	923479800277.5395.0001	1,800	
HOME Prgm-Unalloc	923479800277.4391		9,001
HOME Prgm-Unalloc	923479800277.5395	9,001	

The 2013-14 CDBG program budget amendment (Exhibit A) reflects the increase in the CDBG entitlement and associated increases in caps for public services, administration and planning, and contingency sections of the CDBG budget. CDBG-funded projects and activities do not require matching funds from the General Fund or any subrecipient agency. CDBG funds that are not allocated remain in a contingency fund until allocated; HUD encourages participating jurisdictions to use entitlement funds in a timely manner. Public services allocations must be used by the end of the particular program year; capital projects should be completed within 24 months. CDBG funds must supplement and may not supplant other funds.

The City receives CDBG program income from repayment of homeowner rehabilitation loans in varying amounts from year to year. Program income has been low in the current program year and is expected to remain low in FY 2013-14. Program income must be used before drawing down funds from the U.S. Treasury.

CDBG and HOME funds are drawn down only as reimbursement for expenditures. All expenditures must be for eligible activities and according to the budget approved by the City Council. The CDBG Program has no impact on the General Fund. CDBG funds are in Fund number 237.

COMMISSION OR COMMITTEE REPORT

This is the second year of a three-year plan approved by City Council for management of CDBG public services program allocations; therefore, the City did not receive applications for CDBG funding for 2013-14 and the ad hoc application review committee did not meet. The goals, objectives and strategies of the 2013-14 Action Plan were presented to the Parks & Recreation Commissions on April 9, 2013, and comments were included in the plan.

CITY ATTORNEY’S ANALYSIS

The City Council is authorized to hold a public hearing in this matter. Consideration of this matter should be based on the testimony and evidence presented at the hearing. After conducting the hearing, the Council shall adopt, modify or deny the recommendations contained in this report.

RECOMMENDATION

Staff recommends that the City Council approve an amendment to the FY 2013-14 Community Development Block Grant (CDBG) program budget due to the CDBG funding allocation exceeding the anticipated amount; approve allocation of an additional \$30,400 for CDBG Planning and Program Administration; approve allocation of an additional \$22,799 in grant funding to public services programs; authorize the City Manager to execute agreements with subrecipients for the use of CDBG public services funds as approved by the City Council; and approve amendment of the 2013-14 Action Plan accordingly.

PREPARED BY:

SUBMITTED BY:

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ATTACHMENTS:

Exhibit A: Proposed FY 2013-14 Amended CDBG Budget

Exhibit B Comparison -Amended budget / budget approved March 27, 2013

CDBG PROGRAM BUDGET 2013-14 Revised 8/7/13

Revenue 2013-14

a. CDBG entitlement grant	\$ 1,260,686
b. Program income prior year (est.)	\$ 53,242
c. Program income current year	\$ 53,242
Total CDBG Revenue current year	\$ 1,313,928

Expenditures 2013-14**a. CDBG Administration and Planning:**

1. Housing Program Development	\$ 141,045
2. Fair Housing Programs	\$ 20,000
3. Grants Administration	\$ 86,740
4. Neighborhood Revitalization Planning	\$ -
5. Neighborhood Revitalization (CHW)	\$ 15,000
Total Administration and Planning / Cap	\$ 262,785 at 20% cap

Admin and Planning cap figured at 20% entitlement plus **current** year program income

b. CDBG Public Services:

1. Parks & Recreation Teens	\$ 18,600
2. Parks & Recreation 4 Kids Sake	\$ 18,200
3. Angel's Depot Food for a Week	\$ -
4. Brother Benno Foundation	\$ -
5. Boys & Girls Club Gangbusters	\$ -
6. Boys & Girls Club Libby Lake	\$ -
7. Senior Fitness	\$ -
8. Interfaith Community Services	\$ -
9. Ivey Ranch Park Association	\$ -
10. North County Health Services	\$ -
11. Oceanside Senior Citizens Association	\$ 33,330
12. Vista Community Clinic Teen REACH	\$ 13,580
13. Community Resource Centers	\$ 99,799
14. North County Lifeline Youth Programs	\$ 13,580
16. S.U.N/Neighborhood Clean-up Activities	\$ -
Total Public Services and Cap	\$ 197,089 at 15% cap

Public Services cap figured at 15% entitlement plus **prior** year's program income

d. Housing Rehabilitation

1. Single Family Rehabilitation Loans*	\$ -	prior year \$
2. Mobilehome Rehabilitation Grants	\$ -	prior year \$
3. Program Management and Loan Services	\$ 100,000	
Total Housing Rehabilitation	\$ 100,000	

e. Section 108 Loan Payment \$ 274,302

f. Code Enforcement \$ 355,000

CDBG Program Expenditures \$ 1,189,176

g. Contingency \$ 124,752

Total CDBG Budget 2013-14 \$ 1,313,928

e. Local housing program funds 2013-14

1. Casa de Amparo	\$ -
2. Fraternity House	\$ -
3. Women's Resource Center Emergency Shelter	\$ -
4. YMCA Oz North Coast Shelter	\$ -
5. Alliance for Regional Solutions	\$ 30,000
Total homeless programs	\$ 30,000

Comparison to CDBG Program Budget Approved by Council 3/27/13

		Change from budget approved 3/27/2013
Revenue 2013-14		
a. CDBG entitlement grant	\$ 1,260,686	\$ 152,001
b. Program income prior year (est.)	\$ 53,242	\$ -
c. Program income current year	\$ 53,242	\$ -
Total CDBG Revenue current year	\$ 1,313,928	\$ 152,001
Expenditures 2013-14		
a. CDBG Administration and Planning:		
1. Housing Program Development	\$ 141,045	No Change
2. Fair Housing Programs	\$ 20,000	No Change
3. Grants Administration	\$ 86,740	\$ 30,400
4. Neighborhood Revitalization Planning	\$ -	No Change
5. Neighborhood Revitalization (CHW)	\$ 15,000	No Change
Total Administration and Planning / Cap	\$ 262,785 at 20% cap	\$ 30,400
Admin and Planning cap figured at 20% entitlement plus current year program income		
b. CDBG Public Services:		
1. Parks & Recreation Teens	\$ 18,600	No Change
2. Parks & Recreation 4 Kids Sake	\$ 18,200	No Change
3. Angel's Depot Food for a Week	\$ -	\$ -
4. Brother Benno Foundation	\$ -	\$ -
5. Boys & Girls Club Gangbusters	\$ -	\$ -
6. Boys & Girls Club Libby Lake	\$ -	\$ -
7. Senior Fitness	\$ -	\$ -
8. Interfaith Community Services	\$ -	\$ -
9. Ivey Ranch Park Association	\$ -	\$ -
10. North County Health Services	\$ -	\$ -
11. Oceanside Senior Citizens Association	\$ 33,330	\$ 16,000
12. Vista Community Clinic Teen REACH	\$ 13,580	No Change
13. Community Resource Centers	\$ 99,799	\$ 6,799
14. North County Lifeline Youth Programs	\$ 13,580	No Change
16. S.U.N/Neighborhood Clean-up Activities	\$ -	\$ -
Total Public Services and Cap	\$ 197,089 at 15% cap	\$ 22,799
Public Services cap figured at 15% entitlement plus prior year's program income		
d. Housing Rehabilitation		
1. Single Family Rehabilitation Loans*	\$ - prior year \$	
2. Mobilehome Rehabilitation Grants	\$ - prior year \$	
3. Program Management and Loan Services	\$ 100,000	No Change
Total Housing Rehabilitation	\$ 100,000	No Change
e. Section 108 Loan Payment	\$ 274,302	No Change
f. Code Enforcement	\$ 355,000	No Change
CDBG Program Expenditures	\$ 1,189,176	\$ 53,199
g. Contingency	\$ 124,752	\$ 98,802
Total CDBG Budget 2013-14	\$ 1,313,928	\$ 152,001
e. Local housing program funds 2013-14		
1. Casa de Amparo	\$ -	
2. Fraternity House	\$ -	
3. Women's Resource Center Emergency Shelt	\$ -	
4. YMCA Oz North Coast Shelter	\$ -	
5. Alliance for Regional Solutions	\$ 30,000	No Change
Total homeless programs	\$ 30,000	No Change