



OFFICE OF
COMMUNITY PLANNING & DEVELOPMENT

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Illinois State Office
77 W. Jackson Blvd.
Chicago, Illinois 60604-3507

April 30, 2020

Mr. Todd Cagnoni, City Administrator
City of Rockford
425 East State Street
Rockford, Illinois 61104

Dear Mr. Cagnoni:

SUBJECT: Program Year-End Review Letter
Program Year 2019
City of Rockford

The provisions of the Housing and Community Development Act of 1974, as amended, and the National Affordable Housing Act of 1990, require the annual submission of performance reports by grant recipients receiving Federal assistance through programs covered under these Acts. Additionally, these Acts require that a determination be made by the Secretary, that the grant recipient is in compliance with the aforementioned statutes and has the continuing capacity to administer the programs for which assistance is received.

The Department is charged with making a comprehensive performance review of the City of Rockford's overall progress, at least annually, as required by the statutes and 24 CFR 91.525 of the regulations. The review consists of analyzing Rockford's consolidated planning process, reviewing management of funds, determining progress made in carrying out policies and programs, determining the compliance of funded activities with statutory and regulatory requirements, determining the accuracy of required performance reports, and evaluating accomplishments in meeting key Departmental objectives.

This letter incorporates the Chicago Regional Office of Community Planning and Development's (CPD) review of the Rockford's 2019 Consolidated Annual Performance and Evaluation Report (CAPER), which consists of the Community Development Block Grant (CDBG), HOME Investment Partnerships Program and Emergency Solution Grant Program-funded activities. This letter is organized to address specific elements: the Consolidated/Action Plan, grantee performance, and overall evaluation and conclusions.

HUD has determined that the City of Rockford has continuing capacity to administer Community Planning and Development programs. However, HUD has also determined that corrections and revisions are needed to complete the CAPER. A specific evaluation of the City of Rockford's performance can be found in the enclosed Annual Community Assessment of Performance. Additional reporting information that the City submits in response to our assessment may impact our determination of continuing capacity.

HUD requests that you share this letter and the attachments with the residents of

Rockford and that you provide us with the information outlined in Appendix B – CAPER Reporting Issues and Requested Revisions no later than 30 days from the date of this letter.

Should you have any questions on this or other related issues, feel free to contact Senior Community Planning and Development Representative Anna M. Straczek-Israel. She can be reached at (312) 913-8725.

Sincerely,

Donald Kathan
Director

Enclosures: Appendix A - Annual Community Assessment of Performance
Appendix B – CAPER Reporting Issues and Requested Revisions

**Annual Community Assessment of Performance
City of Rockford
Program Year 2019**

Part I: Summary of Planning and Reporting Documents

5-Year Planning Documents. The City of Rockford's 2019 Program Year (PY) is the fifth year of its 2015-2019 Consolidated Plan. The City provided narrative information relating its five-year and 2019 activities accomplishments to goals and objectives set forth in the Consolidated Plan.

The narrative reflected that, the City is making acceptable progress and, in some cases, exceeded in meeting several of its goals; however, there were also several goals that the City met only partially or not at all. Please see Appendix B for a comprehensive evaluation of the City's Consolidated Plan accomplishments.

2019 Action Plan

The City of Rockford's 2019 Annual Action Plan (AAP) was received on June 4, 2019. The Annual Action Plan was approved by HUD on July 18, 2019. The AAP set forth specific projects for funding that were consistent with the goals and priorities of Rockford's 5-year Strategic Plan.

We find that the CDBG activities carried out during the program year were generally consistent with the 2015-2019 Consolidated Plan and 2019 Annual Action Plan. However, the City of Rockford failed to carry out some of the activities proposed in the 2019 Program Year Annual Action Plan.

Please review the summary of additional reporting information and corrections to be submitted in Appendix B following this assessment and provide the required information no later than 30 days from the date of this letter.

Part II: Program Performance and Overall Evaluation

Consolidated Annual Performance and Evaluation Report (CAPER)

The Consolidated Annual Performance and Evaluation Report (CAPER) has been used as one of the primary sources of information for the Assessment. The CAPER was due March 31, 2020 and it was submitted on March 30, 2020. In its review, HUD determined that additional information is needed to complete the CAPER submission. Please review Appendix B - CAPER Reporting Issues and Requested Revisions.

Management of Funds

In PY 2019, the following grant funding and program income (PI) was available to the City of Rockford:

Community Development Block Grant (CDBG)

2019 Allocation: \$2,101,348.00

2019 Program Income: \$42,175.79

Section 108 Loan Guarantee: \$2,725,000.00

Section 108 Program Income: \$74,983.73

HOME Investment Partnerships Program (HOME)

2019 Allocation: \$895,627.00

2019 Program Income: \$5,440.36

Emergency Solution Grant (ESG)

2019 Allocation: \$178,770

Community Development Block Grant Program (CDBG)

A.) Timeliness

According to 24 CFR §570.902, HUD will review the performance of each entitlement to determine whether the grantee is carrying out its CDBG-assisted activities in a timely manner. This review is conducted sixty days prior to the end of the grantee's current program year. Before the funding of the next annual grant and absent contrary evidence satisfactory to HUD, HUD will consider an entitlement recipient to be failing to carry out its CDBG activities in a timely manner if: *"(1) Sixty days prior to the end of the grantee's current program year, the amount of entitlement grant funds available to the recipient under grant agreements but undisbursed by the U.S. Treasury is more than 1.5 times the entitlement grant amount for its current program year; and (2) The grantee fails to demonstrate to HUD's satisfaction that the lack of timeliness has resulted from factors beyond the grantee's reasonable control."*

In 2019, the City of Rockford received \$2,101,348.00 in CDBG funding. As of November 2, 2019, the City of Rockford had a balance in its Line-of-Credit (drawdown ratio adjusted for program income) of 1.37 times its annual grant. This was considered to be timely.

B.) Compliance with the primary objective (70% low-moderate income benefit)

Pursuant to 24 CFR §570.200(a)(3), *"Entitlement recipients, recipients of the HUD administered Small Cities program in Hawaii, and recipients of insular area funds under section 106 of the Act must ensure that over a period of time specified in their certification not to exceed three years, not less than 70 percent of the aggregate of CDBG fund expenditures shall be for activities meeting the criteria under §570.208(a) or under §570.208(d)(5) or (6) for benefiting low and moderate-income persons."*

Per IDIS PR26 Report - CDBG Financial Summary Report, line 22 - "Percent Low/Mod Credit", in 2019, 68.86% of the funds spent by the City benefited low- and moderate-income persons. For the multi-year certification (PY2017, 2018, 2019), 75.37% of the disbursed funds benefited low- and moderate-income persons. The City of Rockford is in compliance with the Overall Benefit Certification of at least seventy percent (70%) for the designated period.

C.) Limitation on Planning and Administrative (PA) Costs

Pursuant to 24 CFR 570.200(g)(1), *no more than 20 percent of any origin year grant shall be expended for planning and program administrative costs, as defined in § 570.205 and §570.206, respectively for origin year 2015 grants and subsequent grants. Expenditures of program income for planning and program administrative costs are excluded from this calculation. Paragraph (g)(2) states that the amount of CDBG funds obligated during each program year for planning plus administrative costs, as defined in §570.205 and §570.206, respectively, shall be limited to an amount no greater than 20 percent of the sum of the grant made for that program year (if any) plus the program income received by the recipient and its subrecipients (if any) during that program year. Funds from a grant of any origin year may be used to pay planning and program administrative costs associated with any grant of any origin year*

Per the IDIS PR26 Financial Summary Report, line 46 – *"Percent of Funds Obligated for PA Activities,"* the City of Rockford did not exceed the 20% planning and administration cap during its PY 2019, with total reported expenditures of \$274,334.87 (14.70%). The IDIS PR 26 – Activity Summary by Selected Grant Report determined that the City expended 9.03% of its 2019 grant for its administration. The City of Rockford is in compliance with 24 CFR §570.200(g).

D.) Public Services

Pursuant to 24 CFR §570.201(e)(1), *"The amount of CDBG funds used for public services shall not exceed 15 percent of each grant, except that for entitlement grants made under subpart D of this part, the amount shall not exceed 15 percent of the grant plus 15 percent of program income, as defined in §570.500(a). For entitlement grants under subpart D of this part, compliance is based on limiting the amount of CDBG funds obligated for public service activities in each program year to an amount no greater than 15 percent of the entitlement grant made for that program year plus 15 percent of the program income received during the grantee's immediately preceding program year."*

Per the IDIS PR26 Financial Summary Report, line 36 — *"Percent of Funds Obligated for PS Activities,"* the City of Rockford did not expend any funding for Public Services in the Program Year 2019. This is in compliance for the designated period.

E.) Performance Reports

Pursuant to 24 CFR 91.520 (a), *"Each jurisdiction that has an approved consolidated plan shall annually review and report, in a form prescribed by HUD, on the progress it has made in carrying out its strategic plan and its action plan."*

Please reference Appendix B for specific discussion of the City's reporting in the required IDIS PR03 – CDBG Activity Summary Report (GPR), for the Program Year 2019.

Further, the PR59 – CDBG Activities At-Risk Dashboard Report, identifies CDBG activities that have not yet been completed by Grantees in the Integrated Disbursement and Information System (IDIS). The System flags and requires justifications by Grantees and HUD approval for activities that are deemed at risk by HUD based upon the following criteria:

- Activities that had no draws for a year
- Activities that have no reported accomplishments for three years
- Activities that have 80 percent of their funding amount disbursed and no accomplishments reported
- Activities with draws that have been identified by grantees for cancellation.

A review of the IDIS PR59 Report – CDBG Activities at Risk Dashboard, conducted on April 1, 2020, showed that City of Rockford had 3 at risk activities. Please review Appendix B - CAPER Reporting Issues and Requested Revisions.

HOME Investment Partnerships Program

A.) Program Commitments and Expenditures

The Consolidated Appropriations Act of 2019 includes a provision suspending the 24-month commitment requirement for Community Housing Development Organization (CHDO) set-aside funds, as well as continuing the suspension of the 24-month commitment requirement for regular HOME funds. Both deadline requirements are suspended through December 31, 2021, and will be removed from the HOME Deadline Compliance Status Reports beginning with versions posted as of February 28, 2019.

According to 24 CFR 92.500(d)(2)(i), 5-year expenditure deadline is still applicable to any funds from Fiscal Year 2014 and prior fiscal year allocations. However, the HOME interim rule published on December 2, 2016 eliminated the 5-year expenditure requirement for FY 2015 and subsequent years' HOME allocations.

Commitments

The 2017 Federal Appropriations Act that governs HUD formula programs suspended the 24-month commitment requirement for deadlines occurring in 2016, 2017, 2018, 2019, and 2020. Consequently, HUD will not enforce the 24-month HOME commitment requirement for deadlines occurring in calendar years 2016, 2017, 2018, 2019, and 2020 (grants awarded 2014 – 2018). The Consolidated Appropriations Act of 2019 continues suspension of the 24-month commitment requirement through December 31, 2021.

The Consolidated Appropriations Act of 2019 also includes a provision suspending the 24-month commitment requirement for CHDO set-aside funds through December 31, 2021. The CHDO suspension applies to any CHDO funds that were deobligated during calendar year 2018 (regardless of when the deadline occurred) or that would be deobligated through 2021 due to a PJ's failure to commit the funds to a CHDO project within 24 months. At this time, HUD has ceased enforcement of the CHDO commitment deadlines until such time as the suspension is permitted to lapse.

Beginning February 28, 2019, the *HOME Deadline Compliance Status Reports (DCSR)* that HUD posts monthly on the HUD Exchange reflect the suspension of CHDO commitment deadlines.

Expenditures

The PJ must expend all funds from FY 2014 and prior year allocations in its HOME Investment Trust Fund Treasury account within 5 years after the last day of the month in

which HUD notifies the PJ of HUD's execution of the HOME Investment Partnership Agreement for that specific fiscal year allocation.

HUD determines the PJ's compliance with the 5-year expenditure requirement for all FY 2014 and previous years' HOME allocations using the HOME Deadline Compliance Status Reports. Any funds that are not expended before the deadline will be deobligated by HUD. Based on that report, the City's five-year expenditure deadline for FY2014 funds was on June 30, 2019, and the City met its 5-year expenditure deadline.

The HOME interim rule published on December 2, 2016 eliminated the 5-year expenditure requirement for FY 2015 and subsequent years' HOME allocations, therefore funds awarded in FY 2015 will not be a subject to the expenditure deadline that would occur in 2020.

The HOME Deadline Compliance Status Report can be found at:

<https://www.hudexchange.info/programs/home/home-deadline-compliance-status-reports/>

Since the 5-year expenditure requirement for FY 2015 and subsequent years' HOME allocations is not a subject to the expenditure deadline, the HOME Deadline Compliance Status Report is replaced by the HOME Grant Specific Commitment and Disbursement Summary Report. This report demonstrates PJ's progress of funding disbursement.

The HOME Grant Specific Commitment and Disbursement Summary Report can be found at:

<https://www.hudexchange.info/programs/home/home-grant-specific-commitment-and-disbursement-summary-reports/>

B.) HOME Expiring Funds

As required by the National Defense Authorization Act, after the sixth Fiscal Year of being appropriated, unexpended funds will cease to be available to HOME Participating Jurisdictions.

During the 2019 Fiscal Year, funding from the 2012 Fiscal Year appropriation was subject to recapture at the end of the Federal Fiscal Year. No funds were recaptured from Rockford as a result of this policy.

For more information concerning this policy, please see HOME FACTS - Vol.2, No.2 (dated February, 2009). This policy can be found at:

<https://www.hudexchange.info/resource/2987/home-facts-vol2-no2-9-30-2009-deadline-to-draw-down-2002-home-grant-funds/>

The HOME Expiring Funds Report can be found at:

<https://www.hudexchange.info/manage-a-program/home-expiring-funds-reports/>

C.) HOME Flagged Activities

The PR 46 HOME Flagged Activities Report identifies activities that are at risk of failing HOME Project Completion Deadlines. The Report flags activities that have infrequent draws and activities that are at risk for involuntary termination for failed activity completion deadlines.

Per PR 46 HOME Flagged Activities Report dated 4/1/2019, the City does not currently have any

flagged HOME activities.

Emergency Solutions Grant Program (ESG)

A.) Program Commitments

According to the Emergency Solutions Grant Interim Regulation at 24 CFR 576.203(a)(2):

Within 180 days after the date that HUD signs the grant agreement...the recipients must obligate all the grant amount, except for its administrative costs.

Rockford's ESG Grant Agreement for the amount of \$180,781 was executed by HUD on July 12, 2019 establishing a January 12, 2020 obligation deadline. Per the IDIS PR91 – ESG Financial Summary Report, as of April 2, 2020, the City still has \$64,481.00 of unobligated funds. The City did not meet its obligation deadline requirement to commit 100% funds by January 12, 2020.

Please review and respond to Appendix B - CAPER Reporting Issues and Requested Revisions.

B.) Program Expenditures

According to the Emergency Solutions Grant Interim Regulation at 24 CFR 576.203(b)(2): *The recipient must draw down and expend funds from each year's grant not less than once during each quarter of the recipient's program year. All of the recipient's grant must be expended for eligible activity costs within 24 months after the date HUD signs the grant agreement with the recipient.*

Per the IDIS PR91 – ESG Financial Summary Report, Rockford has not made any draws on its PY2018 grant. Please review and respond to Appendix B - CAPER Reporting Issues and Requested Revisions.

Rockford's expenditure deadline for PY2017 funds was October 19, 2019 and the City did not expend \$18,049.02 (9.89%) failing to meet the 24 months expenditure requirement. Funds will be deobligated.

For PY2018 funds the expenditure deadline is August 7, 2020 and the City has \$65,603.13 (36.70%) left to expend to meet the deadline.

C.) Expenditure Limits

According to the Emergency Solutions Grant Interim Regulation at 24 CFR 576.100(b)-(c): *The total amount of the recipient's fiscal year grant that may be used for street outreach and emergency shelter activities cannot exceed the greater of: (1) 60 percent of the recipient's fiscal year grant; or (2) The amount of Fiscal Year 2010 grant funds committed for homeless assistance activities. (c) The total amount of ESG funds that may be used for administrative activities cannot exceed 7.5 percent of the recipient's fiscal year grant.*

The City committed 32.32% (\$58,991.93) of its 2017 ESG funds to shelter and outreach activities; and 7.5% (\$13,689.08) to administration. The City is in compliance with regulatory limits on these activities.

****Part III: Program Compliance and Performance****

Community Development Block Grant

A.) Monitoring

The City of Rockford's CDBG program was monitored during the 2017 program year and all Findings (5) are closed. The CDBG program was not monitored in 2019.

B.) Additional CDBG Program Compliance and Performance Comments

No other performance issues have been identified in the review of the 2019 CAPER. However, various items of concern have been identified and further clarification is requested in Appendix B of this report.

C.) On-Line Reporting

PR03 CDBG Activity Summary Report

A review of the IDIS PR03 CDBG Activity Summary Report showed that additional information is required to be entered into IDIS to generate a complete PR03. Please see Appendix B.

HOME Investment Partnerships Program

A.) Monitoring

The City's HOME Program was monitored in the 2018 program year. The monitoring revealed one (1) Finding and three (3) Concerns. The Finding was related to lead-based paint compliance and documentation. Concerns were related to HOME written rehabilitation standards, documentation of subsidy layering review, and reconciliation of the City's accounting records with the information reported in the Integrated Disbursement and Information System (IDIS) on a regular basis. Based on the City's written response dated February 8, 2019, HUD was able to close the Finding and convey its determination to the City in the letter dated February 14, 2019. The City's HOME program was not monitored in 2019.

B.) On-Line Reporting

1. Performance Snapshot Report

HUD produces a Snapshot report that reviews the overall status of the program in comparison to other PJs, locally and nationally. The PY 2019 Snapshot Report of the Rockford's HOME program performance reflects that the City successfully targets low-income renters with HOME resources. The City is 14th in the State for serving 0-50% Area Median Income (AMI) renters, and 2nd for serving 0-30% AMI renters (both are ranked above the State average). The City has a 100% success rate of occupying all completed rental units. The PJ ranks 4th of 18 PJs in Illinois (increase from the 13th place last year) and has no "red flags".

The 2019 PY Snapshot Report of Rockford's HOME program performance as of September 30, 2019, reflected the following:

- The City's percent of funds committed was 97.39% while the state average was 95.50%. (State Ranking 5, comparing to 6 on Snapshot dated December 31, 2018)
- The City's percent of funds disbursed was 94.12% while the state average was 93.51%. (State Ranking 0, comparing to 3 on Snapshot dated December 31, 2018)
- The City's leveraging ratio for rental activities was 0.95 while the state average was 3.56. (State Ranking 0, comparing to 18 on Snapshot dated December 31, 2018)
- The City's percent of completed rental disbursements to all rental commitments was 100% while the state average was 98.02%. (State Ranking 1, the same as on Snapshot dated December 31, 2018)
- The City's percent of completed CHDO disbursements to all CHDO reservations was 98.51% while the state average was 95.40%. (State Ranking 4, comparing to 5 on Snapshot dated December 31, 2018)

The Snapshot report can be reviewed at the following web address:

https://www.hudexchange.info/resource/reportmanagement/published/HOME_Snap_PJ_Snapshot_STCN-IL_IL_20160930.pdf

2. Open Activities Report

The HOME Open Activities Report identifies HOME-assisted activities that have been funded, and fully expended, but not completed in the IDIS System. The report also identifies activities that have been in "open" status in the IDIS System for an extended period of time without advancing to completion that meet the conditions of 'flagged' status and are to be addressed by the PJ.

The report as of 9/30/2019 highlighted the following IDIS Activities:

- Activities with over 99% funds drawn down and still open:
 - A. IDIS Number 3235 – last draw 12/19/2019
 - B. IDIS Number 3236 – last draw 12/19/2019
- Activities not fully drawn down with no draws in the last 140 days:
 - A. IDIS Number 3131 (85.37% drawn down)

The HOME Open Activities Report can be found at:

<https://www.hudexchange.info/manage-a-program/home-pjs-open-activities-reports/>

3. Vacant Units Report

The HOME Program Vacant Units Report identifies projects that have been undertaken with HOME funds but have been vacant for an extended period of time, which could reflect a troubled project or a reporting discrepancy in the IDIS system.

The Vacant Units Report for the City of Rockford identified no projects lacking occupancy data.

The HOME Vacant Units Report can be found at:

<https://www.hudexchange.info/manage-a-program/home-pjs-vacant-unit-reports/>

4. HOME Match Report - HUD Form 40107-A

Analysis of the City of Rockford's HOME Match Report identified the following:

- Excess match from prior Federal fiscal year was verified with the last year's report and it is correct (\$1,078,723).
- Match liability for current Federal fiscal year corresponds with the IDIS PR33 HOME Matching Liability Report (\$0).
- Excess match carried over to next Federal fiscal year totals \$1,078,723.

C.) Additional Program Compliance and Performance Comments

With regard to compliance determinations from our review of the CAPER, there does not appear to be any current statutory violations.

Emergency Solutions Grant Program (ESG)

A.) Monitoring

The City's ESG program was not monitored during the 2019 program year. The program was last monitored in 2014 and resulted in two Findings of Noncompliance. The Findings were closed January 20, 2015.

B.) On-Line Reporting

With regard to compliance determinations from our review of the CAPER, a potential compliance issue for the commitment of PY2019 funds and expenditure of PY2017 funds has been raised in an earlier section of this review.

Neighborhood Stabilization Program (NSP)

The City of Rockford has received the closeout packet for the NSP and HUD is awaiting submission of the packet.

Single Audit

A current version of the Single Audit has been submitted to the Federal Audit Clearing House on November 5, 2020 for the Fiscal Year Ending December 31, 2018. No Findings were identified in the Audit for HUD programs.

Part IV: Summary of Grantee Performance – CPD Supplemental Programs

During the Program Year 2019, the City of Rockford also administered one supplemental grant - Neighborhood Stabilization Program (NSP-1).

Management of Funds

Neighborhood Stabilization Program (NSP)

Obligations and Expenditures

As of the date of this letter, the City of Rockford met the expenditure deadline for the NSP-1 program. The City expended a total of \$2,303,753.74 NSP-1 funds. The Line of Credit Control System (LOCCS), is showing a grant fund balance in the amount of \$98.27.

The City is a good candidate for future Closeout Technical Assistance, which will be provided by HUD Headquarters later on in the year. The City is in the process of reconciling and preparing for closeout.

Part V: Overall Evaluation and Conclusions

Our assessment of the 2019 Program Year found that the City of Rockford's activities were, generally, consistent with its Consolidated Plan and in compliance with the Statutes and operating regulations. Rockford has the continuing capacity to administer Consolidated Plan-covered programs.

While HUD has rendered a determination of continuing capacity, additional reporting submissions made in response to this assessment may result in HUD identifying compliance and capacity issues that could impact the determination of continuing capacity. We are available to provide technical assistance, as needed, in completing reporting revisions, and in addressing general administration issues related to the CPD programs.

Audit Requirement

The Office of Management and Budget (OMB) 2 CFR 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards was issued as of December 29, 2013. It sets forth standards for obtaining consistency and uniformity among Federal agencies for the audit of States, local governments, and non-profit organizations expending Federal awards. Non-Federal entities that expend \$750,000 or more in a year in Federal awards shall have a single or program specific audit conducted for that year in accordance with the provisions of Subpart F of the Circular.

It is necessary that you provide a copy of this letter to your IPA/Auditor and instruct them to focus their next audit review on the financial reporting requirements of the CDBG, HOME, ESG, and NSP programs.

**CAPER Reporting Issues and Requested Revisions
Rockford
Program Year 2019**

I. CAPER Reporting

1. Accomplishments

Annual Action Plan PY2019

In PY2019, the City was mostly successful in meeting its specific 2019 AAP goals. It exceeded:

- Affordable Housing Objective 1.1 goal (108.33%),
- Homeless Objective 1.1 (100%),
- Homeless Objective 2.1 (200%),
- Homeless Objective 2.3 (100%)
- Non-Housing Community Development Objective 1.2 (109.38%)
- Non-Housing Community Development Objective 3.3 (100%)
- Non-Housing Community Development Objective 3.4 (250%)

The City partially met the following goals:

- Affordable Housing Objective 1.2 (40%),
- Non-Housing Community Development Objective 1.1 (57.89%),
- Non-Housing Community Development Objective 3.5 (66.67%).

Several goals were not met (0%): Affordable Housing Objective 2.1, and Affordable Housing Objective 2.2.

The City noted that their program year is January – December, but the 2019 CPD grant agreements were not fully executed until late July 2019. Many of the activities that were initiated or completed in calendar year 2019 were funded with prior program year money. Programs not included in previous plan years could not begin until new program funding was awarded.

Late release of 2019 funding and 2018 funding is a contributing factor in causing delays in the City's progress toward meeting goals. The City has been simultaneously working on several program years at a time in order to meet the goals of the 5-year Strategic Plan.

2015-2019 Consolidated Plan

The CAPER reflected that the City exceeded in meeting several of its goals; however, there were also several goals that the City met only partially or not at all.

The City exceeded in meeting the following goals:

- Affordable Housing Objective 1.1 (Homeowner Housing Rehabilitated) – 190%
- Homeless Objective 1.1 – 200%
- Non-Housing Community Development Objective 1.2 - 101.32%
- Non-Housing Community Development Objective 3.3 – 100%
- Non-Housing Community Development Objective 3.4 (Businesses Assisted) – 109.09%

The City partially met the following goals:

- Affordable Housing Objective 1.2 – 41.67%
- Affordable Housing Objective 3.1 (Rental Units Rehabilitated) – 80%
- Affordable Housing Objective 3.1 (Homeowner Housing Rehabilitated) – 26.67%
- Homeless Objective 2.1 – 70%
- Homeless Objective 2.2 – 60%
- Homeless Objective 2.3 – 70%
- Non-Housing Community Development Objective 1.1 – 80.74%
- Non-Housing Community Development Objective 2.1 – 96.15%
- Non-Housing Community Development Objective 3.1 – 60%
- Non-Housing Community Development Objective 3.4 (Jobs created/retained) – 81.67%
- Non-Housing Community Development Objective 3.5 – 46.67%
- Non-Housing Community Development Objective 3.6 (Jobs created/retained) – 27.43%
- Non-Housing Community Development Objective 3.6 (Businesses assisted) – 33.33%

The City did not meet the following goals:

- Affordable Housing Objective 1.1 (Public Facility or Infrastructure Activities for Low/Moderate Income Housing Benefit) – 0%
- Affordable Housing Objective 2.1- 0%
- Affordable Housing Objective 2.2 – 0%
- Non-Housing Community Development Objective 3.2 – 0%

The City provided explanations for the progress of each goal. Given late release of funding, the City plans on continuing to perform activities under these goals to expend committed funding. HUD encourages the City to submit amendments to any Annual Action Plans for which the goals and funding has changed.

II. IDIS Reports

Requirement: Grantees are instructed to “*use IDIS to comply with current reporting requirements. To initiate annual reporting, all grantees should update all current activities in IDIS to include all required financial and performance information (It is current Departmental policy that Grantees should update IDIS information quarterly).*”

Please comply with the corrections/explanation needed for these reports:

PR03 – CDBG Activity Summary for Program Year 2019

Please explain the status of the activities listed in the table below. If the activities have been completed, please close the activity by changing its status to “completed”.

If an activity needs to be cancelled or changed to complete, please cancel or complete the activity and submit a Substantial Amendment for the reallocation of funds, if applicable.

Note: Do not cancel activities in which funds have already been drawn.

IDIS Activity Number	Items in Question	Requested Information / Correction Needed
3246 3158 3180 3184 3186 3187 3216 3220 3135	Activity Status	These activities have \$0 balance. Please close the activities or explain why they cannot be closed.
3217 3228 3230 3233	Activity Status	These activities have a very small balance remaining. Please close the activities or explain why they cannot be closed.
2981 3173 3190	Balance Status	These activities were funded more than 365 days ago and still have substantial balance to expend. Please draw down remaining funds and close the activities or explain why they cannot be closed.

IDIS PR 59 - CDBG Activities at Risk Dashboard

A review of the IDIS PR59 Report – CDBG Activities at Risk Dashboard, conducted on April 1, 2020 has identified the following:

- Three (3) activities with 80% drawn and no accomplishments entered, and requiring completion of a remediation action by August 2, 2020:
 - IDIS Activity 3220, 904 11th St
 - IDIS Activity 3221, 1301 Elm St
 - IDIS Activity 3222, 403 Lexington Ave

The City of Rockford provided a remediation plan on February 18, 2020. No further action is required at this time.

PR91 – ESG Financial Summary Report

Per PR91 as of April 2, 2020, the City still has \$64,481.00 of unobligated funds. The City did not meet its obligation deadline requirement to commit 100% funds by January 12, 2020.

Please confirm this is an accurate assessment and, if so, please provide an explanation for failing to meet the deadline for your FY17 grant and the lack of draws on your FY19 grant.



*Karl F. Franzen
Director
Community and Economic
Development Department*

May 29, 2020

Donald Kathan, Director
U.S. Dept. of Housing & Urban Development
Illinois State Office
77 W. Jackson Blvd.
Chicago, IL 60604-3507

RE: Program Year-End Review Letter
Program Year 2019
City of Rockford

Dear Mr. Kathan:

Please allow this correspondence to serve as a response to the April 30, 2020 Program Year-End Review Letter for Program Year 2019. This response addresses all of the issues outlined in Appendix B; first indicating the specific issue followed-up by the City of Rockford's response.

To fulfill the Audit Requirement, the City has provided a copy of this letter to the IPA/Auditor with instructions to focus their next audit review on the financial reporting requirements of the CDBG, HOME, ESG, and NSP Programs.

In addition, the City has posted the April 30, 2020 Program Year-End Review Letter for Program Year 2019 and this response on the City's website at www.rockfordil.gov.

Appendix B

I. CAPER Reporting - No Response from the City is required.

II. IDIS Reports

Please comply with the corrections/explanation needed for these reports:

PR03 – CDBG Activity Summary for Program Year 2019

Please explain the status of the activities listed in the table below. If the activities have been completed, please close the activity by changing its status to "completed".

If an activity needs to be cancelled or changed to complete, please cancel or complete the activity and submit a Substantial Amendment for the reallocation of funds, if applicable.

Note: Do not cancel activities in which funds have already been drawn.

IDIS Activity Number	Items in Question	Requested Information / Correction Needed
3246 3158 3180 3184 3186 3187 3216 3220 3135	Activity Status	These activities have \$0 balance. Please close the activities or explain why they cannot be closed.
3217 3228 3230 3233	Activity Status	These activities have a very small balance remaining. Please close the activities or explain why they cannot be closed.
2981 3173 3190	Balance Status	These activities were funded more than 365 days ago and still have substantial balance to expend. Please draw down remaining funds and close the activities or explain why they cannot be closed.

City of Rockford Response

Rockford Response to Appendix B. II. IDIS Reports - PR03 CDBG Activity Summary for Program Year 2019				
IDIS Activity Number	Project Type	Response	Items in Question	Requested Information / Correction Needed
3246	ED	This activity was financial assistance to a new service business in a low to moderate area. The activity remains open during the compliance period.	Activity Status	These activities have \$0 balance. Please close the activities or explain why they cannot be closed.
3158	Demo	The original demolition contract was terminated, and the project was re-bid in 2019. The new contractor just submitted the final invoice for grade/seed. Activity will be marked complete by early Q3 2020.		
3180	Demo	Activity is complete. Final draw should be completed in June 2020, and the activity will be closed.		
3184	Demo	Activity Marked Complete.		
3186	Demo	Activity Marked Complete.		
3187	Demo	Activity Marked Complete.		

3216	Demo	Contractor just submitted the final invoice for grade/seed. Activity will be marked complete by early Q3 2020.		
3220	Demo	Contractor just submitted final invoice for grade/seed. Activity will be marked complete by early Q3 2020.		
3135	Project Delivery	2019 CDBG funded rehabilitation activities are currently underway. Therefore, additional funding will be necessary to cover project delivery. This activity will remain open and additional dollars will be funded.		
3217	Demo	The final payment for grade/seed is in process. Activity will be marked complete by early Q3 2020.	Activity Status	These activities have a very small balance remaining. Please close the activities or explain why they cannot be closed.
3228	Demo	The final payment for grade/seed is in process. Activity will be marked complete by early Q3 2020.		
3230	Demo	Contractor is completing the final grade/seed on the demolition and should submit final invoice in June 2020. Activity should be marked completed in Q3 2020.		
3233	Demo	The final payment for grade/seed is in process. Activity will be marked complete by early Q3 2020.		
2981	ED	The City had previously drawn all the funds in 2016, but that draw was subsequently canceled by HUD. With the assistance of Marty Dubroff, CPD Specialist with HUD Headquarters a draw is in the process of being completed.	Balance Status	These activities were funded more than 365 days ago and still have substantial balance to expend. Please draw down remaining funds and close the activities or explain why they cannot be closed.
3173	ED	This activity was financial assistance to a LMI microenterprise for a construction build out that has experienced delays.		
3190	ED	The funding development agreement had performance measures for draws. The business is still working to achieve the employment performance measure to trigger the final draw.		

IDIS PR 59 - CDBG Activities at Risk Dashboard - No Response from the City is required.

PR91 – ESG Financial Summary Report

Per PR91 as of April 2, 2020, the City still has \$64,481.00 of unobligated funds. The City did not meet its obligation deadline requirement to commit 100% funds by January 12, 2020.

Please confirm this is an accurate assessment and, if so, please provide an explanation for failing to meet the

deadline for your FY17 grant and the lack of draws on your FY19 grant.

City of Rockford Response

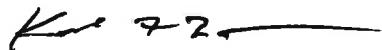
The City of Rockford issued an RFP for ESG in October 2019. City Council approved the awards on November 17, 2019 and contracts were issued to four sub-recipients. All but \$64,481 of the FY 2019 was obligated by April 2, 2020. Since then \$42,313 of the funding was obligated. The remaining \$22,168 was awarded to a new sub-recipient. There have been complications in setting up the new sub-recipient in IDIS and the City hopes to have the issue resolved soon.

The City understood that HUD was already in the process of de-obligating the \$18,049.02 FY 2017 funds. HUD determined through an audit of a sub-recipient that expense documentation was lacking.

Draws will begin on FY 2019 funds once sub-recipients have expended FY 2018 funds.

Thank you, and please let us know if you have any questions.

Sincerely,



Karl F. Franzen
Director, Community & Economic Development Department