



CITY OF URBANA, ILLINOIS
DEPARTMENT OF PUBLIC WORKS
ADMINISTRATION DIVISION

M E M O R A N D U M

TO: Bruce Walden, Chief Administrative Officer
FROM: Elizabeth Tyler, Community Development Director and City Planner
Doug Miller, Projects Coordinator
RE: CDBG funds timely expenditure
DATE: September 6, 2002

INTRODUCTION

The purpose of this memo is to summarize actions that will aid in meeting federal requirements for the timely expenditure of CDBG funds and the impact of those actions.

BACKGROUND

In May 2001, the City was notified by HUD under a new Federal policy that it “cannot retain more than 1.5 times the annual grant amount in its line of credit”. In essence, this means that the City cannot carryover more than 50% of the annual CDBG grant amount in the budget. The “testing” ratio calculated by HUD on May 2, 2002 was 1.62. The May 2002 CDBG Timeliness Report indicated that the City would have needed to spend an additional \$78,000 in order to meet the timeliness test. HUD projected that at the current rate of expenditure this ratio will increase to 1.95% by next May. The City has been given until May 2, 2003 to expend funds that will bring this ratio down to 1.5 or less. If the City does not comply with this spending ratio requirement, its 2003 grant amount could be decreased by the amount necessary to bring the ratio down to 1.5, unless the City can show just cause for the delay in expenditures.

There are several reasons these funds have not been spent at the rate desired by HUD. One reason is the amount budgeted for street and street lighting infrastructure improvements. In the recent past approximately \$62,000 had been set aside per year for the improvement of Oakland Avenue from Broadway Avenue to Division Street and Division Street from Oakland Avenue to Thompson Street. An additional \$50,000 per year had been set aside for part of the series lighting replacement in the area east of the City Building (Area 3B). The intent was to carryover funds for two years, combine those with a third fiscal year budget and complete a larger, more efficient and economical project. This is the same way that similar street and lighting projects completed in 1999 were budgeted.

Another reason is that staff has budgeted a considerable amount of funds for property acquisition in anticipation of providing building lots for HOME funded affordable housing construction projects.

Since ICfCI's HomeBuild4 project did not move forward, lots were not purchased and funding remained in accounts. This carryover contributed to the unfavorable spending ratio cited by HUD.

Our spending ratio is also affected by the past practice of carrying over grant allocations for multi-year projects and for other projects that for whatever reason have not proceeded in an expeditious manner.

In response to HUD's concerns, staff now has developed a revised budget for utilizing property acquisition funding. The following matrix outlines the proposed uses of the remaining property acquisition funding:

PLANNED EXPENDITURES FOR PROPERTY ACQUISITION FUNDS

BUDGET

REVENUE

CDBG (carry-over)	\$	126,933
HOME (fy 02-03)	\$	63,900
TOTAL	\$	190,833

EXPENSES		CDBG	HOME
Mowing	\$ 10,000	\$ 10,000	
914 Eads Demo/Clearance	\$ 10,000		\$ 10,000
405 407 Kerr Purchase	\$ 60,000	\$ 60,000	
405 407 Kerr Demo/Clearance	\$ 20,000	\$ 20,000	
1005 1007 Fairview Demo/Clearance	\$ 10,000		\$ 10,000
Utilities for Eads utility connections	\$ 50,000	\$ 6,100	\$ 43,900
TOTAL	\$ 160,000	\$ 96,100	\$ 63,900

BALANCE \$ 30,833 Funding for "other" property acquisition

Adjustment of the capital improvements lighting project and acceleration of property acquisition activities described herein will bring the City's spending ratio to well within HUD standards. These actions will allow the City to continue to program multi-year housing and social service projects, such as the recently funded two-year Prairie Center acquisition and expansion project.

OPTIONS

1. While construction of the street lighting project in Area 3B was projected to start in 2003, the design has already been completed. In addition to the \$150,000 in block grant funding the project also included \$300,000 budgeted in FY'03 from the Capital Replacement and Improvement Fund (A09).

A total of \$185,533 is currently budgeted in block grant funds for the Oakland Avenue and Division Street work described above. This project is contingent on major drainage work being completed prior to or in conjunction with the street work. The drainage design is not completed and probably will require coordination with Urbana Township, Urbana Park District, and possibly Champaign County before a final design is completed. Therefore, this project may not be ready for construction in 2003.

Since the street lighting has already been designed, the City can proceed immediately to have construction drawings prepared and could purchase the poles and fixtures for the work with delivery (and expenditure) next February and construction work starting as soon as weather permits. The \$185,533 budgeted in the CDBG fund for street work could also be reallocated to the street lighting project to accelerate that expenditure. The street work would then be budgeted from A09 with an equal reduction in the funds budgeted from A09 for the street lighting project. This plan would maximize the amount of these CDBG funds spent by next May. There would be no increase or decrease in total project costs nor any change in project schedule other than accelerating the lighting work.

2. Accelerate the implementation of property acquisition activities outlined in the spreadsheet above.
3. Revise the Annual Action Plan processes to include consideration of expenditure timeliness requirements. This might include but not be limited to including questions in grant applications about the readiness of a project. HUD has also provided guidance to staff on how to program multi-year projects without negatively impacting spending ratio limits.

FISCAL IMPACT

The above identified options will allow the City to maintain its spending ratio for CDBG funds within HUD's identified limits and will avoid any risk of losing grant funding due to noncompliance with this ratio. The options will not negatively affect the City's budget, but will simply adjust the spending schedule for certain federally subsidized projects.

RECOMMENDATIONS

Staff recommends implementation of all three options listed above and approval of the attached budget amendment ordinance.

Attachment: Draft Ordinance

ORDINANCE NO. 2002-09-105

AN ORDINANCE
REVISING THE ANNUAL BUDGET ORDINANCE
(CDBG/Capital Improvement Fund Capital Projects)

WHEREAS, the Annual Budget Ordinance of and for the City of Urbana, Champaign County, Illinois, for the fiscal year beginning July 1, 2002, and ending June 30, 2003, (the "Annual Budget Ordinance") has been duly adopted according to sections 8-2-9.1 et seq. of the Illinois Municipal Code (the "Municipal Code") and Division 2, entitled "Budget", of Article VI, entitled "Finances and Purchases", of Chapter 2, entitled "Administration", of the Code of Ordinances, City of Urbana, Illinois (the "City Code"); and

WHEREAS, the City Council of the said City of Urbana finds it necessary to revise said Annual Budget Ordinance by deleting, adding to, changing or creating sub-classes within object classes and object classes themselves; and

WHEREAS, funds are available to effectuate the purpose of such revision; and

WHEREAS, such revision is not one that may be made by the Budget Director under the authority so delegated to the Budget Director pursuant to section 8-2-9.6 of the Municipal Code and section 2-133 of the City Code.

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF URBANA, ILLINOIS, as follows:

Section 1. That the Annual Budget Ordinance be and the same is hereby revised to provide as follows:

FUND:	Community Development Block Grant
AMOUNT:	\$185,533
ADD EXPENSE:	St. Lighting Improvements
REDUCE EXPENSE:	Division/Oakland St. Improvements

FUND: Capital Improvement and Replacement
AMOUNT: \$185,533
REDUCE EXPENSE: St. Lighting Improvements
ADD EXPENSE: Division/Oakland St. Improvements

Section 2. This Ordinance shall be effective immediately upon passage and approval and shall not be published.

Section 3. This Ordinance is hereby passed by the affirmative vote of two-thirds of the members of the corporate authorities then holding office, the "ayes" and "nays" being called at a regular meeting of said Council.

PASSED by the City Council this _____ day of _____,
_____.

AYES:

NAYS:

ABSTAINED:

Phyllis D. Clark, City Clerk

APPROVED by the Mayor this _____ day of _____,
_____.

Tod Satterthwaite, Mayor