

TIMELINESS BULLETIN



For more than 25 years, the Community Development Block Grant (CDBG) program has been assisting metropolitan cities and urban counties across this country fund their community and economic development activities.

Approximately 1,000 entitlement communities participate in the program, which provides great flexibility and local discretion in the selection of activities to be assisted. CDBG is a major force in expanding the Nation's affordable housing supply. Rehabilitation and other housing activities comprise more than one-third of program expenditures. CDBG is used as a catalyst to expand employment and economic opportunities for lower income persons. CDBG is further used to meet the physical and social service needs of under-served, distressed neighborhoods. Approximately 94% of CDBG funds spent during Fiscal Year 2000 principally benefited low- and moderate-income persons.

As part of the mandate from Congress to administer the CDBG Program, HUD is required to determine annually whether each CDBG entitlement grantee is carrying out its activities "in a timely manner". The Department became concerned when the number of grantees not in compliance with the timeliness provision significantly increased since slow implementation of activities delays the delivery of program benefits to the neediest in the community. In light of the seriousness of the situation, HUD sought to attack the problem on multiple fronts.

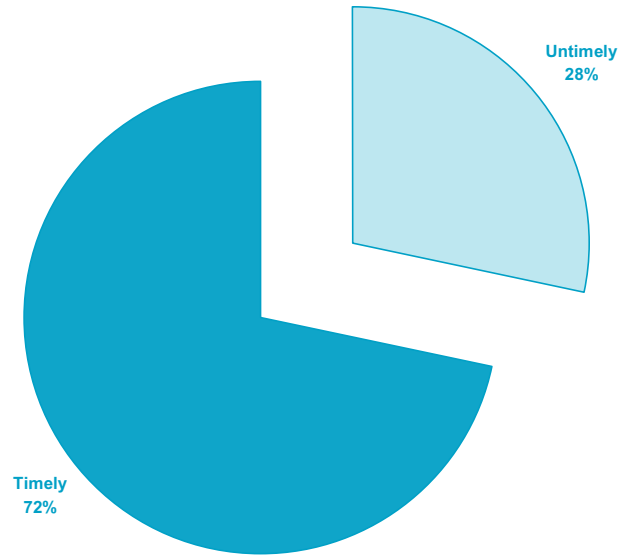
- 1st By advising grantees and HUD staff of the priority the Department places on the timely drawdown of CDBG funds;
- 2nd By creating a mechanism in the Department's computer based Integrated Disbursement and Information System (IDIS) that grantees can use to check up on their own timeliness;
- 3rd By providing technical assistance to grantees to improve the timely performance of their individual grant programs; and
- 4th By convening a series of four conferences with workshops on various topics that affect timely performance. One of the conferences was exclusively for large entitlement grantees that were untimely. The workshops at the conferences were conducted by grantees meeting the timeliness standard, who provided peer-to-peer advice and guidance.

HUD's initiatives have proven very successful. The number of untimely grantees has been reduced by 34%. We congratulate those grantees who have come into compliance with the timeliness requirements. Furthermore, as part of this effort, HUD also acknowledged that a significant number of CDBG entitlement grantees has been consistently timely over long periods of time. Therefore we also like to take this opportunity to congratulate the 369 entitlement grantees that have been timely every year for at least the past 7 years.

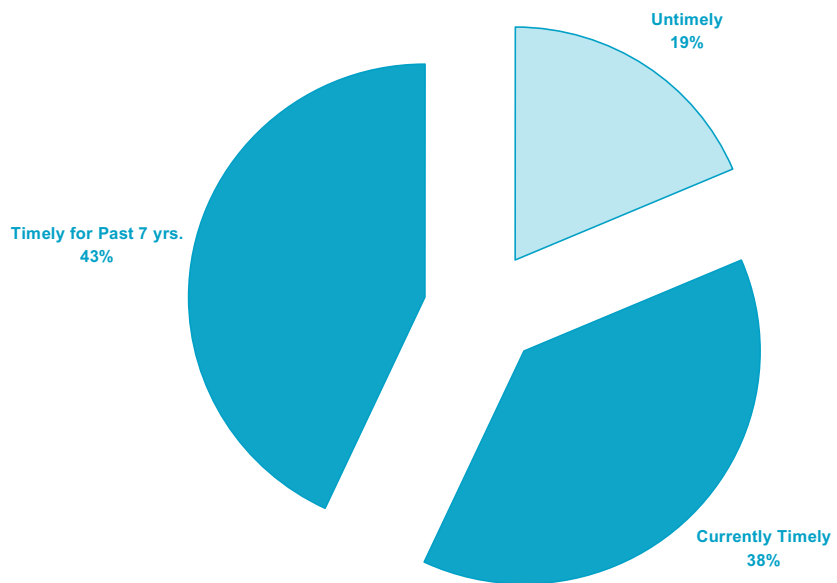
In addition, we wish to thank three public interest groups, the National Community Development Association, the National Association for County Community Economic Development, and the National Association of Housing and Redevelopment Officials, who participated with HUD in sponsoring these conferences. We appreciate their overall support in assisting HUD's efforts to address this important issue.

We hope that grantees, in reading this bulletin, will grab on to those ideas and concepts that can be implemented locally and use this as an opportunity to weave the issue of timeliness into local program management practices. For those grantees who remain untimely, this bulletin provides useful information to assist in identifying the reasons for untimeliness. We encourage you to work at the local level with HUD staff to resolve those issues that hinder timely performance.

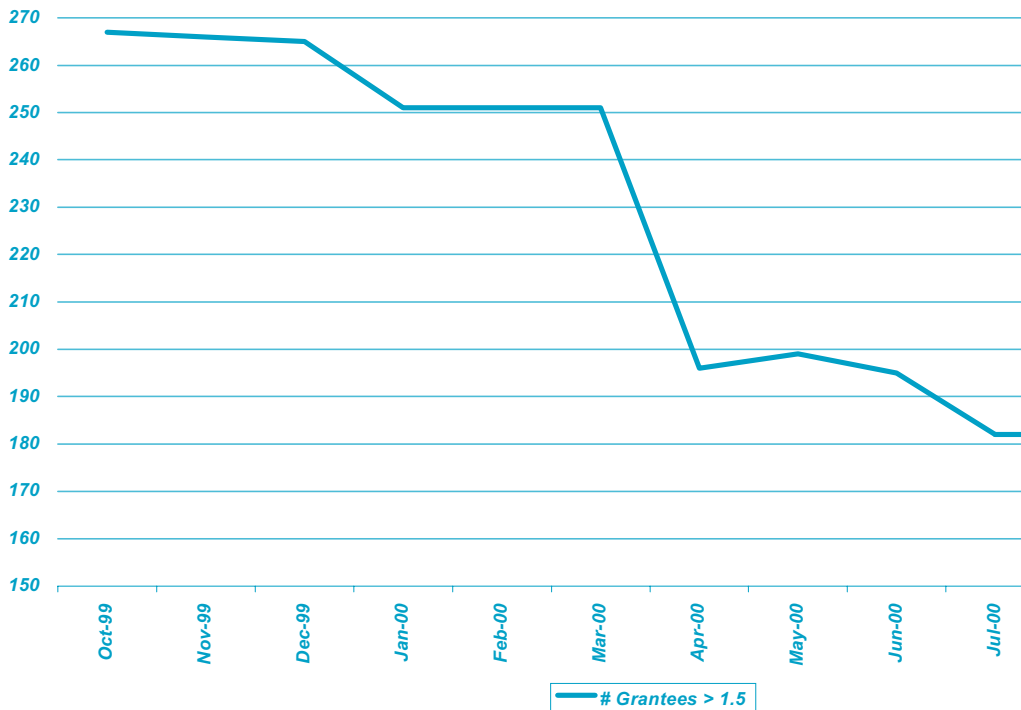
Comparison of Timely and Untimely CDBG Entitlement Grantees at the End of FY 1999



Comparison of Timely and Untimely CDBG Entitlement Grantees as of the End of FY 2000



Monthly Number of CDBG Entitlement Grantees > 1.5 During FY 2000



The purpose of this bulletin is to share with grantees HUD's commitment to continue to assist grantees to carry out their activities in a timely manner. This bulletin offers important guidance on how to carry out a timely program, based on the experiences of panelists and participants at the four conferences. HUD, through its Community Planning and Development staff in field offices across the country, continues to be available to provide grantees with technical assistance to resolve timeliness issues on a one-on-one basis.

Reasons for Untimely Performance:

There is no single reason why CDBG grantees are untimely in carrying out activities. Timeliness does not depend on size of community or size of grant. Timeliness is not regional in nature; grantees from all across the nation are untimely in proportion to their geographic numbers. Urban counties, however, do have a greater propensity to be untimely than do metropolitan cities. A variety of grantee management and capacity issues play a role in the timeliness problem, such as:

- staff turnover, vacancies in key positions;
- inexperienced operating agencies; too many subrecipients with too small grants;
- bankrolling of CDBG funds until sufficient funds are on hand for larger projects;
- failure to draw funds down on a regular basis; and
- complicated local review or approval processes that may delay both activity implementation and drawdown of funds.

Because of the myriad of reasons for untimely performance, there is no single solution to the timeliness problem. Each grantee must identify and address the problem in the context of their own program and community.

Timeliness Conferences

Between April and September, 2000, HUD and its public interest group partners, held four timeliness conferences, one of which was exclusively for untimely large entitlement grantees. The conferences had a similar format and offered workshops on various issues that affect timeliness. The workshop panelists were practitioners from local governments and provided the opportunity for peer-to-peer interaction. Each panelist made a presentation which was followed by a question and answer session.

TIMELY PRACTICES IDENTIFIED IN CONFERENCE WORKSHOPS

The following represents, in synopsis form, the key advice and guidance provided by workshop panelists as they identified those critical elements that contribute to the administration of a timely CDBG program.

Administrative Issues, Oversight, Staffing

- Draw down funds on a regular basis
- Develop a schedule for each CDBG funded activity that includes a time-line for estimated draws
- Review expenditure of funds for each activity quarterly
- Require that all operating agencies provide progress reports on a prescribed basis
- Streamline processing of requisitions; make sure all funded agencies know what support documentation must be provided
- Establish responsibility for regular staff review and oversight of program progress
- Operate with a diminimus rule on the dollar amount of funds provided to neighborhood groups and operating agencies
- Staff up to match program size including program income received on a regular basis
- Determine which projects are problematic and why. Have a recapture list.
- Keep available a list of back-up projects which have already gone through the citizen participation process to fund when program income unexpectedly becomes available, or activities fall out or come in under budget
- Reallocate funds mid-year so that there is less of a time lag for obligations and expenditures
- Input data in IDIS no less frequently than monthly

Program Management

- When developing a Consolidated Plan:
 - ▲ select activities that are ready to go
 - ▲ also include a list of back-up activities
 - ▲ scope out the activities in advance so that you know when, who, what, and where by the time the grant is awarded
 - ▲ identify the stumbling block(s) for each activity in advance and be prepared to deal with them
- Stretch your CDBG dollars by using Section 108 Loan Guarantees or the pre-award costs provisions
- Phase large activities, using funds from different program years so that money is not sitting around waiting for later stages of activity

- Start environmental reviews early
- Request release of funds before the grant is awarded so the activity can move immediately
- Evaluate past performance of operating agencies prior to refunding
- Provide technical assistance to individuals and agencies new to the program
- Train staff on a regular basis to keep the program fresh
- Be prepared to use program income promptly
- When using a revolving fund, if the volume of activity does not keep pace with the amount of funds available, either increase activity or reprogram the surplus funds
- Check the timeliness report in IDIS on a regular basis to determine current drawdown status
- Run competitions for funding of different types of activities; rank all proposals for funding based on objective criteria
- Follow-up on timetables and schedules for all contracts
- Use float loans judiciously. Be prepared to use the program income promptly

Dealing with Subrecipients

- Establish competitions for funding; use rating criteria which include ranking the agency's experience and capacity for carrying out the activity in a timely manner
- Add selection criteria that include site control and commitment of needed leveraged funds
- Build up the capacity of neighborhood groups seeking CDBG funding before funding their activity
- Require progress reports before requisitions can be approved
- Use a boilerplate subrecipient agreement that can be altered to fit the situation
- Establish a minimum dollar threshold for assistance
- Be willing to take the money away when the subrecipient does not perform or meet established targets.
- Do not necessarily wait until the end of the program year to recapture funds from slow spenders
- Establish staff responsibility for subrecipient oversight for specific entities
- Do not allow subrecipients to stockpile money from multiple years to undertake an activity.
- Phase the activity over several years, if necessary, rather than bankroll runs
- Conduct site visits to subrecipients to review client files, financial management records, and progress
- Require public service agencies to submit monthly reports and invoices
- Maintain regular contact with all subrecipients to provide technical assistance whenever necessary
- Limit the number of projects a subrecipient may undertake each year
- Orient local officials to funding specific projects/activities, rather than specific organizations

Urban County Issues

- Provide local units of government sufficient funds to carry out a workable project; fund smaller units on a two to three year cycle to make this possible or phase projects into useable units
- Provide technical assistance en masse to local governments prior to funding and in one-on-one sessions during the program year

- Negotiate projects to be funded; select projects ready to go
- Select activities that can be done within 24 months
- Conduct environmental reviews, contracting, and procurement for participating units of government to speed up process
- Encourage drawdowns on a regular basis
- Assess the capacity of the local units of government to carry out an activity. In some instances, carry out the activity on their behalf
- Reward good performers; withdraw funding from poor performers

Project Design

- Keep the project design simple to minimize the number of steps that have to take place for the project to happen
- Preview model programs developed by other grantees, rather than always reinventing the wheel
- Identify project pitfalls and work to eliminate as many as possible
- Scope out the project design by the time of the citizen participation process
- Require that the project be flushed out when requests for funding are submitted by operating agencies
- Consider end users' needs in the project design

Dealing with the Local Governmental Process

- Make key players buy-in to the activity early in the process
- Depoliticize the distribution of funds as much as possible by holding competitions based on objective evaluation criteria
- Avoid or ameliorate the pitfalls of your local government's approval processes that are very time consuming
- Establish a routine process for obtaining necessary local approvals, i.e., zoning, environment, historic preservation, city council
- Develop cooperation agreements with other city agencies that, among other things, require them to carry out CDBG funded activities in a timely manner

Dealing with Large Complex Projects

- Designate a project manager
- Phase the project and funding for the project in reasonable size segments that can be readily carried out
- Use the Section 108 Loan Guarantee Program
- Use the provisions for pre-award costs to get reimbursement from CDBG funds
- Develop time-lines, progress and drawdown schedules for each segment of the activity
- Promote buy-in at the local level early in the planning stage
- Identify the required local approvals and possible pitfalls

Tricks of the Trade

- Manage the Consolidated Plan Process so that by the time the plan is in front of citizens, the activities are well thought out

- Identify additional activities in the Consolidated Plan that will be available for unexpected program income or when a project is not ready to proceed on schedule
- Conduct environmental reviews and request release of funds for projects before the Consolidated Plan has been approved
- Don't be afraid to reprogram funds; develop a recapture list on a regular basis
- Use mid-year amendments, rather than waiting for the once-a-year Consolidated Plan hearings
- Work on a 3- to 5- year window, shuffling projects among program years depending on readiness
- Reward good performance and deny participation to entities lacking capacity
- Include objective measurements of past year's performance in selection criteria
- Build up capacity before providing CDBG funding
- Draw down funds and make entries in IDIS on a regular basis
- Have at least one back-up person trained for IDIS entry
- Provide regular oversight of operating entities
- Provide workshops for operating agencies
- Check your current drawdown ratio regularly in IDIS
- Manage the local political process; get the politicians to buy-in to the program and agency selection process

Developing a Workout Plan

- Top management should be involved in the development of the plan so that they have a vested interest in making it happen
- The plan should show how the grantee will meet the 1.5 timeliness performance standard by a specific date and identify all the actions the grantee expects to take to meet the specified timetable. Such actions may include hiring of staff, letting of contracts, and receipt of matching funds
- The plan should include projects which are slow moving but which will be continued, as well as funds available for reprogramming
- The plan should be realistic
- The plan should include a timetable for all actions that need to take place, including specific dollar disbursements
- Submit quarterly reports to HUD on the status of actions including disbursements necessary to carry out the plan
- Grantees should review progress against the plan at monthly progress meetings, so that it can determine whether it will meet quarterly projections and what actions are necessary to keep to the schedule
- Revise the workout plan as often as necessary to reflect actual progress
- Run the timeliness report in IDIS on a regular basis keep track of the current drawdown ratio

Hopefully the information provided in this bulletin will assist grantees incorporate ideas and concepts into local program management that will lead to the timely expenditure of Community Development Block Grant funds.

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