

## EXHIBIT 1-F

### GUIDELINES ON FIRM COMMITMENT OF NON-CDBG FUNDING

#### **Purpose of Guidelines on Commitment of Funds**

There are several reasons why guidelines on committed funds are necessary:

- To comply with MDOC's statutory responsibility to ensure that matching funds are committed for a project before CDBG funding is provided, and subsequently to comply with the terms of the contract between MDOC and the local government.
- To prevent a situation where a project is started but cannot be finished or payment to contractors is delayed because the local government's matching funds are not firmly committed.
- To clearly identify for local governments what must be done to get their matching funds committed.

#### **Deadline for documenting firm commitment of all funds**

WITHIN NINE MONTHS of the date of the announcement of the application funding status by the Department, the Grantee should have completed all necessary arrangements to assure that those resources are available for commitment to and participation in the project in order to guarantee timely project completion. Unless the Grantee can demonstrate the existence of unusual or extenuating circumstances that justify an extension of time, the Department may withdraw the tentative award and reallocate the funds.

#### **Procedure**

After the completion of the environmental review, at any time that a local government has met start-up conditions delineated in the CDBG contract and can demonstrate a firm commitment for all other funds included in the project budget, CDBG funds can be provided for all eligible project expenses incurred by the local government.

The process for demonstrating a firm commitment of funds is defined as follows for the different types or forms of project funds:

#### **A. Non-CDBG Grants**

A letter from the funding agency -- stating that funding has been approved or authorized, or when the project has been split into multiple phases by the funding agency, that a portion of the funding has been approved or authorized and the agency is committed to approving or authorizing the remainder of the funding within a reasonable amount of time -- provides the complete documentation needed to demonstrate that the non-CDBG grants are firmly committed. CDBG will advance funds for all eligible project expenses as they are incurred after the environmental Release of Funds (explained in Chapter 2 of the CDBG Grant Administration Manual).

The letter should indicate the funding agency's approval of a final (full) application for the project (and/or the existence of a signed contract between the funding agency and the local government) indicating when the agency's funds will be available to complete the project in accordance with the approved implementation schedule. When the project has been split into multiple phases by the funding agency, the letter should discuss the phasing of the project and the expected timetable for approving or authorizing the funding for the project.

**B. Local Government Pledge of Funds or Budget Increase (Including Cash Reserves or Related Funds)**

With a budget or a Budgetary Authority Resolution (see Exhibit 4-A as a model) approved and adopted by the governing body and specifically designating the source of local funds that will be available for the CDBG project, CDBG funds would be provided for all eligible project expenses incurred by the local government.

**C. Loans/Bonds (Revenue, General Obligation, Special Improvement Districts, Rural Improvement Districts, Other)**

CDBG will advance funds for all eligible project expenses as they are incurred if the conditions as described below are met.

Loans to Municipalities or Counties, **which require a vote by only the governing body** (e.g., Revenue Bond)

Loans to Districts (Revenue Bonds), or other types of financing, for all types of local governments, **which require a vote by the general population or users** (e.g., SID, G.O. Bond)

**SRF loan**

- “Commitment Agreement” or “Letter of Approval for State Revolving Fund Loan Program in Lieu of Commitment Agreement,” adopted by Resolution

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- Successful certified debt election results (attach supporting documents)

**RUS loan**

- “Letter of Conditions” from RUS
- “Letter of Intent to Meet Conditions” signed and returned to RUS
- “Request for Obligation of Funds”

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**D. Other Forms of Funds**

- MDOC will evaluate other unique funding sources for the firmness of the commitment on a case by case basis (depending on the funding source and the level of commitment).

State and Federal funds that have been authorized, but have not yet been completely appropriated, potentially may be viewed as fully committed. Matching funds in this category will be evaluated on a case-by-case basis to determine the firmness of the funds and the likelihood of the funds being received, and the project being able to proceed and be completed.