

Development Services Department

May 23, 2024

Subject: CDBG Recommendation

There are currently three (3) types of CDBG agreement options available to the City of Maricopa under the CDBG Program. These choices include: (1) Participation Agreement, (2) Joint Agreement (under which the City of Maricopa currently is in accordance), and (3) Full Entitlement. Below is a full analysis of the three (3) types of CDBG agreement options, refer to Exhibit A for a comparison chart of the options.

FULL ENTITLEMENT:

In contrast to the other available options, *Full Entitlement* would not be recommended at this time, as there are some significant disadvantages to consider. Under *Full Entitlement*, the City of Maricopa is essentially on its own in the sense, that there is absolutely no administrative support offered from Pinal County to the City of Maricopa.

Hence, the City of Maricopa would be responsible for taking on the full administrative tasks, which can sometimes interfere with other priority tasks in the department. Unfortunately, this is not feasible at this time given current staffing (the amount of administrative work required, would call for 100 percent of the work week to be dedicated solely to CDBG filing only to ensure that all administrative tasks are completed properly prior to all required deadlines).

In addition to administrative burden, under this option, the amount of grant funding and flexibility is also rather limited. One of the major restrictions with this agreement type is that funding dollars must be utilized within the allotted time for project completion outlined by the grant. In the event funding dollars are not utilized during the dedicated time period, those project dollars are essentially forgone, as roll over is not applicable with this option.

JOINT AGREEMENT:

During the previous three years, the City of Maricopa has been under a *Joint Agreement* with Pinal County and worked in unison on the Community Development Block Grant (CDBG) Program with this *Joint Agreement*.

One of the benefits under this agreement type is, currently, the city is not required to bid and compete with surrounding areas for funding, rather there is a guaranteed allocation of funds. However, the downside is, with non-competition, this equates to less funding dollars. Currently, funding is a limited amount each year (i.e there is a funding cap).

Under the *Joint Agreement*, the City of Maricopa has access to both administrative and planning funding, which the city has received on average \$250,000 - \$300,000 over the years. However, the funding amount limits the city's opportunity for capital projects, such as road projects. In most instances, the cost for such project has exceeded the amount the city receives by three times the amount. As a result, City of Maricopa is obligated to cover the remaining costs for each project.

In addition to this funding cap, funding is not very flexible in that the City of Maricopa is not allowed to roll over the remaining amount of funds that are not used. Like *Full Entitlement*, under a *Joint Agreement*, funding dollars not utilized during the dedicated time are forgone. The last major drawback with the *Joint Agreement* type is there are no dollars available for planning, meaning when needed, there is no allocation for design activities or outside consultants, for example. While we have experienced certain benefits under this agreement during previous years, the City of Maricopa can take advantage of many more additional benefits under the participation agreement.

PARTICIPATION AGREEMENT:

There are definitely a few similarities between the *Joint Agreement* and the *Participation Agreement*, but even so, it is important to note the differences.

Unlike that of a *Joint Agreement*, where funding is guaranteed, with a *Participation Agreement*, City of Maricopa would be required to compete for funding by presenting a good case and bidding against surrounding areas for project importance. The importance of the project would then be determined by the sole decision of Pinal County and this decision would determine to which party the dollars would be distributed. The benefit of this bidding process is with the higher risk there is potential for higher return. There is a much larger amount available for funding than that of the other two agreements.

Rather than no planning dollars allocation, under the *Joint Agreement*, with a *Participation Agreement*, there is a planning cap, meaning there is a portion allocated to planning i.e. in the event outside consulting or design is needed. However, keep in mind planning cannot exceed 20 percent of the total amount of grant dollars awarded.

With the *Participation* option, the city has administrative support from Pinal County for filing, paperwork, deadline management, and various other admin needs—Pinal County therefore is an active participant and partner of the City of Maricopa. Likewise, another advantage of choosing to proceed with *Participation* is flexibility and ability to roll over the funding dollars we don't use to the next year.

Some disadvantages include: the requirement for Low, Moderate-Income qualification (LMI) on all LMI activities. No less than 70 percent of residents in the proposed area would need to qualify as low and moderate income to get awarded grant funding for each projected LMI project. Given this condition, preliminary research is done to ensure the proposed area is indeed a prime candidate to meet the requirement.

FINAL RECOMMENDATION:

To recap, during previous three (3) years, the City of Maricopa has been under a *Joint Agreement* with Pinal County and worked in unison on the Community Development Block Grant (CDBG) Program.

However, given the pros and cons of the agreement options, my overall recommendation going into FY25 would be adopting the *Participation Agreement Co-op with Pinal County*.

With this proposed agreement type, benefits to the City of Maricopa would well exceed that of the previous and other agreement options.

Main Benefits of the *Participation Agreement* vs. *Joint Agreement* would include:

- Greater flexibility in funding—with the recommended *Participation Agreement*, City of Maricopa would have access to a larger amount of funding thru the bid process, as well as the ability to roll over unused grant funding dollars from previous years to the following year, unlike that of a *Joint Agreement*, in which funding restrictions do not allow this.
- Greater project flexibility—rather than limited to no administrative dollars, with the *Participation* option, the City of Maricopa would have access to flexible administrative and planning spend in compliance with CDBG allotted percentage, along with admin support from Pinal County.

If you have any additional questions or concerns or need clarification, please contact me.

Best regards,



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