

UNITED STATES GOVERNMENT

*Memorandum*DEPARTMENT OF
HOUSING AND URBAN DEVELOPMENT

ALL REGIONAL ADMINISTRATORS
 TO : Attention: Assistant Regional Administrator
 for Model Cities
 ALL CDA DIRECTORS

FROM : Floyd H. Hyde

OCT 14 1969

DATE:

In reply refer to:

SUBJECT: Establishing the Beginning of the First Action Year

A number of cities have asked us about the time period of the First Action Year. In particular, they have asked whether it starts at the time expenditures subsequently to be reimbursed from supplemental funds are first incurred under a Letter to Proceed, or whether it starts after approval of the comprehensive program and tender of the grant agreement.

This memorandum outlines the procedure to be followed in establishing the beginning of the First Action Year. It does not deal with the question of adjusting the length of the Action Year in order to even out the review load. This will be dealt with in a subsequent memorandum. For the purpose of this memo, the First Action Year is deemed to be a 12-month time period.

The First Action Year should begin following execution of the grant agreement, which usually is the point at which the city is in a legal position to start all the projects and activities included in the first approval action of its comprehensive program.

The Action Year start may be placed before signature by HUD of the grant agreement if the city has sought and received approval of a Letter to Proceed for all of the projects and activities approved. Because of the short time span between the time that a program is approved and the grant agreement is executed, it is not expected that many cities will seek and receive a Letter to Proceed at this point in time.

A large number of cities sought and received Letters to Proceed, reimbursable from supplemental funds, to carry out administrative functions during the period they were awaiting approval of the comprehensive program. The First Action Year should not be dated at the start of such a Letter to Proceed. Reimbursement for these interim expenses should be handled in the following way:

1. All such expenses included in the budget of the earlier planning grant contract should be charged to that contract up to the point of exhausting all remaining planning grant funds, including the ten percent hold-back.

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2. Interim expenses which cannot be charged to the planning grant contract, either because there are insufficient planning grant funds to cover them or because the expense items were not detailed in the planning grant contract budget, then will be charged to supplemental funds.
3. To accomplish this, an amendment should be made to the 12-month administrative budget for the First Action Year which adds the amount of interim expenses to be covered. In a few cases, Letters to Proceed were given for expenses more properly chargeable to other First Year Action budgets. In these cases amendments should be made to those other budgets.
4. The actual steps to make such amendments should be:
 - (a) establish the start of the First Action Year. This date will normally be shortly after signing of the grant agreement by the city and by HUD.
 - (b) after charge-off of all possible interim expenses to the planning grant contract, total up uncovered expenses incurred, or to incur, under Letter to Proceed up to the established start of the First Action Year.
 - (c) amend the administrative budget of the First Action Year (or project and activity budget if appropriate) to add the uncovered expenses. The budget so amended then would have a time period of more than 12 months, running from the start of expenses incurred under Letter to Proceed which cannot be charged to the planning contract budget to the end of the First Action Year.
5. If the amendment amounts to less than ten percent of the budget being amended and also amounts to less than \$100,000, HUD approval is not required. However, a properly approved amendment should be entered in the city files where it will be available for Federal inspection. If the amendment amounts to more than ten percent of the budget being amended, or \$100,000, whichever is lesser, the amendment must be submitted to HUD for review.
6. To find the additional funds to cover these interim expenses, corresponding reductions should be made either within the administrative budget or other budget being used to cover the interim expenses, or by reduction of any other approved project or activity budget. Because of normal delays in the staffing of new programs, cities should be able to make this type of transfer without reducing the level of projects or activities. Cities whose presently approved projects and activities do not total the total dollar amount of the grant agreement tendered to them may, if they wish, transfer funds from the amount not approved for projects and activities to the administrative or other budget which is covering interim expenses. HUD will not approve increases in the total grant amounts tendered for the purpose of covering interim expenses.

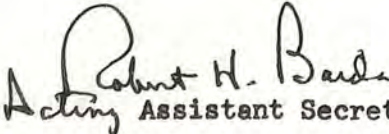
Here is an example of how a typical city may carry out this process.

- March 1, 1969 - City submitted comprehensive program.
- March 15 - City received Letter to Proceed covering interim CDA and citizen participation expenses during the review period. Most of the expenses were for staff and other items previously detailed in the planning grant budget.
- May 1 - Planning funds are exhausted.
- June 25 - HUD announces approval of program and tenders grant agreement.
- July 10 - City council approves grant agreement and mayor signs and returns to HUD.
- July 21 - HUD Regional Administrator signs grant agreement.
- August 1 - Start of First Action Year is established as of this date.

The city then goes back over the interim expenses, charges all those that were detailed in the planning grant contract to that contract up through May 1. The city then amends the approved administrative budget for the First Year Action program, so that its dates read from May 1 to August 1, 1970, and its dollar amounts equal the previously approved administrative budget plus the amount required to cover expenses from May 1 to August 1, 1969. These interim amounts covered are detailed in accordance with CDA Letter #6. To balance the amount added to the administrative budget, the city makes transfers from other parts of the administrative budget or from project and activity budgets, selecting for reduction line items in which expenditures have been or are expected to be, at a slower rate than projected.

The amendments then are approved by the city council and filed with the city, unless it requires HUD approval in accordance with paragraph 5 above.

Questions on this process or its particular application should be directed to the fiscal officer in HUD Regional Office.


 Acting Assistant Secretary (MCGR)