



MEMORANDUM

To: Finance Committee

From: Rich Olson, City Manager

Date: May 6, 2013

Re: Consideration – Budget Amendment for Closeout of CDBG Grant 07-E-1749

BACKGROUND:

In September 2008, the City was awarded CDBG Grant # 07-E-1749 in the amount of \$1,000,000 for the Aviation Park. In order to receive the grant, DRS committed to creating 100 new jobs of which 60 of those jobs were to be granted to individuals who were considered of low to moderate income (LMI). In 2008, a family of four was considered LMI with a total family income of approximately \$34,000 per year.

As part of the Grant Agreement, DRS signed a Legally Binding Letter of Commitment, which obligated them to either create the jobs or pay the City \$10,000 for each job not created. In the summer of 2009, DRS had created 87 new jobs, with 44 of them being occupied by persons who were considered LMI. In the fall of 2009, DRS lost the rewire contact with the Coast Guard; and most of the LMI jobs and employment numbers were tied to that contact. Since 2009, DRS has tried to grow their employment base; but due to the nature of the jobs being filled, most of the jobs went to individuals who were not considered LMI.

City staff petitioned the Department of Commerce to accept the employment levels and LMI numbers in effect in 2009. Attached, you will find a letter from Commerce accepting the City's request.

ANALYSIS:

In the fall of 2009, representatives from the Department of Commerce performed a monitoring visit at which time they were able to verify 44 LMI jobs were created with 87 total jobs created. Each job that was not created was worth \$10,000. To close out the grant, the City must pay back the Department of Commerce in the amount of \$130,000. Under the Legally Binding Letter of Commitment, DRS is responsible for reimbursing the City the \$130,000. City staff has informed DRS of this requirement.

In order to complete the closeout of the grant, a public hearing must be held. The call for this public hearing is included on the agenda as a separate item. The City would

utilize money from the Aviation Park account to pay back the Department of Commerce. Attached you will find a budget amendment that reflects this.

At the present time, the City has \$1,487,374 in the Aviation Park account. Once the City pays pack Golden LEAF and the Department of Commerce for the CDBG grant, the balance in the account will be \$801,374.

STAFF RECOMMENDATION:

By motion, recommend that the City Council authorize staff to begin the close out procedure for CDBG #07-E-1749, which includes the attached budget amendment in the amount of \$130,000. Furthermore, authorize staff to seek repayment of \$130,000 from DRS.

RCO/vdw

BUDGET AMENDMENT

BE IT ORDAINED by the City Council of the City of Elizabeth City that the following amendment be made to the annual budget ordinance for the fiscal year ending June 30, 2013:

SECTION I. That the Fund Balance Appropriated (633990.0000) and the Department of Commerce Repayment (to be reimbursed by DRS) (639008.4000) be increased by \$130,000.

(To record repayment of CDBG #07-E-1749 grant funds from reserve funds.)

Joseph W. Peel, Mayor

Dianne S. Pierce-Tamplen, MMC, City Clerk



**North Carolina
Department of Commerce**

Pat McCrory, Governor

Sharon Allred Decker, Secretary

May 3, 2013

Mr. Richard C. Olson, Manager
City of Elizabeth City
Post Office Box 347
Elizabeth City, North Carolina 27907-0347

Dear Mr. Olson:

Subject: DRS Technologies Project
CDBG 07-E-1749

The Department of Commerce (the "Department") has reviewed the City's proposal to: (1) count the 87 jobs created by DRS Technologies as eligible without reimbursement and (2) repay \$130,000 to the Department for the 13 jobs not created by DRS Technologies as required by the grant agreement. After considering advice provided by legal counsel as well as the HUD Area Office regarding the City's proposal, we agree to count the 87 jobs as eligible and only require repayment of \$130,000 for the jobs in default. The City is authorized to begin the closeout process which will include submittal of the \$130,000 repayment to the Department. Upon the Department's review and approval of the closeout documentation, the City will be eligible to apply for CDBG economic development funding in the future.

If you need any additional information, please contact George Sherrill at (919) 715-6559 or gsherrill@nccommerce.com.

Sincerely,

A handwritten signature in black ink that reads "Stewart J. Dickinson".

Stewart J. Dickinson, Director
Commerce Finance Center

Cc: Mike Scott

Thrive NC

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