



CITY OF SACRAMENTO

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CITY PLANNING DEPARTMENT

725 "J" STREET

SACRAMENTO, CALIF. 95814
TELEPHONE (916) 449-5604

MARTY VAN DUYN
PLANNING DIRECTOR

March 31, 1981

City Council
Sacramento, California

Honorable Members in Session:

SUBJECT: Community Development Block Grant (CDBG) Home Insulation/
Weatherization Program

SUMMARY

This report regards extension of the agreement with the Sacramento Municipal Utility District (SMUD) for administration of the CDBG Home Insulation/Weatherization Program.

The staff recommends the guidelines be amended to allow administration cost associated with the program to become an eligible expense; qualified dwelling units within the City of Sacramento be eligible for the program; and adopt the attached resolution authorizing the City Manager to execute an agreement with SMUD to continue administration of the program.

BACKGROUND INFORMATION

The City's 1978-79 and 1979-80 CDBG Programs included a total of \$50,000 for a home insulation program. On February 26, 1980, the City Council adopted the CDBG Home Insulation/Weatherization Program Guidelines, and authorized the City Manager to execute an agreement with SMUD to administer the program.

As of February 1981, SMUD has performed 41 insulation jobs, 18 weatherization jobs, and 12 combination (insulation/weatherization) jobs. The overwhelming majority of the work have been performed in the Del Paso Heights and Oak Park Target Areas. These two areas along with Alkali Flat were the initial areas of SMUD's marketing efforts. Marketing of the other CDBG Target Areas was in the planning stages; however, it was suspended due to CETA layoffs. Through the use of CETA PSE funds, SMUD administered the program at no cost to the City. SMUD was able to absorb direct administration costs, allowing the City's CDBG funds to be used entirely for direct activity costs.

APPROVED
BY THE CITY COUNCIL

APR 7 1981

OFFICE OF THE
CITY CLERK

*Refer to
Bud/Fin. Comm*

Since the CETA program will be terminated, SMUD is requesting the City to allow administration cost associated with the program to become an eligible expense. Also, SMUD suggests the program be allowed to go Citywide in order to integrate it into their Residential Audit Program.

City staff proposes that the CDBG Home Insulation/Weatherization Program Guidelines be amended to allow administration cost directly associated with the program to be a reimbursable expense. This reimbursement expense would cover administrative services including insulation technician's time, mileage useage, work write-ups, coordination efforts, accounting/billing services, contract processing, marketing, etc. The reimbursement expense would be based on the actual contracted amount.

In addition, staff proposes that qualified dwelling units within the City of Sacramento be eligible for the program. SMUD indicates this is necessary in order to integrate the program into their Residential Audit Program. Dwelling units within the CDBG Target Areas will have priority over non CDBG Target Areas. In addition, SMUD would continue marketing efforts in the City's designated CDBG Target Areas.

Attached as Exhibit A is the amended CDBG Home Insulation/Weatherization Program Guidelines. It should be noted, the weatherization portion would be suspended because SMUD does not have the capacity to perform this task.

FINANCIAL DATA

The maximum allowable amount reimbursable for direct administrative services will be seven cents a square foot of actual contracted jobs. This amount is based on the insulation technician's time, mileage, work write-ups, contract processing, coordination, accounting/billing services, marketing, etc.

No additional funds are being requested to continue the program. The original amount budgeted for the Home Insulation/Weatherization Program was \$50,000. Of that amount approximately \$8,000 has been expended with a balance of \$42,000. This amount, minus the administrative cost, is sufficient to insulate approximately 120 homes at a maximum cost of \$300 per home.

RECOMMENDATION

It is recommended that the City Council:

- 1) Approve the attached amended CDBG Home Insulation/Weatherization Program Guidelines; and,

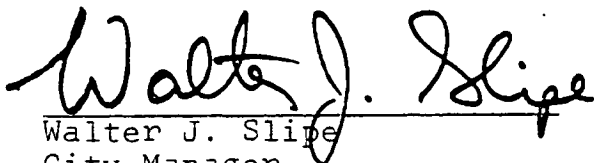
- 2) Adopt the attached resolution authorizing the City Manager to execute on behalf of the City an agreement with SMUD to continue undertaking and completing the Home Insulation/Weatherization Program.

Respectfully submitted,



Thomas V. Lee
Associate Planner

Recommendation Approved:



Walter J. Slipe
City Manager

TL:lo
attachment

April 7, 1981
All Districts

RESOLUTION No.

Adopted by The Sacramento City Council on date of

A RESOLUTION AUTHORIZING THE CITY MANAGER
TO EXECUTE AN AGREEMENT WITH THE SACRAMENTO
MUNICIPAL UTILITY DISTRICT TO PROVIDE FOR
IMPLEMENTATION OF THE CDBG HOME INSULATION
PROGRAM

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SACRAMENTO:

SECTION 1.

That the City Manager is hereby authorized to execute on behalf of the City of Sacramento an agreement with the Sacramento Municipal Utility District to provide for the undertaking and completion of the Home Insulation Program for which the City of Sacramento has received Federal funds pursuant to the Community Block Grant Program under Title 1 of the Housing and Community Development Act of 1977.

MAYOR

ATTEST:

CITY CLERK

TL:lo

AGREEMENT

THIS AGREEMENT, made this _____ day of 1980, by and between the SACRAMENTO MUNICIPAL UTILITY DISTRICT, (herein referred to as "SMUD"), and the CITY OF SACRAMENTO, (herein referred to as the "City").

WITNESSETH:

WHEREAS, City has prepared and submitted and the Department of Housing and Urban Development has approved applications for funds under Title I of the Housing and Community Development Act of 1977; and

WHEREAS, the City and SMUD desire that SMUD administer the expenditure of such Community Development Block Grant funds for the purposes of a Home Insulation Program pursuant to the terms and conditions of this Agreement.

NOW, THEREFORE, it is mutually agreed as follows:

1. The City Council authorizes by resolution transfer of \$50,000 in Community Development Block Grant funds to SMUD to carry out the Home Insulation Program as defined in Exhibit "A".
2. The City shall pay such funds in monthly increments based upon SMUD's submittal of reports explaining the activities and expenditures for which such funds are required in accordance with the Federal regulations governing Community Development Block Grants. (24 CFR Part 570, specifically 579.502, 570.505, and 570.907 and the Standards for Grantee Financial Management Block Grant Funds - Appendix G of Federal Management Circular 74-7).
3. Except as otherwise directed by City, SMUD shall utilize said amount solely for the activities described in Exhibit "A"; and shall complete such activities within one year of the date of approval of the resolution authorizing transfer of funds, however, that the parties by mutual agreement may extend said time for completion.
4. SMUD shall use such funds and carry out such activities and keep records in accordance with Federal Regulations Governing Community Development Block Grants (24 CFR Part 570), in accordance with all other applicable laws, regulations and ordinances and in accordance with such additional terms and conditions as set forth in the resolution authorizing funds.
5. SMUD shall provide all information, records and other assistance necessary to enable City to complete annual performance reports required by 24 CFR 570.906.
6. SMUD, its officers, agents and employees shall indemnify and hold harmless and defend the City, its officers, agents and employees against any and all claims, demands, damages or costs arising out of activities undertaken pursuant to this agreement, except, however, that nothing contained herein shall require the SMUD to indemnify or hold harmless the City from liability or damages resulting solely from the negligence of City, or its officers, agents or employees. The City shall indemnify, hold harmless and defend SMUD, its officers, agents and employees against any and all claims or demands which may be made solely by reason of the negligence of the City, or its officers, agents or employees.

7. The term of this Agreement shall be for one year from the date of execution by the City and SMUD. This Agreement may be amended so long as such amendment is in writing and agreed upon by both the City and SMUD. Termination of this Agreement may be made by either the City or SMUD so long as written notice of intent to terminate is given by either party at least 30 days prior to termination date. Any termination of this Agreement shall not effect any cases outstanding at the time of said termination.

SACRAMENTO MUNICIPAL UTILITY DISTRICT:

GENERAL MANAGER

CITY OF SACRAMENTO:

CITY MANAGER

ATTEST

CITY CLERK

AMENDED

HOME INSULATION/WEATHERIZATION PROGRAM AND GUIDELINES

I. PURPOSE: The purpose of the Home Insulation/Weatherization Program is to provide financial assistance to lower income homeowners for insulation and weatherization of homes located in the City of Sacramento's Community Development Block Grant Target Areas. The program is designed to complement and capitalize upon existing home insulation programs available through the Sacramento Municipal Utility District (SMUD) and the Sacramento Area Economic Opportunity Council (SAEOC)¹.

The program is targeted to homeowners with incomes above the poverty level, but below the upper limits prescribed by HUD for federally assisted housing.

II. PROGRAM COMPONENTS

A. Eligibility: Dwelling units and individuals assisted under the program must conform to each of the following criteria:

1. Dwelling units assisted under the program must be:

- a. located in the City of Sacramento, however, dwelling units within a designated Community Development Block Grant (CDBG) Program Target Area will have priority (See Attachment A);
- b. lacking adequate attic insulation, except that structures without attics are eligible for weatherization improvements;
- c. owner occupied; and
- d. in basically sound condition².

2. Homeowners assisted under the program must reside in the structure receiving assistance (in the case of multi-family housing, the owner must reside in one of the units) and in addition, must have an adjusted gross family income which lies within established minimum and maximum limits discussed below.

¹SMUD presently provides low interest loans, quality control and related services to homeowners for home insulation. SAEOC provides home insulation and weatherization free to homeowners whose incomes lie below the poverty level (roughly 50% of the regional median income adjusted for family size).

²The determination as to whether or not a structure meets this criteria will be made by the individual performing the work write-ups. In general, a structure will be considered basically sound if there are no major structural deficiencies, such as a leaking roof or cracks in ceiling walls and floors, which would negate the beneficial effects of insulation and weatherization. Also, there must be no potentially dangerous situations that could be worsened by the installation of insulation such as obsolete or defective electrical wiring.

In those instances where a structure is determined to be ineligible for the program because of defects, the property owner will be informed of other assistance programs available to correct these defects.

3. Participants will be eligible for low interest loans and deferred payment plans from SMUD to cover the difference between the grant amount and total cost. Where a homeowner may not qualify for a SMUD loan, refer to High Risk Loan Fund section on page 3.

B. Benefits to Program Recipients:

1. Lower Total Price: The scale economics of a large contract for insulation services would be passed on directly to program participants in the form of lower prices. Thus, the total cost per unit of insulation would most likely be less under this program than under the normal SMUD program or in a situation where an individual would separately contract for this service¹.
2. Grants for a Portion of the Total Cost: The total cost of improvements will be covered by a combination of Home Insulation/Weatherization Grants, loans from SMUD and/or cash payment by the recipient. Grant funds may be utilized to cover a percentage of eligible improvement costs. This percentage, or rate of subsidy, will vary between a maximum of 85% and a minimum of 25% of total cost depending on family size and income. The maximum grant amount, however, is \$300 per dwelling unit irrespective of family size and income.

Attachment B is a chart depicting current subsidy rates by family size and income. These rates will be adjusted annually or as often as necessary by the City of Sacramento in order to be consistent with changing SAEOC or HUD income thresholds.

C. Eligible Program Expenses:

1. Improvement Costs: Home Insulation Grant funds may be used to pay the proportionate cost, as determined by Attachment B, of blown cellulose attic insulation plus the following weatherization improvements:
 - a. weatherstripping, including door bottoms, sills, jam and trim repairs;
 - b. caulking;
 - c. repair of small exterior cracks and leaks such as unused plumbing or T.V. cable openings not related to structural deficiencies;
 - d. door replacement;
 - e. replacement of broken windows, window casements.

Weatherization improvements are included in this program as an additional benefit. However, the prices of weatherization improvements are not controlled by contract and the City makes no claim that the cost of these improvements will be less than could be obtained elsewhere. The City will monitor prices charged for weatherization improvements after the fact to assure that they are reasonable.

The list of eligible weatherization improvements can be changed from time to time by the City and SMUD.

The City of Sacramento will conduct periodic checks to assure that the prices charged by contractors for these improvements are reasonable.

The type and cost of weatherization improvements will be monitored and controlled by SMUD on a per job basis to prevent conflict or duplication with existing property rehabilitation and emergency repair programs. The total cost, subject to percentage reimbursement with grant funds, should generally not exceed 50% of the approved insulation cost as a criteria.

2. Other Expenses Reimbursable: All other program expenses including but not limited to outreach, work write-ups, loan processing, inspections, accounting and administration will be born by SMUD and are directly reimbursable. The total cost reimbursable will not exceed 7 cents a square foot actual contracted jobs.
- D. High Risk Loan Fund: A sum of approximately \$2,000 will be identified and reserved to guarantee principle and interest payments for high risk loans which SMUD rejects through its normal loan approval process. The City of Sacramento, at its discretion, may authorize that a portion of this amount be allocated to specific loans in which case the City would bear the loss of principle and interest in the event of default. Such approval must occur before the loan is made. Loans may be approved in this manner until the entire \$2,000 amount is allocated to high risk loans.

SMUD will maintain separate records of loans credited against the loan default fund and will submit an annual report to the City of Sacramento each December showing the number and amount of loans outstanding, the remaining fund balance, and any losses incurred subject to reimbursement.

III. OPERATION OF THE PROGRAM

A. City Role:

1. General Oversight and Coordination: The City of Sacramento will provide Community Development Block Grant (CDBG) funds to SMUD for home insulation/weatherization grants. The City Manager, or his designee, will oversee general implementation of the program and in addition, shall perform the following:
 - a. direct liason with SMUD and the insulation contractors;
 - b. preparation and dissemination of subsidy schedules in accordance with Attachment B, as well as other necessary forms and reports;
 - c. authorization of high risk loans in accordance with II D above;
 - d. direct the processing of requests for payment by SMUD;

- e. preparation and administration of the contract with SMUD for the insulation/weatherization program; and
 - f. other functions assigned to the City Manager in these guidelines.
2. Execution of a Contract for Insulation/Weatherization Services: The cost of attic insulation chargeable to this program shall be determined by separate contract between SMUD and an insulation contractor. SMUD shall execute the contract which, in addition to normal and prudent contract requirements, shall specify the following:
- a. that the rate of reimbursement for attic insulation and weatherization shall be equal to the rate per unit of insulation and weatherization paid by SMUD to its insulation contractor. As the SMUD contract rate changes, the City rate would adjust automatically; and
 - b. that the amount and type of weatherization improvements would be determined by SMUD with the approval of the contractor and applicant subject to the constraints that:
 1. the improvements charged to this program will be limited to those specified in these guidelines as they now exist or may subsequently be amended;
 2. the total cost of weatherization improvements should generally not exceed 50% of the insulation cost as a criteria; and
 3. the total grant amount for weatherization plus insulation improvements may not exceed \$300 per dwelling unit.

In executing the contract, the City Manager and SMUD shall pay particular attention to the requirements of Section 3 of the U.S. Housing and Urban Development Act of 1973 (12 USC 107/u et. seq. 1970), and pertinent regulations (24 CFR 135).

3. Payment: The City will reimburse SMUD for the approved grant amount for all jobs completed and for which payment was made to subcontractors during the previous month. Payment can be expected approximately three (3) weeks after receipt of request for funds. Eligible costs will be only those items delineated in the Eligible Program Expenses section.

B. SMUD Role:

With the exception of items noted below, the program will be administered by SMUD in exactly the same manner as SMUD's normal home insulation loan program. Any changes in the terms, procedures, etc., of the SMUD program which do not conflict with these items are automatically incorporated into the City program.

Tasks to be performed by SMUD include the following:

1. Marginal Cost Pricing for Attic Insulation: The price charged for insulation services shall equal the amount paid to the insulation contractor per unit of insulation. For example, if the insulation contractor is paid at a rate of \$5.00 per bag of insulation and the home to be insulated requires 10 bags of insulation, the total cost to the consumer would be \$50.
2. Supplementation of Home Insulation Grants: SMUD will grant loans, deferred payment or other payment options available through SMUD's regular program to eligible applicants to cover the difference between total insulation and weatherization costs and the grant amount available through the City program. Eligibility shall be determined through SMUD's normal credit review process.
3. Loans to High Risk Applicants: SMUD will administer the high risk loan account in accordance with the provisions of these guidelines.
4. Outreach: SMUD will advertise and promote the Home Insulation Grant Program as SMUD deems appropriate.
5. Program Coordination: SMUD will designate a Home Insulation Grant Program Coordinator to function as liaison to the City on matters related to the program.
6. Quality Control: SMUD will conduct post inspections of insulation and weatherization work performed by the contractor. At SMUD's discretion, these inspections may be conducted at random.
7. Administration of the Contract with the Insulation/Weatherization Contractor: SMUD shall prepare and the City will approve a standard contract for services with insulation contractors. SMUD may stipulate any conditions necessary for internal administration purposes. In conjunction with carrying out applicable provisions of the contract, SMUD shall establish and administer a procedure for the disbursement of City grant funds to the contractor.
8. The Processing of Applications Initiated by the Contractor: Working with the contractor, SMUD shall establish a process for administering insulation and/or weatherization projects initiated by the contractor including a means for inspection and payment on weatherization improvements agreed to between the contractor and the applicant after an initial work write-up by SMUD.
9. Record Keeping: SMUD will review Home Insulation Grant application forms for completeness, legibility and accuracy and forward copies to the City together with each request for payment. The sum of the grant amounts indicated on these forms must equal the amount of the request for payment. The City reserves the right to withhold payment on incomplete forms.

10. Program Evaluation: SMUD will submit reports to the City at the time requests for payment are made identifying the following:
 - a. number of applications processed;
 - b. number approved:
 - c. actual number of insulations/weatherizations accomplished and the nature of the work performed;
 - d. total dollar amount of grant funds committed that month as well as total dollar amount of all work performed;
 - e. number of applications denied because of the existence of code violations and referrals made to repair/rehabilitation programs;
 - f. number of loans and total dollar amount committed under the high risk loan insurance program for otherwise ineligible loans.

The City has the right to inspect SMUD records at reasonable times to insure the program funds are being spent properly and proper records are being maintained.

11. Referral of Ineligible Applicants: Where a homeowners income, as determined by these guidelines (Attachment B), is too low to qualify for this program, SMUD will refer the applicant to SAEIC for free insulation/weatherization assistance. Where structural problems exist that make insulation infeasible, the applicant shall be referred to the Sacramento Housing and Redevelopment Agency for rehabilitation assistance.
12. Compliance with CDBG Assurances: SMUD, in acting on behalf of the City of Sacramento, shall to the greatest extent possible comply with the assurances and provisions stipulated in the City's CDBG program application.



CITY OF SACRAMENTO

OFFICE OF THE CITY CLERK
915 I STREET
CITY HALL ROOM 203

SACRAMENTO, CALIFORNIA 95814
TELEPHONE (916) 449-5426

LORRAINE MAGANA
CITY CLERK

MEMORANDUM

TO: BUDGET AND FINANCE COMMITTEE

FROM: ANNE J. MASON, DEPUTY CITY CLERK *Am*

SUBJECT: REFERRAL TO ITEM NO. 30, AGENDA OF APRIL 7, 1981

DATE: APRIL 7, 1981

Pursuant to Council action, the following subject matter is referred to your committee for hearing, report and recommendation:

Authorize Manager to execute agreement with SMUD to provide for implementation of the CDBG Home Insulation Program.

AJM:sj
cc: Councilman Connelly, Chr.
" Thompson
" Pope
" Hoeber
City Planning Director