

Ventura County Entitlement Area Program Income Reuse - Policy and Procedures

The County, as the direct recipient of CDBG funds from the U.S Department of Housing and Urban Development, is required to track and report all program income generated from the use of CDBG funds. Below are the policies relating to this as administered by the County in compliance with 24 CFR Part 570.

1. HUD's Definition of Program Income

For CDBG, HUD defines program income as the "gross income received by the recipient or a subrecipient directly generated from the use of CDBG funds." This includes but is not limited to:

- (a) Proceeds from the sale or long-term lease of real property purchased or improved with CDBG funds
- (b) Proceeds from the sale or lease of equipment purchased with CDBG funds
- (c) Gross income from the use or rental of real or personal property acquired with CDBG funds less costs incidental to the generation of income
- (d) Gross income from the use or rental of real or personal property, owned by the recipient or subrecipient, constructed or improved with CDBG funds, less costs incidental to the generation of income.

2. Common Types of Program Income Generated by County-funded Activities

- (a) Program Income for Public Facilities. Public facilities that are acquired, constructed, rehabbed or otherwise improved with CDBG funds are subject to this requirement. This includes parks, libraries, community centers and any other facility whose primary purpose is a public one. For these facilities, program income is the income generated by the use of the facility, less the operating costs associated with generating the income. The County considers utilities, maintenance and general facility maintenance to be operating costs that should be subtracted from revenue to determine program income. For each funded project, subrecipients must submit for the County's approval a list of proposed costs "incidental to the generation of the program income." Actual costs must be reasonable and in compliance with 2 CFR 200.

Public Facility Example

Facility Revenue			
	- Rental fees	\$1300.00	
	- Service fees	\$375.00	
		\$1675.00	Total Revenue
Facility Operating Costs			
	- Utilities	\$475	
	- Insurance	\$110	
	- Maintenance	\$510	
	- Phone	\$50	
	- Supplies	\$325	
		\$1470.00	Total Costs
		\$205.00	Program Income

- (b) Program Income from Rental Housing. Rental housing that is acquired, rehabbed or otherwise improved with CDBG funds is subject to this requirement. For rental housing, program income is the income generated by the housing (usually rent), less the operating costs associated with generating the income. The County considers utilities, maintenance and property management to be operating costs that should be subtracted from revenue to determine program income. For each funded project, subrecipients must submit for the County's approval a list of proposed costs "incidental to the generation of the program income" for each project. Actual costs must be reasonable and in compliance with 2 CFR 200.

Rental Housing Example

Housing Revenue			
	- Rent	\$24,000.00	
	- Service fees (late fees, etc)	\$1500.00	
		\$25,500.00	Total Revenue
Facility Operating Costs			
	- Utilities	\$18,000	
	- Insurance	\$1100	
	- Maintenance	\$3600	
	- Property Management (6%)	\$1530	
	- Supplies	\$1225	
		\$24,455.00	Total Costs
		\$45.00	Program Income

- (c) Program Income from other Sources. There are other types of program income that may be generated by the use of CDBG funds, including loan repayments, use fees and other types as defined in 24 CFR 507.500. Subrecipients should consult with the County if there is a question related to whether or not revenue generated would be considered program income for purposes of CDBG.

3. Pro-ration of Program Income

Many projects are funded from a variety of sources, only one of which may be CDBG. In circumstances where a project is funded from more than one source, the amount of revenue considered to be program income would be pro-rated based on the amount of the CDBG contribution. For this purpose, a project is defined as the project presented in the application for funds. The pro-ration will be determined at close-out, based on actual costs and expenditures.

For example, funds may be requested for a rehab of a public facility. The overall cost of the project as presented in the application is \$1 million, and \$80,000 is requested towards that

total, resulting in an estimated pro-ration of 8%. At close-out, the final project cost (due to scope changes) is \$500,000, of which \$80,000 is CDBG. The pro-ration for purposes of program income for this project would be 16%.

Total Project Cost (Actual)	\$500,000	
CDBG Contribution (Actual)	\$ 80,000	
		16% CDBG Pro-Ration
Program Income from Public Facility Example	\$205.00	
		16% CDBG Pro-Ration
CDBG Program Income to be Remitted	\$32.80	

4. Term of Program Income

Each project has a defined term of use in the written agreement / contract governing the expenditure of CDBG funds. Program income is required to be reported and returned until the end of this period.

5. Re-use of Program Income

Program income returned by a subrecipient is attributed to that subrecipient by the County. As a result, these funds are available for reuse by that subrecipient, subject to the CDBG and County requirements.

6. Revolving Loan Funds

Funds retained by a subrecipient in a revolving loan fund for a specific CDBG eligible activity may be retained in that fund until such time as there are sufficient funds to fund the activity. Revolving loan funds must be approved by the County, and must still report on the income received and utilized through the fund.

7. Reporting and Remittance of Program Income

(a) Reporting. Subrecipients must provide the County with a monthly report on the:

- i. Amount of program income taken in;
- ii. Activity it was generated from;
- iii. Amount of program income expended; and
- iv. Activity it was expended on.

(b) Remittance. Funds must be returned on quarterly basis, on January 10, April 10, July 10 and October 10. Funds should be returned to the County in the form of a check, with an accompanying summary of the sources, including interest. Alternatively, if agreed upon in writing with the County, the subrecipient may be allowed to retain and expend program income on a current County-funded CDBG activity.