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LETTER TO COMMISSION

TO: Mayor Matti Herrera Bower and Members of the City Commission

FROM: Jimmy L. Morales, City Manager

DATE: June 7, 2013

SUBJECT: **U.S. HUD HOME Program Funds De-Obligation**

CITY CLERK'S OFFICE
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This Letter to Commission is to inform you of the United States Department of Housing and Urban Development's (HUD) de-obligation of certain funds from the City's HOME Program.

On February 13, 2013, the City was notified by HUD of its intent to de-obligate \$576,805 in HOME funds for what it deemed as the City's noncompliance with entitlement funds commitment requirements. Since notification of de-obligation, City staff has diligently sought to remedy outstanding issues in hopes of preempting the de-obligation. While these efforts have yet to succeed and are continuing, a timeline of events is relevant and will provide a greater understanding of the difficulties in addressing this issue.

On September 11, 2012, HUD's Miami Field Office transmitted a letter to Anna Parekh, the City's then Director of Real Estate, Housing and Community Development, advising that the City had not complied with the requirement to properly commit its FY 2010/2011 entitlement funds and had until October 31, 2012 to do so. If the City failed to meet the deadline, HUD's letter warned that the funds would be de-obligated.

Ms. Parekh did not notify the Administration of the commitment deadline until after the deadline had passed preventing the City from mounting an effective, timely effort to resolve the issue without risking funds. The first written notification to a member of the Administration occurred in February 2013, long after the de-obligation took effect.

Since that time, several City staffers have worked in tangent to painstakingly reconstruct the City's allocations and corresponding resolutions, contracts and disbursements dating back to the 2000/01 fiscal year. In addition, we have sought guidance from HUD as to the specific funds remaining uncommitted and requested Technical Assistance with HUD's Integrated Disbursement & Information System (the online fiscal and project management system for HOME funds).

The reconciliation by City staff revealed that there is indeed a shortfall of committed entitlement funds dating back as long as 13 years. Because HUD tracks funds through a cumulative formula that does not distinguish individual fiscal years within the system, we are unable to pinpoint the years in which funds were uncommitted or the exact amounts.

LTC # _____

Page 2

HUD determined that a total of \$576,805 is subject to de-obligation. These funds, which cannot be aligned with any specific fiscal year, will be recaptured from the two most recent years, FY 2011/2012 and FY 2012/2013 in the amounts of \$208,453 and \$368,352, respectively. Miami Beach Community Development Corporation is the sole recipient of HOME funds during these years.

As part of its effort to verify the amount and mount a challenge to the de-obligation, staff located \$503,045 in the City's Line of Credit System (LOCS) with HUD that had been uncommitted and amassed over a period of years dating back to FY 2000/01. The City can now commit these funds to Miami Beach Community Development Corporation to substantially fill the funding gap created by de-obligated HOME funds. The remaining \$73,670 will be committed to Miami Beach Development Corporation via the City's FY 2013/14 Community Development Block Grant entitlement. Combined, these two actions will restore the City's funding commitments impacted by the de-obligation.

On June 5th, the City formally submitted a request for Technical Assistance to appeal the decision to de-obligate HOME funds in the amount of \$576,805 and will continue to pursue the restoration of these funds.

If you have any additional questions, please feel free to contact me.

JLM/KGB/MLR/ARB