



**CITY OF BUFFALO  
DEPARTMENT OF AUDIT AND CONTROL**

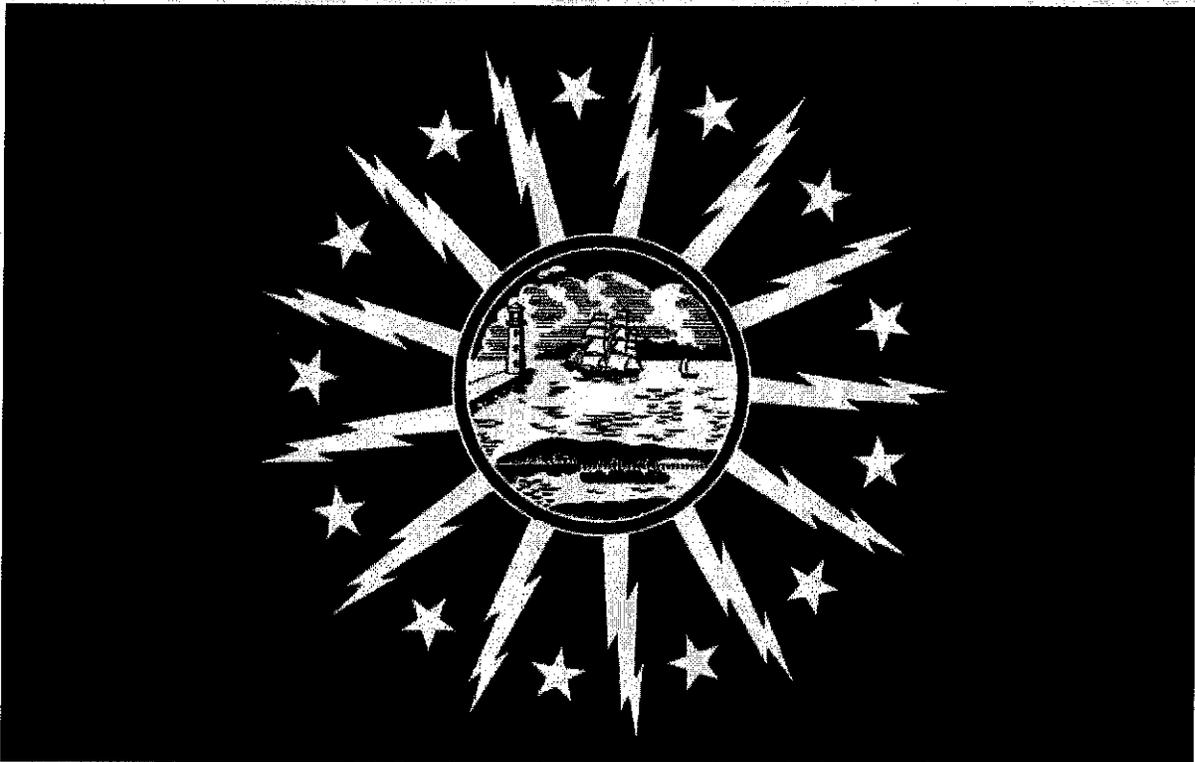
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**INFORMATIONAL REPORT**

**STATUS OF COMMUNITY DEVELOPMENT BLOCK  
GRANT AS OF MAY 31, 2014**

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**MARK J.F. SCHROEDER  
COMPTROLLER**



**ANNE FORTI-SCIARRINO  
FIRST DEPUTY COMPTROLLER**

**KEVIN J. KAUFMAN, CPA  
CITY AUDITOR**

**JUNE 2014**

## **Overview**

This is a brief follow-up to our April 2014 report detailing progress made on expending funds received from the U.S. Department of Housing and Urban Development (HUD) Community Development Block Grant Program (CDBG). Please review the prior report for further background information on the program and the City of Buffalo's (the City) participation in the program.

The following is a financial summary of the CDBG Program from January 2013 through May 2014.

## **Summary of CDBG Financial Results**

| Description of Expenditure  | A                    | B                    | C                    | B + C                        | A - (B + C)          | (B + C) / A                 |
|---|----------------------|----------------------|----------------------|------------------------------|----------------------|-----------------------------|
|   | Budget               | Funds Encumbered     | Actual Expenditures  | Funds Encumbered or Expended | Funds Available      | Percent of Budget Committed |
| Public Works Projects - streets, sidewalks, community center renovations          | \$ 16,321,547        | \$ 5,317,128         | \$ 5,631,404         | \$ 10,948,532                | \$ 5,373,015         | 67%                         |
| Business Loans - including repayment of Section 108 Loans                         | 7,568,715            | 163,840              | 1,755,197            | 1,919,037                    | 5,649,679            | 25%                         |
| Administration - BURA and City payroll and overhead expenses                      | 5,703,595            | 2,349,387            | 2,990,478            | 5,339,865                    | 363,730              | 94%                         |
| Community Services - including senior and youth service programs                  | 5,110,124            | 980,166              | 3,505,121            | 4,485,287                    | 624,837              | 88%                         |
| Emergency Rehabilitation Housing Loans - assistance for emergency housing repairs | 5,040,675            | 1,161,951            | 1,020,070            | 2,182,021                    | 2,858,654            | 43%                         |
| Demolitions   | 4,735,656            | 735,678              | 1,557,324            | 2,293,002                    | 2,442,654            | 48%                         |
| Program Delivery Costs - including salaries, benefits and overhead costs          | 3,481,628            | 837,854              | 888,041              | 1,725,895                    | 1,755,733            | 50%                         |
| Housing - Other housing programs including construction and rehab                 | 2,014,971            | 155,098              | 41,700               | 196,798                      | 1,818,173            | 10%                         |
| Total   | <u>\$ 49,976,911</u> | <u>\$ 11,701,102</u> | <u>\$ 17,389,335</u> | <u>\$ 29,090,437</u>         | <u>\$ 20,886,475</u> | <u>58%</u>                  |

## **Definitions**

**Budget** – Amount of CDBG funding available to the City of Buffalo.

**Funds Encumbered** – Amount of CDBG funds committed to a specific project but not yet expended. A contract has been executed allowing for work to be performed, but the work has not been completed and/or payment has not been made.

**Actual Expenditures** – Amount of CDBG funds spent from January 2013 through May 31, 2014.

**Funds Available** – Amount of CDBG funds not specifically committed to a project. There is a general commitment to a type of activity such as a public works project, but nothing further, therefore the timing and results of how these funds will be used are unknown.

**Percent of Budget Committed** – Percent of total CDBG funds that have been committed to specific projects, contracts have been fully executed and payment for work performed has occurred or will occur as progress on these projects continues.

**Timely Expenditure of Community Development Block Grant Funds**

The CDBG regulations for timeliness (24 CFR 570.902) state that the grantee cannot have more than 1.5 times their annual grant allocation on their line of credit at the U.S. Treasury. This analysis is calculated 60 days prior to the end of the grantee's program year. If the grantee chronically has more than 1.5 times their allocation on their line of credit, HUD can withhold future grants until the grantee effectively spends their existing resources.

The City of Buffalo's CDBG expenditure timeliness will be evaluated by HUD on August 2, 2014. The City must expend \$12,525,898 in CDBG funds between June 1, 2014 and August 1, 2014 to be in compliance with the timeliness regulations (\$6.26 million per month). If the City does not meet the timeliness deadline, it will be the third year in a row that it has not been compliant.

When compared to other municipalities receiving CDBG funds of \$10 to \$15 million annually, the City has the highest percent of funds available and the most actual dollars available. While this may seem like an enviable position, it actually indicates that the City does the worst job of any of its peers spending CDBG funds. The Comptroller's office has not been presented with a plan on how the City will improve its status, and no plan has been filed with the Common Council. The chart below details the City's performance compared to other municipalities receiving \$10 – 15 million in funding annually.

**CDBG Expenditure Timeliness  
For Municipalities receiving Grants of \$10 - \$15 million annually  
As of May 31, 2014**

| Grantee                     | State | Annual Grant Amount | Number of Years Grant Balance Unspent | Estimated Unspent Grant |
|-----------------------------|-------|---------------------|---------------------------------------|-------------------------|
| <b>Buffalo</b>              | NY    | <b>13,423,963</b>   | <b>2.33</b>                           | <b>31,277,834</b>       |
| Washington                  | DC    | 14,344,993          | 2.18                                  | 31,272,085              |
| San Antonio                 | TX    | 11,772,041          | 1.83                                  | 21,542,835              |
| Nassau County               | NY    | 12,871,690          | 1.69                                  | 21,753,156              |
| Dallas                      | TX    | 13,921,262          | 1.59                                  | 22,134,807              |
| Phoenix                     | AZ    | 14,793,217          | 1.49                                  | 22,041,893              |
| New Orleans                 | LA    | 11,108,080          | 1.43                                  | 15,884,554              |
| Harris County               | TX    | 11,799,679          | 1.42                                  | 16,755,544              |
| Minneapolis                 | MN    | 11,046,767          | 1.38                                  | 15,244,538              |
| Louisville - Jefferson Cnty | KY    | 10,449,251          | 1.38                                  | 14,419,966              |
| San Diego                   | CA    | 11,327,381          | 1.28                                  | 14,499,048              |
| Pittsburgh                  | PA    | 13,338,643          | 1.26                                  | 16,806,690              |
| Miami Dade County           | FL    | 11,001,601          | 1.26                                  | 13,862,017              |
| Cincinnati                  | OH    | 11,275,150          | 1.24                                  | 13,981,186              |
| Allegheny County            | PA    | 12,911,124          | 1.12                                  | 14,460,459              |
| <b>Average</b>              |       | <b>12,358,989</b>   | <b>1.53</b>                           | <b>19,062,441</b>       |

When compared to all municipalities receiving CDBG funds of \$5 million or more the City ranks 68th out of 68 in spending CDBG funds, with 2.33 times the annual grant balance available. The City is in a group of only 3 other municipalities that have more than 2 years of CDBG funds unspent, representing the bottom 6% of municipalities nationwide.

**CDBG Expenditure Timeliness  
For Municipalities receiving Grants over \$5 million annually  
As of May 31, 2014**

| <u>Number of Years<br/>Grant Balance<br/>Unspent</u> | <u>Number of<br/>Municipalities</u> | <u>Percent of<br/>Municipalities</u> |
|--|-------------------------------------|--------------------------------------|
| Over 2 years   | 4                                   | 6%                                   |
| 1.5 - 1.99 years                                     | 10                                  | 13%                                  |
| under 1.5 years                                      | 54                                  | 81%                                  |
|  | <u>68</u>                           | <u>100%</u>                          |

Note: To be in compliance with CDBG Timeliness Regulations unspent grant balance must be 1.5 years or lower. The City of Buffalo has 2.33 years grant balance available.

**CDBG Emergency Rehabilitation Housing Loan Program**

One of the CDBG expenditures with the lowest percentage of its budget committed to projects is the Emergency Rehabilitation Housing Loan Program. Only 43% of its \$5 million budget has been committed to projects. The program provides emergency loans to lower income individuals to complete emergency housing repairs, such as replacements of a roofs, furnaces or hot water tanks. The following statistics show how the committed funds are being used and the length of time it takes to complete an emergency loan:

**CDBG Emergency Rehabilitation Housing Loan Statistics**

|   | <u>1/1/2013</u><br>to<br><u>3/31/2014</u> | <u>1/1/2013</u><br>to<br><u>5/31/2014</u> |
|---|---|---|
| <b>Completed Loans</b>  |   |   |
| Number of Emergency Rehab loans completed (final invoice received by Audit) | 60  | 77  |
| Average number of days from loan application to project completion          | 712                                       | 731                                       |
| Maximum number of days from loan application to project completion          | 1,110                                     | 1,955                                     |
| Minimum number of days from loan application to project completion          | 160                                       | 110                                       |
| <b>In Process Loans</b>   |   |   |
| Number of loans packages received by Audit where work is incomplete         | 109                                       | 93  |

