

Memorandum



CITY OF DALLAS

DATE October 11, 2024

Honorable Mayor and Members of the City Council and
TO Members of the Community Development Commission

SUBJECT **Community Development Block Grant - Timely Expenditure Requirements**

This memorandum provides an update regarding the Community Development Block Grant (CDBG) timely expenditure requirements. To ensure that CDBG funds are spent in a timely manner, HUD rules require that the City's CDBG line of credit does not exceed 1.5 times our latest CDBG allocation. This requirement is tested annually on August 2.

On August 2, 2024, the city did not meet the CDBG timeliness test. The City's ratio was 2.01 times our latest allocation or \$7.1 million over the minimum amount allowed by HUD's regulation.

On September 16, we received official notice from HUD that the City did not meet this requirement. While this noncompliance is concerning, HUD acknowledged that most grantees are experiencing expenditure challenges due to the influx of COVID-19 funding, and HUD has revised their policy to allow more time before grant funds are recaptured from noncompliant cities.

The City must submit a workout plan to HUD by October 18 and include a monthly forecast of CDBG expenditures for FY 2024-25 indicating that the City will be in compliance with the line of credit requirements by August 2, 2025. While all departments will need to significantly accelerate their spending of CDBG funds, additional options may also be needed, including reallocating CDBG funds from slow spending activities to other activities that can spend more quickly. In conjunction with our annual CDBG reprogramming process that occurs November through January, we will explore opportunities for other eligible one-time projects that can be completed prior to August 2, 2025, to further ensure the City will meet the timely expenditure test in 2025.

The proposed workout plan will be discussed at the upcoming Community Development Commission, Housing and HOME Committee meeting on October 17 and the upcoming Government Performance and Financial Management Committee meeting on October 22.

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If you have any questions, please contact me or Janette Weedon, Director of Budget & Management Services.



Jack Ireland
Chief Financial Officer

c: Kimberly Bizer Tolbert, City Manager (I)
Tammy Palomino, City Attorney
Mark Swann, City Auditor
Billierae Johnson, City Secretary
Preston Robinson, Administrative Judge
Dominique Artis, Chief of Public Safety (I)

Alina Ciocan, Assistant City Manager
Dev Rastogi, Assistant City Manager
M. Elizabeth (Liz) Cedillo-Pereira, Assistant City Manager
Donzell Gipson, Assistant City Manager (I)
Robin Bentley, Assistant City Manager (I)
Elizabeth Saab, Chief of Strategy, Engagement, and Alignment (I)
Directors and Assistant Directors