

**DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT  
FINANCIAL ASSISTANCE DIVISION**

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**CDBG  
Community Development Block Grant Program****MANAGEMENT MEMORANDUM  
Memorandum Number 05-14****TO: Eligible Jurisdictions and Interested Parties****DATE: November 12, 2005****SUBJECT: Important Contract issues concerning the General Native American and Colonias contracts,  
Milestone disencumbrances and the 90 day special condition****Purpose of this Memo:**

This memorandum is to update grantees on the status of the General, Native American and Colonias contracts and to alert grantees on the effects of recent regulation changes on the 2005 and all future grant agreements.

**Status of Contracts:**

The generation of the General, Native American and Colonias contracts has been held up due to issues with the State's new automated system. Internal budget and audit issues are being addressed and the contracts are being revised. We anticipate some contracts being mailed out to the grantees by December 1, 2005.

**90 day Special Condition:**

In Exhibit A Section 7, part 5 the contract states "All funding required for project completion must be committed within 90 days of the execution date of this agreement. If all funding is not committed, the State shall terminate this agreement pursuant to Exhibit D, Section 6. If the Grantee has applied for other funding prior to the execution of this agreement, the Grantee must notify the Department as soon as that application is approved or denied. If the Grantee must apply for other funding after the execution date of this agreement, the Grantee must apply at the earliest possible opportunity offered by the other funding source(s) and notify the Department as soon as that application is approved or denied." For example if a Grantee needed \$1,000,000 from the HOME program to complete a project but the Grantee was unable to document a commitment from the HOME program within 90 days of the execution of the contract, the Grantee would have their agreement terminated.

**Disencumbrances due to Milestones not being met:**

In Exhibit A Section 4, part 4 the contract states "If the grantee does not meet the expenditure milestones as set by the State, the State, per Title 25, California Code of Regulations, Section 7066(d) and (e), will disencumber the difference between what was expended for the program activity and that milestone." For example, if a Grantee has a milestone of \$100,000 dollars expended by 6/31/06 and has expended \$50,000 by the 6/31/06 milestone; the state will disencumber \$50,000.