

Memorandum of Understanding

Between
City of North Chicago
and
Lake County, IL

This Memorandum of Understanding (MOU) sets forth the terms and understanding between the City of North Chicago (North Chicago) and the County of Lake (Lake County) regarding the Program Year 2018 Community Development Block Grant (CDBG) funds for which North Chicago has received.

Background

The City of North Chicago is pursuing a public improvement project that consists of the lining of approximately 4200 linear feet of sanitary sewer. The City of North Chicago receives CDBG Entitlement funding from U.S. Department of Housing and Urban Development (HUD). Lake County administers these funds for North Chicago. The decisions on which projects receive funding remains with North Chicago. North Chicago has committed \$85,000 of their 2017 CDBG funds to this sewer lining project. A recommendation of \$85,000 in 2018 North Chicago CDBG funds for an infrastructure project has been approved by Lake County's Housing and Community Development Commission (HCDC). In an effort to maximize the amount of work that can be accomplished during the 2018 construction season, North Chicago has requested an arrangement under which activities may begin after the Lake County Board has approved the 2018 grant award but before the total CDBG award from U.S. Department of Housing and Urban Development (HUD) has been made available to Lake County.

Pre-Award Cost

As CDBG is a formula-based entitlement program and Lake County will have a 2018 Action Plan in place as required by HUD as of June 13, 2018, under 24 CFR 570.200(h), Lake County is permitted by HUD to allow a CDBG subrecipient such as North Chicago to begin spending on CDBG projects prior to receipt of the CDBG award from HUD to Lake County:

"Prior to the effective date of the grant agreement, a recipient may incur costs or may authorize a subrecipient to incur costs, and then after the effective date of the grant agreement pay for those costs using its CDBG funds, provided that: (i) The activity for which the costs are being incurred is included, prior to the costs being incurred, in a consolidated plan action plan...; (ii) Citizens are advised of the extent to which these pre-award costs will affect future grants; (iii) The costs and activities funded are in compliance with the requirements of this part and with the Environmental Review Procedures stated in 24 CFR part 58; (iv) The activity for which payment is being made complies with the statutory and regulatory provisions in effect at the time the costs are paid for with CDBG funds; (v) CDBG payment will be made during a time no longer than the next two program years following the effective date of the grant agreement or amendment in which the activity is first included; and (vi) The total amount of pre-award costs to be paid during any program year pursuant to this provision is no more than the greater of 25 percent of the amount of the grant made for that year or \$300,000."

All of these criteria will be met.

Purpose

While the incursion of costs by a CDBG sub-recipient prior to official award of CDBG funds by HUD to Lake County is allowable, to do so presents risks to North Chicago, the subrecipient. This document will detail the concerns (risks) associated with this order of events and outline the conditions under which North Chicago may begin incurring costs related to its 2018 CDBG project.

Concern 1:

The Lake County Board may vote to award North Chicago an amount of CDBG funds other than the \$85,000 recommended by the HCDC. The Lake County Board may also vote not to award North Chicago any funds for the 2018 CDBG program year. In this situation, North Chicago would be unable to have project costs reimbursed with CDBG 2018 funds. On June 12, 2018 the Lake County Board is scheduled to vote on the 2018 Action Plan which includes the HCDC's recommended \$85,000 award to North Chicago.

Agreement

With this Memorandum of Understanding to be signed only after the Lake County Board vote on June 12, 2018, Lake County authorizes North Chicago to begin incurring expenses on the sewer lining project as described in its 2017 CDBG application **WITH THE UNDERSTANDING THAT REIMBURSEMENT OF THESE EXPENSES IS COMPLETELY DEPENDENT ON THE CDBG 2018 GRANT AWARD PROVIDED BY HUD** (anticipated July of 2018).

North Chicago understands:

- No monies will be reimbursed until Lake County receives the grant award from HUD for CDBG 2018 funds.
- CDBG 2018 funds available for reimbursement may not cover all of North Chicago's project expenses.
- A CDBG 2018 grant amount other than the \$85,000 recommended to date may be available, including an outcome where no funds are awarded.

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Leon Rockingham, Mayor
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Date:_____

Aaron Lawlor
Lake County Board Chairman

Date:_____