



Request for City Council Committee Action from the Department of IGR & Finance

Date: May 23, 2011

To: Betsy Hodges, Chair Way & Means/Budget Committee
Referral to: City Council

Subject: FY2011 CDBG and Schedule 4 Budget Revision

Recommendation: Direct Staff to Revise and Amend FY 2011 Schedule 4 programs and projects as proposed by the Mayor and Publish a 2011 Consolidated Plan Amendment #1 for a thirty-day public comment period with scheduled public hearing before the Community Development Committee prior to submission to U.S. Department of Housing and Urban Development (HUD) for FY2011 program year effective June 1, 2011. Upon receipt of an official award amount from HUD, staff is authorized to make necessary across-the-board budget adjustments to reflect official awards.

Previous Directives:

December 13, 2010- City Council passed 2011 General Appropriation Resolution fixing the maximum amounts to be expended by the various City departments for 2011 for funds under the jurisdiction of the City Council and for which the City Council levies taxes and fees.

April 15, 2011- City Council authorized submittal of 2011 Consolidated Plan to HUD containing an estimated FY2011 budget to be received from HUD.

Department Information

Prepared by: Matt Bower, Manager Resource Coordination, IGR Department, 673-2188
Jeffrey Streder, Interim Director Management and Budget, 673-5130
Approved by: Gene Ranieri, Government Relations Director, IGR Department
Heather Johnston, Interim Finance Officer, Finance Department
Presenters in Committee: Matt Bower, Jeffrey Streder

Reviews

- Permanent Review Committee (PRC): Approval ___ Date _____
- Civil Rights Approval Approval ___ Date _____
- Policy Review Group (PRG): Approval ___ Date _____

Financial Impact *(delete all lines not applicable to your request)*

- Request provided to the Finance Department
- Other financial impact
Schedule 4 of the 2011 Budget Resolution being amended to reflect a reduction of an estimated \$2,397,084 in Community Development Block Grant, a reduction of an estimated \$437,896 in HOME Investment Partnerships Grant, an increase of an estimated \$ 225,048 in the Emergency Solutions Grant, and an increase of an estimated \$29,217 in the Housing Opportunities for Persons with AIDS grant.

Community Impact

- Other
Upon City Council action, a 1st Amendment to the 2011 Consolidated Plan will be issued for required 30-day public comment period and a public hearing will be held before the Community Development Committee in accordance with the City's Consolidated Plan Substantial Amendment process.

Supporting Information

Pending Congressional passage of a FY 2011 Federal Budget Appropriation bill funding HUD for FY 2011, the City Council passed a Schedule 4 in its 2011 General Appropriation Resolution based upon an estimate of receipt of HUD entitlement grant funding equal to FY2010. Upon passage of House Resolution 1473 (HR 1473), the city has now been provided by HUD a preliminary estimate of the following FY2011 CDBG/Consolidated Plan awards. HUD has informed city staff that final award numbers may not be available until later this spring and summer after start of the City's FY2011 Consolidated Plan program year in June.

	2011 General Appropriation Resolution Schedule 4 Budget	Current 2011 HUD Award Estimate based on HR 1473	Difference
Community Development Block Grant (CDBG)	\$ 14,439,575	\$ 12,042,491	(\$ 2,397,084)
HOME Investment Partnerships (HOME)	\$ 3,780,884	\$ 3,342,988	(\$ 437,896)
Emergency Solutions Grant (ESG)	\$ 587,765	\$ 812,813	+ \$ 225,048
Housing Opportunities for Persons with AIDS (HOPWA)	\$ 977,370	\$ 1,006,587	+ \$ 29,217

With knowledge of the cuts present to the CDBG program, city departments have been requested to freeze proposed FY2011 capital and program expenditures until the City Council has approved a revised 2011 General Appropriation Resolution Schedule 4.

To handle the estimated reductions in CDBG and HOME either an across-the-board cut to all programs or specific program cuts are recommended. Due to the steep percentage reduction necessary (16% for CDBG), the Mayor is proposing specific CDBG program cuts. Attached to this letter is the Schedule 4 approved this past December and the Mayor's recommended CDBG cuts to this schedule.

These cuts within the CDBG program will need to also heed HUD programmatic caps. Up to 15% of the CDBG budget can be devoted to public service programming, the December Schedule 4 has budgeted public service programs at this level. The City can also budget up to 20% of its CDBG grant for administrative programming. The December Schedule 4 budgeted administrative programming at 17%. CDBG capital programs have no cap. Therefore, to remain within the caps cuts will need to be applied consistent with these caps. The table below illustrates the cuts required by program use to stay within program caps.

	Approved 2011 General Appropriation Resolution Schedule 4 Budget (CDBG)	New Estimated Cap Numbers for 2011 CDBG (assume max percentage)	Difference
Capital Programs	\$ 9,763,189	\$ 7,827,619	(\$ 1,935,019)
Public Service Programs (max 15%)	\$ 2,165,386 (15%)	\$ 1,806,374	(\$ 359,563)
Administration (max 20%)	\$ 2,511,000 (17.4%)	\$ 2,408,498	(\$ 102,502)
Total Budget	\$ 14,439,575	\$ 12,042,491	(\$ 2,397,084)

The CDBG Schedule 4 will need to have capital programs reduced by \$ 1,935,019, public service programs reduced by \$ 359,563, and administrative items reduced by \$102,502 to keep the CDBG Schedule 4 within CDBG program caps.

These numbers are based on the current award estimate from HUD. This award estimate is subject to further minor changes by HUD which staff proposes be applied to all approved Schedule 4 CDBG programs and projects stemming from the Council's actions now by an across-the-board adjustment.

It should be noted that the City has a joint powers agreement with Hennepin County for support of the Curfew Truancy Center at a level of \$100,000. Reduction of CDBG support for this program will need to identify an alternate source of funding.

The Mayor further recommends that the estimated decrease to the HOME grant and estimated increases to the ESG and HOPWA grants be applied in whole to the Schedule 4 amounts for these grants. In the instance of ESG, a portion of the increase will be sub-granted to Hennepin County for use in homelessness prevention and rapid re-housing activities consistent with the language expressed in the submitted 2011 Consolidated Plan and forthcoming new ESG regulations which are anticipated to be published by HUD later this summer.