

City of Alexandria, Virginia

MEMORANDUM

DATE: APRIL 25, 2011

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER 

SUBJECT: BUDGET MEMO **81** : EFFECT OF FEDERAL REDUCTIONS IN
COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) AND HOME
INVESTMENT PARTNERSHIPS PROGRAM (HOME) FUNDING

The purpose of this memorandum is to inform Council of the likely effects of the federal FY 2011 reductions in CDBG and HOME funding on the City's FY 2012 budget. The City's FY 2012 program year begins July 1, 2011, which occurs during federal FY 2011 and is therefore funded with federal FY 2011 monies.

Because the City has not yet received its actual grant allocation figures, staff is assuming that the reductions will equal the percentage reductions at the federal level. With this assumption, the anticipated CDBG reduction (16.4%) is \$222,665 and the anticipated HOME reduction (11.9%) is \$110,259, a total of \$332,924.

Proposed Budget Reductions

Because both CDBG and HOME can be used for the Office of Housing's major federally-funded programs, the Homeownership Assistance Program (HAP) and the Home Rehabilitation Loan Program (HRLP), the combined reduction of \$333,000 is viewed as a whole, rather than as two separate reductions.

Due to the reduction in the HOME grant, the match requirement is reduced, and approximately \$25,000 in General Fund matching monies included in the proposed budget can be used to offset the federal reductions. The proposed reductions (in rounded figures) to accommodate the remaining \$308,000 are as follows.

- \$197,500 from HAP. This will result in a reduction of 4 – 5 of the budgeted 18 loans.
- \$100,000 from HRLP. This will result in a reduction of 1 – 2 of the budgeted 10 loans.
- \$10,500 from CDBG Administration. This will be accommodated by hiring to fill vacancies created by either of two retirees at a lower step than that of the retiree.

Alternative Strategy

An alternative to the reductions above would be to totally offset the \$333,000 reduction using \$330,000 received from ARHA in February 2011 in repayment of an old Hopkins-Tancil loan. (This would require some shifting of budgeted funds between HOME and CDBG). These monies were received too late for inclusion in the FY 2012 Proposed Budget, and would therefore not affect any budget activities. The drawbacks of this approach are as follows:

- It is a one-time fix, and the budget reductions will still have to be addressed in the FY 2013 budget, along with any new federal reductions.
- It reduces funding that would otherwise be available for multifamily development/preservation activities. The Proposed Budget includes only \$658,078 for that purpose (excluding \$270,000 reserved for possible debt service for bonds for ARHA replacement units).