



MEMORANDUM

TO: Mayor and Members of the City Council

FROM: Rich Olson, City Manager
Dawn Harris, Grants Management Specialist

DATE: February 8, 2019

REF: Update / Discussion- Community Development Block Grant (CDBG)
Process & Procedures

BACKGROUND:

On May 29, 2018, City Council authorized the execution of the contract between the City and NCDEQ for the Raw Water Transmission Main Project in the amount of \$903,581. At this time, the Raw Water Transmission project is the only CDBG funded project within the City. On Thursday, February 7, 2019, Councilman Walton requested an update on the process and/or procedures for a Community Development Block Grant. Although the Community Development Block Grant is administered by DWI, as grantee the City is required to comply with all U.S. Housing and Urban Development (HUD) regulations, as well as state regulations.

ANALYSIS:

When a Community Development Block Grant is awarded there are many guidelines that the City must follow. There is mandatory training and testing on the Environmental Review Process and training on documentation that the grantee must provide either NC DEQ or NC Commerce. When the contract is received for execution it will contain not only the grant contract but also exhibits that cover the following:

- Project description, Conditions, and Schedule
- Project Budget, Distribution of Funds, and Refunds
- Reporting and Audit Requirements
- Quarterly Progress Report Form
- Request for Reimbursement Form
- Definitions
- General Terms and Conditions

The schedule from the Department of Commerce provides milestones that must be met within a certain timeframe. The schedule begins with the attendance of workshops all the way to the execution of construction contracts. The Department of Commerce provides guidance to city staff/engineering firms to keep the project on schedule. Once the project is ready to go out for bid, a **mandatory** pre-bid meeting takes place. A representative from the Department of Commerce, along with staff and contractors wishing to bid will attend this meeting. At this pre-bid meeting CDBG regulations for contractors are reviewed. This includes Davis-Bacon Wages and Section 3 compliance. The Davis-Bacon wage rate determination applies to contractors and subcontractors performing on federally funded or assisted contracts in excess of \$2,000 for the construction, alteration, or repair of public buildings or public works. Section 3 compliance is mandated when an agency is receiving a Community Development Block Grant from the U.S. Housing and Urban Development. It is the City's responsibility to comply with section 3 and ensure compliance of its contractors and subcontractors for projects receiving CDBG funding. Section 3 is a provision of the Housing and Urban Development Act of 1968. The purpose of Section 3 is to ensure that preference for employment, training and contracting opportunities generated from the expenditure of certain HUD funds is directed to local low and very low-income persons, and businesses that are owned by or substantially employ such persons. The Section 3 regulation at 24 CFR Part 135.36 provides preference to Section 3 businesses that submit responsible bids for contracts and subcontracts, but does not guarantee the award of contracts.

CDBG regulations are monitored by the Department of Commerce to ensure that the grantee is in compliance. Periodic audits are also a part of the monitoring process from the funding agency. The City is expected to maintain all documentation and financials in hard copy form and have readily available if call upon.

Further information can be found in the Community Development Block Grant manual, which is housed in the grant management specialist office located in the Midgett Building.

STAFF RECOMMENDATION:

For information only.