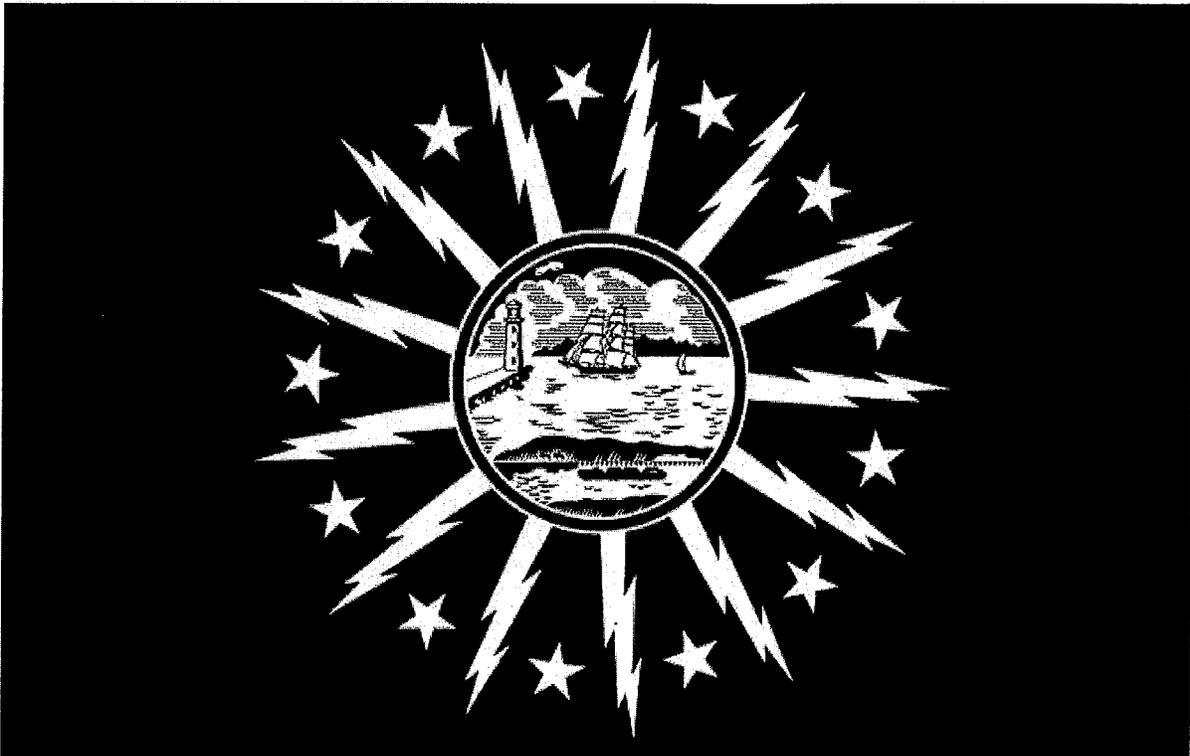


**CITY OF BUFFALO
DEPARTMENT OF AUDIT AND CONTROL**

INFORMATIONAL REPORT

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

**MARK J.F. SCHROEDER
COMPTROLLER**



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FIRST DEPUTY COMPTROLLER**

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CITY AUDITOR**

APRIL 2014

Overview

The City of Buffalo (the City) is annually awarded a Community Development Block Grant (CDBG) from the U.S. Department of Housing and Urban Development (HUD). The grant is an entitlement that is approved by the Federal Government. HUD determines the City’s allocation of CDBG Funds using a formula based on several measures of community need, including the extent of poverty, population, housing overcrowding, age of housing, and population growth lag in relationship to other metropolitan areas. HUD has awarded the City CDBG funding as follows over the last five years:

<u>Year</u>	<u>CDBG Funding</u>
2013	13,423,963
2012	13,319,409
2011	14,540,753
2010	17,409,073
2009	16,091,522

CDBG funds can only be used for certain expenditures as explained in 24 CFR 570. Generally CDBG funds can be used to aid citizens and neighborhoods of low to moderate income. Specifically CDBG funds have been used to pave streets and sidewalks, improve parks, perform demolitions of abandoned properties, financial assistance for emergency housing repairs and conduct youth and senior activities. A portion not to exceed 20% of CDBG funds can be used to administer the programs.

Buffalo’s CDBG Program

Prior to June 21, 2012 CDBG funds were received and disbursed directly by the Buffalo Urban Renewal Agency (BURA). On June 21, 2012 the Comptroller was informed by HUD that as a prerequisite to receiving additional CDBG funds the City must assume direct responsibility and accountability for CDBG funds, including creating City controlled bank accounts for receiving and disbursing CDBG funds and establishing an internal control structure meeting Federal requirements. The City Charter requires *“the Comptroller to prepare, draw and sign checks drawn on the accounts of the city or its agencies; designate the depositories of all city moneys.”* Therefore the HUD Mandate requires the Comptrollers participation in the receipt and expenditure of CDBG funds. Between June 2012 and January 2013 processes and procedures were designed to facilitate the receipt and expenditure of CDBG funds directly through the City. Beginning January 2013 all spending plans, use of funds and timing of projects have been coordinated by the Office of Strategic Planning (OSP). The receipt and disbursement of funds are performed by the Comptroller. OSP has a contract with BURA to assist with its responsibilities.

The following is a brief summary of the CDBG Program from January 2013 through March 2014.

Summary of CDBG Financial Results

Description of Expenditure	A Budget	B Funds Encumbered	C Actual Expenditures	B + C Funds Encumbered or Expended	A - (B + C) Funds Available	(B + C) / A Percent of Budget Committed
Public Works Projects - streets, sidewalks, community center renovations	15,081,729	5,141,986	\$ 4,899,226	10,041,212	5,040,517	67%
Community Services - including senior and youth service programs	5,652,444	1,199,052	3,054,600	4,253,651	1,398,792	75%
Administration - BURA and City payroll and overhead expenses	5,372,082	2,686,761	2,685,321	5,372,082	-	100%
Business Loans - including repayment of Section 108 Loans	7,471,813	1,347,323	1,755,197	3,102,520	4,369,293	42%
Demolitions	4,735,656	803,307	1,114,345	1,917,652	2,818,004	40%
Program Delivery Costs - including salaries, benefits and overhead costs	3,682,528	924,411	812,314	1,736,725	1,945,803	47%
Emergency Rehabilitation Housing Loans - assistance for emergency housing repairs	5,475,364	1,285,755	669,876	1,955,631	3,519,733	36%
Housing - Other housing programs including construction and rehab	2,273,781	139,532	22,850	162,382	2,111,399	7%
Total	\$49,745,397	\$13,528,127	\$15,013,729	\$28,541,856	\$21,203,542	57%

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 during the time period January 2013 through March 31, 2014.

Funds Available – Amount of CDBG funds not specifically committed to a project, no contract has been executed to begin spending the funds. 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 available 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.

As documented in the above chart the two programs that have committed the lowest percentage of their budgets are the emergency rehabilitation housing loans and other housing related activity.

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CDBG Emergency Rehabilitation Housing Loan Statistics

Completed Loan Statistics

Number of Emergency Rehab loans completed (final invoice received by Audit)	60
Average number of days from loan application to project completion	712
Maximum number of days from loan application to project completion	1,110
Minimum number of days from loan application to project completion	160

In Process Loan Statistics

Number of loans packages received by Audit where work is incomplete	109
Average number of days loan in process	638
Maximum number of days loan in process	1,871
Minimum number of days loan in process	55

Number of applications received by Audit since January 1, 2014	3
Total Loan application received by Audit since January 1, 2013	169

Other Housing Programs

Only five payments totaling \$22,850 have been processed since January 2013 related to other housing activities. Due to the inactivity of these projects no further statistical data is available.

Timely Expenditure of Community Development Block Grant Funds

A very important concept in administering CDBG activities is planning for the timely expenditure of funds; the regulations are documented in 24 CFR 570.902

Timeliness refers to how quickly the grantee is able to commit and expend CDBG funds. The regulations for timeliness are that that grantee cannot have more than 1.5 times their annual allocation sitting in 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 in 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. In order for the City to be in compliance with the timeliness regulations the City must

expend \$14,323,940 in CDBG funds between April 1, 2014 and August 1, 2014. The City is required to spend approximately \$3.6 million per month for the next four months to meet the CDBG timeliness requirement.