



## AGENDA

### BUDGET AND FINANCE COMMITTEE

### BANNING, CALIFORNIA

March 21, 2023

5:00 p.m.

**In Chambers and via Zoom**

Council Chambers  
99 E. Ramsey Street  
Banning, CA 92220

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#### **1. CALL TO ORDER**

Roll Call – Committee Members Wallace, Flynn, and Chair Geronimo

#### **2. PUBLIC COMMENTS AND CITY TREASURER REPORT**

2.1. PUBLIC COMMENTS – Matters Within the Purview of the Committee

2.2. CITY TREASURER REPORT

#### **3. ACTION ITEMS**

3.1. Approval of Budget and Finance Committee Meeting Minutes for January 19, 2023 and February 21, 2023..... **5**

#### **4. REPORTS OF OFFICERS**

4.1. FY 21-22 Annual Comprehensive Financial Report ..... **12**  
*(Staff Report: Lincoln Bogard, Administrative Services Director)*

**Recommendation:** Receive and file the FY21-22 Annual Comprehensive Financial Report.

4.2. Parks & Recreation Grant Funding Restrictions and Eligible Uses ..... **14**  
*(Staff Report: Lincoln Bogard, Administrative Services Director)*

**Recommendation:** Receive and file report on Parks & Recreation Grant Funding Restrictions and Eligible Uses.

4.3. Airport Grant Funding Restrictions and Eligible Uses ..... **19**  
*(Staff Report: Lincoln Bogard, Administrative Services Director)*

**Recommendation:** Receive and file report on Airport Grant Funding Restrictions and Eligible Uses.

#### **5. DISCUSSION ITEM(S)**

Determined standing meeting Budget and Finance Committee meeting Third Tuesday of each month.

#### **6. ITEMS FOR FUTURE AGENDAS**

- 6.1. Animal Control Budget Discussion of positions, equipment, and animal shelter  
(Target presentation date April 18, 2023)
- 6.2. Homeless Shelter Financial Update (Target presentation date April 18, 2023)
- 6.3. New Items

#### **7. ADJOURNMENT**

**Next Regular Meeting – April 18, 2023.**

**Zoom Community Standards for Public Meetings**

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- Your microphone must remain on mute, and you may only unmute your microphone when/if you are recognized by the Chair.
- Your camera must be turned off unless/until you are recognized by the Chair.
- To indicate a desire to make Public Comment, you must use the Raise Hand function. The Chair will not recognize those who have not used the Raise Hand function.
- Public Comment from Zoom attendees will immediately follow in person comment from members of the public in Council Chambers.
- If you fail to adhere to these community guidelines, **you may be removed** for disrupting the meeting occurring in Council Chambers. You may rejoin the meeting but may be removed for each violation of these community standards.
- The chat function will be disabled for all City Council meetings on Zoom.

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- Su cámara debe estar apagada a menos que sea reconocido por el presidente.
- Para indicar el deseo de hacer un Comentario Público, debe utilizar la función Levantar la mano. El presidente no reconocerá a quienes no hayan utilizado la función Levantar la mano.
- Los comentarios públicos de lo que atienden por Zoom seguirán inmediatamente los comentarios en persona de los miembros del público en las Cámaras del Consejo.
- Si no cumple con estas pautas de la comunidad, es posible que lo destituyan por interrumpir la reunión que tiene lugar en las Cámaras del Consejo. Puede volver a unirse a la reunión, pero es posible que lo eliminan por cada violación de estos estándares de la comunidad.
- La función de chat estará deshabilitada para todas las Reuniones del Ayuntamiento en Zoom.

## **AFFIDAVIT • DECLARACIÓN JURADA**

IT IS HEREBY CERTIFIED under the laws of the State of California that the above agenda was posted on the City's website ([www.banningca.gov](http://www.banningca.gov)) as well as the Bulletin Board at Banning City Hall, located at 99 E Ramsey Street, Banning, CA 92220 by 5:00 P.M. on the 16th day of March 2023.



Lincoln Bogard, Administrative Services Director

## **PUBLIC NOTICE • NOTICIA PÚBLICA**

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### **Public Comment**

#### *Agenda Items*

Any member of the public may address this meeting of the City Council on any item appearing on the agenda. A five-minute limitation shall apply to each member of the public and no member of the public shall be permitted to share their time with any other person.

### **Special Assistance/Accessibility Requests**

In compliance with the Americans with Disabilities Act, any member of the public may request that the agenda and agenda packet be mailed to them. If you need special assistance to participate in this meeting (such as translation services), please contact the Office of the City Clerk. Advanced notification of at least 48 hours prior to the meeting will allow the city to make arrangements to ensure your accessibility.

**¿Necesita servicios de traducción para participar?** Contacto Oficina del Secretario de la Ciudad.

## **CONTACT • CONTACTO**

Office of the City Clerk • 951-922-3102 • [CityClerks@banningca.gov](mailto:CityClerks@banningca.gov)  
99 East Ramsey Street, Banning, California 92220



**MINUTES  
BUDGET & FINANCE COMMITTEE**

**1/19/2023  
REGULAR MEETING**

COMMITTEE MEMBERS PRESENT: Committee Member Sheri Flynn  
Chair Alejandro Geronimo

COMMITTEE MEMBERS ABSENT: Committee Member Colleen Wallace

OTHERS PRESENT: Lincoln Bogard, Administrative Services Director  
A'ja Wallace, Deputy Finance Director  
Tom Miller, Electric Director  
John Garside, Multimedia Specialist

**1. CALL TO ORDER**

Chair Geronimo called the meeting to order at 5:00 p.m.

Roll Call

COMMITTEE MEMBER	PRESENT	ABSENT
Flynn, Sheri	X	
Geronimo, Alejandro	X	
Wallace, Colleen		X

**2. PUBLIC COMMENTS AND CITY TREASURER REPORT**

2.1. PUBLIC COMMENTS  
None

2.2. CITY TREASURER REPORT

Chair Geronimo explained the process and purpose of the Budget & Finance Committee to Committee Member Flynn

**3. ACTION ITEMS**

3.1. Approval of Budget and Finance Committee Meeting Minutes for November 17, 2022

**Motion to approve the meeting minutes.**

Motion by Committee Member Flynn  
Seconded by Chair Geronimo

COMMITTEE MEMBER	YES	NO	ABSTAIN	ABSENT
Flynn, Sheri	X			
Geronimo, Alejandro	X			
Wallace, Colleen				X

Motion passed by a vote of 2-0, with 1 absence.

#### **4. REPORTS OF OFFICERS**

##### **4.1. CalPERS Unfunded Pension Liability Analysis**

Administrative Services Director Lincoln Bogard presented the staff report.

Public Comments

None

##### **4.2. General Fund Tax Revenue Outlook for Fiscal Year 2022-23**

Administrative Services Director Lincoln Bogard presented the staff report.

Public Comments

Diego Rose inquired about the property tax percentage increase (seemingly high). Additionally, has there been a transfer from Electric to the General Fund? If so, is it compliant with Prop. 26?

##### **4.3. Analysis Bank Account Fee Discussion**

Administrative Services Director Lincoln Bogard presented the staff report.

Public Comments

None

#### **5. DISCUSSION ITEMS(S)**

Determine a standing time for the Budget & Finance Committee to meet monthly. Recommended days are the third Tuesday or Wednesday of each month.

**Motion to approve the standing time for the Budget & Finance Committee Meeting on the Third Tuesday of every month.**

Motion by Committee Chair Geronimo  
Seconded by Member Flynn

COMMITTEE MEMBER	YES	NO	ABSTAIN	ABSENT
Flynn, Sheri	X			
Geronimo, Alejandro	X			
Wallace, Colleen				X

Motion passed by a vote of 2-0, with 1 absence.

## **6. FUTURE AGENDA ITEMS**

- 6.1. Discussion of Cost Allocation Plan funding for Internal Service Funds (particularly Information Services)
- 6.2. Animal Control Budget Discussion of positions, equipment, and animal shelter (to be completed after contracting to provide services to Calimesa)
- 6.3. Homeless Shelter Financial Update
- 6.4. Mid-Year Budget Adjustments
- 6.5. FY 2022-23 Quarter 2 Budget-to-Actuals
- 6.6. Banning Airport Grant received, purpose and allocation of funds
- 6.7. Parks & Rec Grant (CDBG) received, purpose and allocation of funds

## **7. ADJOURNMENT**

Chair Geronimo adjourned the meeting at 6:00 p.m.

**Next meeting scheduled for February 21, 2023**

Minutes Prepared by:



\_\_\_\_\_  
A'ja Wallace, Deputy Finance Director

**This entire meeting may be viewed here:**

<https://banninglive.viebit.com/index.php?folder=Budget+and+Finance>

**All documents related to this meeting are available here:**

<https://banningca.gov/Archive.aspx?ADID=2764>

**ATTACHMENTS:**

1. CalPERS Unfunded Liability Discussion
2. General Fund Tax Revenue Projections FY 2022-23



**MINUTES  
BUDGET & FINANCE COMMITTEE**

**2/21/2023**

**REGULAR MEETING**

COMMITTEE MEMBERS PRESENT: Committee Member Sheri Flynn  
Committee Member Colleen Wallace

COMMITTEE MEMBERS ABSENT: Chair Alejandro Geronimo

OTHERS PRESENT: Lincoln Bogard, Administrative Services Director  
A'ja Wallace, Deputy Finance Director  
Tom Miller, Electric Director  
Carla Young, Business Support Manager  
Caroline Patton, Deputy City Clerk  
Marisol Lopez, Economic Development Manager

**1. CALL TO ORDER**

Committee Member Wallace called the meeting to order at 5:00 p.m.

Roll Call

COMMITTEE MEMBER	PRESENT	ABSENT
Flynn, Sheri	✗	
Geronimo, Alejandro		✗
Wallace, Colleen	✗	

**2. PUBLIC COMMENTS AND CITY TREASURER REPORT**

**2.1. PUBLIC COMMENTS**

None

**2.2. CITY TREASURER REPORT**

Chair Geronimo was absent for the 2/21/23 meeting.

**3. ACTION ITEMS**

3.1. Approval of Budget and Finance Committee Meeting Minutes for January 19, 2023. Continued to next meeting as Chair Geronimo was absent. No motion or vote taken.

#### **4. REPORTS OF OFFICERS**

##### **4.1. Wells Fargo Banking Fees and Cost to the City**

Administrative Services Director Lincoln Bogard presented the staff report.

**Public Comments**

None

##### **4.2. Cost Allocation Plan (CAP)**

Administrative Services Director Lincoln Bogard presented the staff report.

**Public Comments**

Director Miller inquired about the methodology of the “true up” process as it pertains to Interfund transfers.

##### **4.3. FY 21-22 Annual Comprehensive Financial Report**

Administrative Services Director Lincoln Bogard presented the staff report.

**Public Comments**

None

##### **4.4. FY 22-23 Mid-Year Budget Adjustments and Q2 Budget- to- Actuals**

Administrative Services Director Lincoln Bogard presented the staff report.

**Public Comments**

None

#### **5. DISCUSSION ITEMS(S)**

Determined standing meeting Budget and Finance Committee meeting Third Tuesday of each month.

#### **6. FUTURE AGENDA ITEMS**

- 6.1. Animal Control Budget Discussion of positions, equipment, and animal shelter (to be completed after contracting to provide services to Calimesa)
- 6.2. Homeless Shelter Financial Update-ASAP
- 6.3. Banning Airport Grant received, purpose and allocation of funds

- 6.4. Parks and Recreation Grant (CDBG) received, purpose and allocation of funds.
- 6.5. New Items

## **7. ADJOURNMENT**

Committee Member Wallace adjourned the meeting at 6:13 p.m.

**Next meeting scheduled for March 21, 2023**

Minutes Prepared by:



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A'ja Wallace, Deputy Finance Director

**This entire meeting may be viewed here:**

<https://banninglive.viebit.com/index.php?folder=Budget+and+Finance>

**All documents related to this meeting are available here:**

<https://banningca.gov/Archive.aspx?ADID=2776>

## **ATTACHMENTS:**

1. Annual Comprehensive Financial Report Fiscal Year 2021-22
2. Banking Fee Discussion
3. Cost Allocation Plan Discussion



## CITY OF BANNING STAFF REPORT

**TO:** **BUDGET & FINANCE COMMITTEE**

**FROM:** **Douglas Schulze, City Manager**

**PREPARED BY:** **Lincoln Bogard, Administrative Services Director**

**MEETING DATE:** **March 21, 2023**

**SUBJECT:** **Fiscal Year 2021-22 Annual Comprehensive Financial Report**

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### **RECOMMENDATION:**

Receive and file presentation of the final draft of the Fiscal Year 2021-22 Annual Comprehensive Financial Report.

### **BACKGROUND:**

After the conclusion of each fiscal year, an independent auditor (currently CliftonLarsonAllen LLP) reviews the reporting of the City's financial statements in accordance with industry accounting standards. The result is an "Annual Comprehensive Financial Report (ACFR)". It includes financial statements for the City of Banning, the Banning Utility Authority, and the Banning Successor Agency of the Former RDA. It also contains the independent auditor's report, which describes the scope of the audit as well as the auditor's opinion on the financial statements. For this past Fiscal Year 2021-22 ACFR, the City received an "unmodified" opinion. An "unmodified" opinion is only issued when there are no significant reporting issues, the financial statements are free of material misstatements, and information is presented in accordance with Generally Accepted Accounting Principles (GAAP). This opinion indicates that the City's financial condition, position, and operations are fairly presented in the financial statements. This is important to financial statement users and provides comfort to the City's creditors, while enabling the City to obtain better interest rates on any new debt issuances.

City management assumes full responsibility for the completeness and reliability of all the information presented in the ACFR. The City is continuing to establish a comprehensive internal control framework designed to protect the City's assets from loss, theft, or misuse and provide sufficient reliable information that the City of Banning's financial statements are in conformity with GAAP. The cost of internal controls should not outweigh the resulting benefits and internal controls are designed to provide reasonable assurance, not absolute assurance, that the financial statements will be free from material misstatements. City management asserts that, to the best of our knowledge and belief, the financial data provided to the auditor is complete and reliable in all material respects.

**JUSTIFICATION:**

The City received the Certificate of Achievement for Excellence in Financial Reporting issued by the Government Finance Officers Association for its Fiscal Year 2020-21 ACFR and Fiscal Year 2021-22 ACFR.

During the audit, staff provided all requested information to the auditors and the final opinion and financial statement issuance was provided on March 15, 2023. The ACFR is posted below at Attachment 1. The Final Draft of the ACFR was presented to the Budget & Finance Committee on February 21 and that agenda is posted below at Attachment 2.

Staff also identified that the City should have been reporting an Other Post-Employment Benefit liability in prior years. We hired a consultant to prepare the necessary actuarial data to identify whether that liability is material. It did not turn out to be material. The results are included in the final ACFR but did not result in a beginning balance restatement of net position.

Staff successfully implemented new reporting requirements for GASB 87 – Leases, but that was the only GASB requirement due for implementation by the city this year. The “Management Letter” from last year’s ACFR noted three matters for consideration that staff has fully corrected for this fiscal year’s issuance.

**FISCAL IMPACT:**

The cost of the audit was consistent with the approved contract amount will have no impact on the City's Budget.

Implied in all City Council Goals, Objectives, and Work Programs is the fundamental principle that the City will follow the City Council's adopted Fiscal Policy and will exercise the utmost financial discipline and accountability. In accordance with, and pursuant to, Section 37208 of the Government Code, the City Manager is responsible for preparing an audited Comprehensive Financial Report each year.

**ALTERNATIVES:**

1. Receive and file presentation of the Fiscal Year 2021-22 Annual Comprehensive Financial Report.

**ATTACHMENTS:**

1. [Fiscal Year 2021-22 Annual Comprehensive Report](#)
2. [February 21, 2023, Budget & Finance Committee Agenda](#)

Approved by:



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Douglas Schulze  
City Manager



## CITY OF BANNING STAFF REPORT

**TO:** **BUDGET & FINANCE COMMITTEE**

**FROM:** **Douglas Schulze, City Manager**

**PREPARED BY:** **Lincoln Bogard, Administrative Services Director**

**MEETING DATE:** **March 21, 2023**

**SUBJECT:** **Parks & Recreation Grant Funding Restrictions and Eligible Uses**

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### **RECOMMENDATION:**

Receive and file report on Parks & Recreation Grant Funding Restrictions and Eligible Uses.

### **BACKGROUND:**

The Budget & Finance Committee placed a request to give this presentation and it was placed on Items for Future Agendas. Staff has investigated the Community Development Block Grant program and eligible uses and associated restrictions on use. We have also looked at the allocation of funds for the City and the purposes of those allocations.

The Community Development Block Grant (CDBG) Program supports community development activities to build stronger and more resilient communities. To support community development, activities are identified through an ongoing process. Activities may address needs such as infrastructure, economic development projects, public facilities installation, community centers, housing rehabilitation, public services, clearance/acquisition, microenterprise assistance, code enforcement, homeowner assistance, etc.

To meet its statutory intent, CDBG has three (3) specific national objectives. With the exception of administration and planning, every activity must meet one of them, and the grantee must document how it meets that objective.

- The first national objective is benefit to low- and moderate-income persons – that is, people with incomes below 80% of the area median. Grantees must spend at least 70% of their funds under this national objective. Grantees can meet and document the benefit to low- and moderate-income persons national objective – in shorthand “low-mod benefit” – in 4 ways.

- First, grantees can assist a primarily residential area in which at least 51% of the residents have incomes that fall below the low- and moderate-income limits. Referred to as “area benefit” this national objective is most commonly used for activities that benefit a residential neighborhood.
- Second, grantees can meet the low-mod benefit national objective by directly documenting the income of people assisted, or by assisting a population that HUD presumes to be low- or moderate-income, such as elderly persons or people with disabilities. This is common in public service programs, or in facilities like homeless or domestic violence shelters. When using this documentation method, at least 51% of the people served must meet the low-mod benefit criteria.
- You may also meet the low-mod benefit national objective through housing. Generally, every single-family house renovated needs to be occupied by people with low or moderate incomes. Apartment buildings may be of mixed income if a majority of the units are occupied by low- and moderate-income households.
- Finally, many communities meet the low-mod benefit objective by creating or retaining jobs. This means that 51% of the full-time equivalent, permanent jobs created or retained through economic development activities must be held by or made available to people with low or moderate incomes. Furthermore, public benefit standards require that at least one job be created or retained for every \$35,000 in CDBG funds spent in the aggregate.

- The second national objective of the CDBG Program is the prevention and elimination of slums and blight. This objective can be met by either addressing the blighting conditions in an area that meets the state and local definition of a slum, blighted, deteriorated, or deteriorating area and HUD's criteria for a blighted area, or by eliminating an immediate hazard on an individual structure in any location. There is also a demolition program, where we can remove vacant, unsafe structures that are located throughout the community on a slum and blight, spot removal basis.
- The third objective is meeting urgent needs. Often, it is used as a response to a natural disaster. An urgent need is defined as a serious and immediate threat to the health or welfare of the community of recent origin and with no other funding available to remediate it.

To meet these three objectives, there are 26 specific activities that can be undertaken with CDBG funds. Most CDBG activities can be grouped into seven categories: Acquisition; Economic Development; Administration and Planning; Housing; Public Improvements; Public Services; and Repayments of Section 108 Loans. And many CDBG projects combine several of these activity types.

Typically, each year, communities spend about 1/3 of CDBG funds on public facilities and

improvements. This includes facilities like neighborhood centers, health centers, water facilities, and parks, and public infrastructure improvements like roads, sidewalks, drainage, or streetlights. Let's say a grantee is building a senior center. While the primary eligible activity is public facilities, they may also need to acquire property, relocate a former tenant, dispose of the property to a non-profit, or loan funds to a non-profit to purchase the building. So, grantees may use CDBG funds for several eligible activities within one project. While there are several eligible public improvement activities, there are some things CDBG will not pay for. For example, constructing buildings for the general conduct of government, like City Halls, or purchasing furniture. And, while you may build or refurbish a road, you cannot pay for ongoing maintenance or operations.

Housing activities make up one-quarter of CDBG expenditures nationwide. Common housing activities include rehabilitation, emergency repair and reconstruction of owner-occupied homes; homeownership assistance, and lead-based paint hazard removal. Generally, grantees cannot use CDBG funds for new construction of housing. However, there are some exceptions to this rule. For example, grantees can support community-based nonprofits in their efforts to build new homes. So, understanding the details of eligible activities is important.

While recipients are limited by a 15% spending cap, grantees generally spend more than 10% of their CDBG funds on public services. Grantees may use CDBG for public services if they are new or represent an increased level of services. CDBG cannot substitute local funding. Public services range from day care to youth recreation programs and even counseling. Political activities are not eligible, nor are non-emergency payments to individuals for food, clothing, or the like.

Grantees can use CDBG funds to support economic development such as providing loans or grants directly to businesses, or to non-profit programs. In a typical year, grantees spend around 7% of their CDBG funds on economic development. These activities are designed to create and retain jobs and encourage redevelopment. In addition to the usual CDBG national objective and eligible activity requirements, public benefit standards apply to most economic development activities.

Approximately 5% of CDBG funds are used to acquire properties that are part of larger housing, economic development, and public facilities activities. The ability to acquire and redevelop underutilized land and buildings is critical to neighborhood redevelopment and quality of life improvements.

The Section 108 Loan Guarantee Program allows grantees to borrow up to five times their CDBG allocation to undertake large-scale projects. Section 108 loans may be used for certain activities eligible under the regular CDBG program. They are most often used for economic development activities, though housing rehabilitation and other activities are also eligible. Grantees use about 3.5% of their CDBG funds to repay Section 108 loans.

Administration and planning round out the list of CDBG eligible activities. While this activity does not need to meet one of the national objectives, there are other restrictions on spending. Entitlement communities cannot spend more than 20% of grant funds on administration and planning. States may spend up to 3% of grant funds on administration and/or technical assistance and must match any administrative costs over \$100,000. States independently set limits on how much units of general local government can spend on administration.

Remember, all activities must not only be eligible, but, except for administration and planning, also must meet one of the three national objectives. You can think of these rules as two sides of a coin. Every program dollar spent must both meet a national objective and be used for an eligible activity, and this must be clearly documented.

**JUSTIFICATION:**

Only 15% of CDBG funding can be used for public services. That amount of funding could be designated toward City programs such as day care and youth recreation programs. Of note, Public Service projects must meet criteria to provide aid to a widespread population, not a specific group.

The City Council has appropriated the CDBG funding for Fiscal Year 2023-24 as follows:

- Faith in Action will receive \$19,850 for homeless services.
- Voices for Children will receive \$10,000 for advocacy.
- ARE Animal Rescue will receive \$20,000 for shelter improvements.
  - HHPWS denied this appropriation and have been reappropriated to Sylvan Park.
- Sylvan Park Improvement project – multi-year project for park shelter replacement, basketball court rehabilitation, restrooms, and park amenities - \$149,150
  - Now \$169,150 after appropriation of ineligible ARE program.

Each year, the City must appropriate funds and submit to the State and HUD for approval. The process is fairly dynamic and flexible. Changes can sometimes be made to substitute programs. Applications are generally due in October and Council has an Ad hoc committee that evaluates the applications and recommends the authorization of selected projects and allocation levels. The Council then approves projects for submission to the Riverside County Board of Directors for its approval. The review and approval of projects usually occurs the year after applications are made and the City executes supplemental agreements with the County for each year's authorized projects.

The City as a cooperating Agency receives a population-based allocation each year and the Federal Funds are managed by the County. Last year, we anticipated an allocation of just under \$200,000. There are other CDBG funding opportunities but those are outside the annual cooperating city funding.

The selected Fiscal Year 2022-23 projects (last year's approvals for this fiscal year) were:

- The Boy's and Girl's Club of San Gorgonio Pass - \$10,000 for their Teen Leadership program (Public Service)
- Lion's Park Improvement project – Irrigation and fencing - \$104,818
- Sylvan Park Improvement project – multi-year project for Park shelter replacement, basketball court rehabilitation, restrooms, and park amenities - \$80,000

Traditionally, Council has allocated our limited CDBG funds to City park projects. This year more funding has been allocated to the community than in the past several years. Construction projects must be planned for census tracts within the City that meet low-mod income thresholds determined by HUD. The City maintains records for ten years to comply with audit requirements.

**FISCAL IMPACT:**

The CDBG program is the only reoccurring grant that Parks & Recreation currently obtains. The City is constantly on the lookout for additional grant opportunities. Staff recently attended the Federal Funds Fair to learn about new opportunities and Finance maintains communications with our Grant Coordinator, Jennifer Jackson, and the City departments to ensure that we are applying for eligible funding sources.

The City receives about \$200,000 per year in CDBG funding with the majority of funds used for park improvements.

**ALTERNATIVES:**

1. Receive and file report on Parks & Recreation Grant Funding Restrictions and Eligible Uses.

**ATTACHMENTS:**

1. None.

Approved by:



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Douglas Schulze  
City Manager



## CITY OF BANNING STAFF REPORT

**TO:** **BUDGET & FINANCE COMMITTEE**

**FROM:** **Douglas Schulze, City Manager**

**PREPARED BY:** **Lincoln Bogard, Administrative Services Director**

**MEETING DATE:** **March 21, 2023**

**SUBJECT:** **Airport Grant Funding Restrictions and Eligible Uses**

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**RECOMMENDATION:**

Receive and file report on Airport Grant Funding Restrictions and Eligible Uses.

**BACKGROUND:**

The Budget & Finance Committee has requested staff investigate the eligible uses and restrictions for Airport grant funds received. This was previously added to the Items for Future Agendas. Staff has completed its investigation into eligibility of airport hangar improvements under existing grant funding received and alternatives that may allow for that type of grant funding to occur.

The Airport Enterprise Fund receives several Primary Entitlements from the Federal Aviation Administration (FAA) plus additional discretionary and state funding. Currently, the City does not participate in any Non-Primary Entitlement Programs for the Airport.

Hangar Improvements are not an allowable use for Primary Entitlements. Discretionary and/or state funding cannot be used for hangar construction, rehabilitation, or reconstruction of any kind. However, those uses are eligible for Non-Primary Entitlements and/or Bipartisan Infrastructure Law (BIL) assigned to the City.

One point of clarification is that any Non-Primary Entitlements would be required to be repaid in the event of airport closure.

Under the Non-Primary Entitlement rules, airport hangar improvements would qualify based on meeting the following criteria:

- The hangar is owned by the sponsor (City of Banning).
- The hangar produces revenue for the sponsor.
- All other airfield needs at the airport have been met as of grant issuance.
- The hangar is solely for aeronautical use.

- The use/lease of the hangar meets the compliance requirements outlined in [FAA Order 5190.6](#).

Airport Capital Improvement Project (ACIP) funding eligible usage as determined by the FAA can only be used for projects that support aviation operations and cannot be used for projects that generate revenue for the City. The one funding approved that was close to that threshold was the funding provided to install a new fuel station.

The Airport Improvement Program (AIP) does have a local matching requirement. The FAA ACIP funding pays 90% of eligible and approved projects. Historically, it was 95%. AIP Matching is used to cover the difference. The California State AIP Matching Rate is 5.0 percent of the federal grant. Once we execute an FAA AIP Grant, the City applies to the State for an AIP matching grant. Grants are processed in the order received and awarded until all funds are fully exhausted. The City has historically taken advantage of this to cover the local match requirement. With the new thresholds, the local match will only be 50% funded at a maximum by the AIP Matching Grant.

### **JUSTIFICATION:**

Attachment 1 shows the Primary Entitlements that the City has received since Fiscal Year 2002-2003 through Fiscal Year 2021-22. As the descriptions note, these are all projects that support aviation operations and do not generate direct revenue for the City.

Attachment 2 shows the Aeronautics Grants received per PUC 21687 for Fiscal Years 2002-03 through 2022-23. The funds have historically been dedicated to cover City Staff time at the3 airport. The AIP projects associated with the time is included at the initiation of those projects. Many projects are multi-year in nature.

### **FISCAL IMPACT:**

The City could apply for Non-Primary Entitlement funding for the airport hangar improvements that Budget & Finance Committee members have inquired. However, according to Attachment 3 – Resolution 2017-44, it is a Council priority to close the airport as soon as legally permitted. As stated, any Non-Primary Entitlements would then transition from grant funding to a payment obligation for the City. Council has been actively working toward the stated objective of Resolution 2017-44 and many recent closed session agendas have included negotiations for the subject airport property.

Council has the choice to direct management regarding the airport closure and desires for seeking additional funding including funding that may be required to be repaid in the future.

### **ALTERNATIVES:**

1. Receive and file report on Airport Grant Funding Restrictions and Eligible Uses.

**ATTACHMENTS:**

1. [Municipal Airport – FAA Grant Awards and Amortization Schedule](#)
2. [Department of Transportation – Aeronautics Program – Repayment Estimate of Aeronautics Grants \(PUC 21687\)](#)
3. [Resolution 2017-44 – RESOLUTION OF THE CITY COUNCIL OF THE CITY OF BANNING, CALIFORNIA, DECLARING THAT IT SHALL BE A GOAL OF THE CITY OF BANNING TO CLOSE THE BANNING MUNICIPAL AIRPORT, AS SOON AS LEGALLY PERMITTED](#)

Approved by:



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Douglas Schulze  
City Manager