

CDBG WEBCAST

HUD, OFFICE OF BLOCK GRANT ASSISTANCE





MODULE 3:
*Administration/Planning,
Financial Management,
Including Program Income*

WELCOME



- ❑ Training Presented by HUD, Office of Community Planning and Development, Office of Block Grant Assistance (OBGA)
 - ◆ Richard Kennedy, Director, OBGA
 - ◆ Stan Gimont, Deputy Director, OBGA
 - ◆ Steve Johnson, Director of Entitlement Programs
 - ◆ Diane Lobasso, Director of State Programs
 - ◆ Paul Webster, Director of Financial Management Division

CDBG TRAINING SERIES



- ❑ Eight modules in series:
 - ◆ Module 1: Welcome, CDBG Statutory/Regulatory Context, National Objectives
 - ◆ Module 2: State CDBG Program
 - ◆ **Module 3: Administration/Planning, Financial Management, Including Program Income**
 - ◆ Module 4: Housing and Other Real Property Activities
 - ◆ Module 5: Public Facilities And Public Services
 - ◆ Module 6: Economic Development, Including Public Benefit
 - ◆ Module 7: Section 108
 - ◆ Module 8: IDIS, Performance Measurement, Reporting
- ❑ Training presented by OBGA staff
- ❑ Available on HUD's website at:
<http://www.hud.gov/offices/cpd/communitydevelopment/programs/index.cfm>

MODULE 3 TOPICS AND TRAINERS



□ Topics:

- ◆ Consolidated Plan
- ◆ Methods of administering programs
- ◆ Agreements
- ◆ Administrative and planning costs
- ◆ Program income
- ◆ OMB circulars

□ Trainers:

- ◆ Dick Kennedy
- ◆ Stan Gimont
- ◆ Paul Webster

THE CONSOLIDATED PLAN



- ❑ Helps determine activities and organizations to fund
 - ◆ All CDBG activities must be included in Con Plan
- ❑ Includes narrative, tables, certifications
 - ◆ No specific format required
 - ◆ HUD provides sample tables
- ❑ Components:
 - ◆ 3 to 5 year strategic plan
 - ◆ One-year action plan

CDBG TIMELINESS RULES - ENTITLEMENTS



- ❑ Cannot have more than 1.5 times current program year grant in line of credit (24 CFR 570.902(a))
- ❑ Calculated 60 days prior to end of current program year

CDBG TIMELINESS FOR STATES



- ❑ State program calculates timeliness based on distribution to UGLG (except for Hawaii and insular grantees who use a 2.0 standard)
 - ◆ Goal for states is 95% of funds obligated to UGLGs within 12 months of executed grant agreement with HUD
 - ◆ All funds should be obligated to UGLGs within 15 months of grant agreement, including recaptured and PI

WHO WILL MANAGE & IMPLEMENT ACTIVITIES?



- ❑ Grantees have options:
 - ◆ Grantee staff
 - ◆ Units of General Local Government
 - ◆ Subrecipients
 - ◆ Community Based Development Organizations (CBDOs)
 - ◆ Community Development Finance Institutions (CDFIs)
 - ◆ Contractors

SUBRECIPIENT DEFINED



- ❑ Public or private nonprofit organization/ agency receiving CDBG funds from grantee for eligible activities
 - ◆ A for-profit agency assisting microenterprises may be a subrecipient
 - ◆ Institutions of higher learning may be subrecipients
- ❑ Who is not a subrecipient?
 - ◆ CBDOs not automatically subrecipients
 - ◆ Procured contractors are not subrecipients
 - ◆ Beneficiaries of assistance
 - ◆ Owners of rental housing seeking rehab assistance

SUBRECIPIENT AGREEMENTS



- ❑ A written agreement **MUST** be executed before funds disbursed
- ❑ Minimal required elements:
 - ◆ Statement of work
 - ◆ Records and reports
 - ◆ Program income
 - ◆ Uniform administrative & other federal requirements
 - ◆ Suspension/termination & reversion of assets
 - ◆ Conditions for religious organizations

COMMUNITY BASED DEVELOPMENT ORGANIZATIONS (CBDOS)



- ❑ Reg cite §570.204 (not applicable for states)
- ❑ CBDOs carry out certain projects:
 - ◆ Neighborhood revitalization
 - ◆ Community economic development
 - ◆ Energy conservation
- ❑ All activities they undertake *must* fall into one of these three areas

CBDO REQUIREMENTS



- ❑ State programs follow statute and have more flexible definition
 - ◆ Known as “organizations meeting the development needs in non-entitlement areas under 105(a)(15) of statute”
- ❑ Under entitlement program, CBDO organization must:
 - ◆ Be organized under state/local law for specific community development activities
 - ◆ Operate in specific geographic area within grantee’s jurisdiction
 - ◆ Have as its primary focus the improvement of economic/physical/social aspect of service area, particularly for low/mod persons
 - ◆ Have a governing body of at least 51% low/mod reps

CONTRACTORS



- ❑ Different than CBDO or subrecipient
- ❑ Must be competitively procured under Part 85
 - ◆ Some states use part 85 & some states use own procurement rules
- ❑ Use when activity:
 - ◆ Is discrete
 - ◆ Has a defined beginning and end date
 - ◆ Is for a specific project

GENERAL ADMIN VS. ACTIVITY DELIVERY



- ❑ Cost of carrying out activity = activity delivery cost
- ❑ Otherwise = general administration
- ❑ General administration is capped

ADMINISTRATIVE CAP



- ❑ Obligations for planning and administration may not exceed:
 - ◆ 20% of annual entitlement grant PLUS
 - ◆ Current year program income
- ❑ Cap is imposed through annual appropriations legislation
- ❑ Note: this cap is calculated differently for states (refer to that webcast)

GENERAL ADMIN AND PLANNING COSTS



- ❑ General management, oversight and coordination
- ❑ Two options for charging salaries:
 - ◆ entire amount
 - ◆ pro rata
- ❑ Direct v. indirect
- ❑ Must maintain supporting documentation by timesheets or indirect cost allocation plan

ADMINISTRATIVE AND PLANNING COSTS (cont)



- ❑ Other eligible admin/planning functions include:
 - ◆ Public information
 - ◆ Fair Housing
 - ◆ Preparation of Consolidated Plan
 - ◆ Submission of applications for Federal programs
 - ◆ Admin expenses to facilitate housing
 - ◆ Overall program management of:
 - EZ/EC
 - HOME program
 - ◆ Planning, policy, studies

PROGRAM INCOME



- ❑ Amounts received by a grantee or subgrantee that are directly generated by use of CDBG
- ❑ Examples
 - ◆ Proceeds from sale or lease of property purchased/improved with CDBG
 - ◆ Proceeds from lease of equipment purchased with CDBG
 - ◆ Gross income from use/rental of real or personal property acquired, constructed, improved (less costs incidental to generation of income)

PROGRAM INCOME

(cont)



- ❑ Examples (cont)
 - ◆ Payments of principal & interest on CDBG loans
 - ◆ Proceeds from the sale of loans or obligations secured by loans made with CDBG
 - ◆ Interest earned on program income pending its disposition
 - ◆ Funds collected through special assessments on properties not owned/occupied by LMI persons

PROGRAM INCOME (cont)



- ❑ What it isn't?
 - ◆ Income in a single year not exceeding \$25,000
 - ◆ Income generated by some Section 108 activities
 - ◆ Proceeds of subrecipient fundraising
 - ◆ Funds collected through special assessment
 - ◆ Real property disposition proceeds after closeout
- ❑ Jointly funded activities

USE OF PROGRAM INCOME



- ❑ CDBG program income subject to CDBG rules
- ❑ Program income:
 - ◆ Must be used for immediate cash needs prior to drawing down additional funds from CDBG line of credit
 - ◆ Cannot be held for specific projects

REMITTANCE OF PROGRAM INCOME



- ❑ Calculated at end of program year
- ❑ Process:
 1. Determine program income held by grantee and subrecipients
 2. Subtract immediate cash needs, balances, cash used as security for Section 108
 3. Anything in excess of one-twelfth of recent entitlement must be remitted to line of credit
- ❑ Remittance rules do not apply for states

REVOLVING FUNDS



- ❑ Separate fund for a specific activity that generates payment to the account for the same activity
- ❑ Must be in an interest bearing account
 - ◆ Interest on fund remitted to HUD
 - ◆ Interest paid by borrowers is program income

PRE-AWARD COST RULES



- ❑ Costs incurred prior to effective date of grant agreement
 - ◆ Grant agreement effective date is latter of:
 - Program year start date, OR
 - Date Con Plan received by HUD
- ❑ Activity must meet applicable rules & requirements and must be in Action Plan
- ❑ Total must not exceed \$300,000 or 25% of grant amount, whichever is greater
- ❑ Pre-award rules for states are at the UGLG level

FLOAT-FUNDED ACTIVITIES



- ❑ Allows use of obligated funds for alternate projects
- ❑ Assumption that:
 - ◆ Funds repaid
 - ◆ Original activity will proceed
 - ◆ Program income will be received within 2.5 years
- ❑ All CDBG requirements apply & must be included in Action Plan
- ❑ If states want to permit float-funded activities, describe in method of distribution

UNIFORM ADMINISTRATIVE REQUIREMENTS



- ❑ CDBG recipients must comply with federal admin guidelines & financial management requirements:
 - ◆ Governmental entities/public agencies
 - ✓ 24 CFR Part 85 (except states, which may adopt their own standard)
 - ✓ OMB Circular A-87
 - ◆ Nonprofit subrecipients
 - ✓ 24 CFR Part 84 (not applicable in state programs if part 85 is not used)
 - ✓ OMB Circular A-122
 - ◆ Educational institutions

AUDIT REQUIREMENTS



- ❑ OMB Circular A-133
- ❑ Applies to non-Federal entities
- ❑ Expenditures threshold for single audit
- \$500,000
- ❑ Program specific audits
- ❑ Responsibilities of pass-through entities