



OFFICE OF COMMUNITY PLANNING  
AND DEVELOPMENT

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
WASHINGTON, DC 20410-7000

DEC 13 2018

Mr. Samuel A. May  
City Manager  
5790 Margate Boulevard  
Margate, FL 33063

Dear Mr. May:

SUBJECT: Noncompliance with Timely Expenditure Requirements  
Community Development Block Grant (CDBG) Program

Thank you for the November 9, 2018 follow-up letter from Cale Curtis, Assistant City Manager, and subsequent emails, the most recent sent November 21, 2018, providing HUD with the status of the city's efforts to resolve its drawdown problems in HUD's Integrated Disbursement and Information System (IDIS). Your efforts have contributed to a significant reduction in the city's current timeliness ratio, but Margate continues to have a significant balance in its line of credit.

In accordance with Community Planning and Development's timeliness policy, a grantee's future grant may be reduced when the grantee continues to be untimely. The 60-day ratios for Margate as measured on August 2, 2016 and August 2, 2017, were 1.87 and 2.87, respectively. The most recent 60-day test conducted for Margate on August 2, 2018, indicated a balance remaining in the city's adjusted line of credit amounting to 3.62 times its Fiscal Year (FY) 2017 grant. Based on the new 60-day ratio of 3.62, the amount of the potential reduction is \$352,928, which is the full amount of the city's FY 2018 allocation.

Under the provisions of 24 CFR 570.911, *Reduction, withdrawal, or adjustment of a grant or other appropriate action*, Margate officials participated in an informal consultation on September 27, 2018, to discuss the reasons the city was not in compliance with 24 CFR 570.902. In addition to assessing the merits of the city's presentation, the Department has reviewed the written materials submitted by the city at the time of, and subsequent to, the consultation. As stated in the Department's October 10, 2018 letter, HUD is encouraged to see the steps that Margate has taken to work with Broward County and reprogram dollars from prior years and understands that staff were diverted to other activities during the 2017 hurricane season. Nevertheless, the inability to proceed on two public facilities projects and the incorrect entries in IDIS that led to the drawdown problems the city experienced were within the city's reasonable control. HUD concludes, therefore, that Margate does not qualify for an exception to the timely expenditure requirement. In recognition, however, that the city diverted staff to other activities during the 2017 hurricane season, the city's FY2018 grant will only be reduced \$185,726. This is the amount, with the city's November 21, 2018 draw of \$321,797 and a set aside of \$500,000 for the homebuyer assistance program, that Margate's timeliness ratio will exceed 1.5 by the time of its next test date on August 2, 2019. This reduction, along with reprogramming funds for the homebuyer assistance program, will increase the likelihood that Margate will expend a sufficient amount of funds over the next program year to meet the 1.5 standard. Please note that the city will be required to submit an amendment to its 2018 Action Plan that accounts for this grant reduction.

HUD recommends that the city and Broward County work closely with the HUD Miami Field Office and require the city to submit a workout plan to the field office, covering the period August 2018 - July 2019 that shows how the city will expend a sufficient amount of funds over the current program year to fall within the 1.5 standard. The field office remains committed to working with the city to monitor its program performance to ensure that the city successfully completes timely drawdowns of CDBG funds in current and future program years. The city's failure to meet the 1.5 timeliness requirement at the time the next 60-day ratio is measured in August 2019 may result in a reduction of a future grant by 100 percent of the amount in excess of the 1.5 standard.

The Department appreciates your willingness to address HUD's concerns and in working with the HUD Miami Field Office. Please be assured that the Miami Field Office staff is available to assist you in any way possible to meet the timeliness standard in the future. Please contact Steve Johnson, Director, Entitlement Communities Division, at 202-708-1577, if you have questions regarding the contents of this letter. Please direct all other questions you may have to Ann D. Chavis, Community Planning and Development Division Director, HUD Miami Field Office. Ms. Chavis can be reached at 305-520-5010.

Sincerely,



Stanley Gimont  
Deputy Assistant Secretary  
for Grant Programs