



## Program Income Policies and Procedures

### Section 1: Introduction:

These policies and procedures define program income and provide direction for City of Minot funds use. Program income shall support disaster recovery activities and serve the needs of citizens. These policies and procedures are derived from federal guidance.

### Section 2: Responsibility

Program income will be tracked and administered by the Finance Department.

### Section 3: Program Income Defined

1. Program income is gross income earned by the City of Minot, generated by a grant-supported activity or earned as a result of the grant. Exceptions are noted below. The primary source are 2011 Souris Valley flood-related actions, i.e. HUD CDBG-DR funds.
2. When program income is generated by an activity partially assisted with grant funds, the income must be prorated to reflect the percentage of grant funds used.
3. Program income includes, but is not limited to:
  - a. Proceeds from disposition by sale or long-term lease of real property purchased or improved with CDBG funds.
  - b. Proceeds from disposition of equipment purchased with CDBG funds.
  - c. Gross income from use or rental of real/personal property acquired by the City or subrecipient with CDBG funds, less incidental costs for income generation.
  - d. Net income from use or rental of real property owned by the City or subrecipient, constructed or improved with CDBG funds.
  - e. Payments of principal and interest on loans made using CDBG funds.
  - f. Proceeds from sale of loans/obligations secured by loans, made with grant funds.
  - g. Revolving funds are separate (with independent set of accounts) and established to carry out specific activities. Payments are used to support similar activities and are considered program income, so must follow existing draw-down rules.
  - h. Interest earned on program income pending its disposition, but excluding interest earned on funds held in a revolving fund account;
  - i. Funds collected through special assessments on properties owned and occupied by **non**-low to moderate income (LMI) households, if the special assessments are used to recover all or part of the CDBG-DR portion of a public improvement;
  - j. Gross income received by the City from the ownership interest in a for-profit entity acquired in return for the provision of CDBG-DR assistance.
  - k. Rebates, refunds, contract settlements, and audit recoveries of program income
4. Program income does **not** include:
  - a. Income received in a single program year by the City of Minot and all its subrecipients) if the total amount does not exceed \$25,000 for funds utilized from the CDBG-DR award authorized under PL 112-55 or CDBG-NDR; and \$35,000 for funds utilized from the CDBG-DR award authorized under PL 113-2 (except all funds received from revolving loan funds, regardless of amount).

- b. Amounts generated by activities eligible under section 105(a)(15) of the Housing and Community Development Act (HCDA) and carried out under that authority. Assistance to neighborhood-based nonprofits, local development corporations, and nonprofits carrying out neighborhood revitalization, community economic development, or energy conservation projects.
- c. Payments of principal and interest made by a subgrantee carrying out a CDBG-DR activity for a unit of general local government, toward a loan from the City to the subgrantee, to the extent that program income received by the subgrantee is used for such payments.
- d. Interest classes which must be remitted to HUD and may not be reallocated
  - i. Interest income from loans/assistance provided through CDBG-DR on activities deemed ineligible by HUD, fail to meet a national objective, or fail to substantially meet other HCDA requirements.
  - ii. Interest income received on grant funds before disbursement; exception: payments up to \$500 used for CDBG-eligible administrative expenses.
- e. Proceeds from real property sale purchased/improved with CDBG funds, if received 5 or more years *after* grant agreement expiration date.

## **Section 4: Retention**

The city may allow subrecipients to retain program income. However, the required written agreement between the city and subrecipient shall include a provision stating “If the subrecipient generates program income, the program income will be deducted from the next payment request submitted with all documentation necessary for the City of Minot to record and report as program income. If at closeout the subrecipient has remaining program income, it will be remitted immediately to the City of Minot for further required processing.”

## **Section 5: Accountability Requirements:**

Accountability refers to whether an awarding agency will specify how the income is to be used and whether the income needs to be reported, and for what length of time. Awarding agency requirements and standards may vary regarding program income. These standards are relative to any program earned income through Federal grant funds use.

The City will adhere to requirements in 24 CFR 570.504, specifically those listed below:

1. The receipt and expenditure of program income as defined in 24 CFR 570.500(a) shall be recorded as part of the financial transactions of the grant program. When program income is received it will be deposited in a separate funds which for the CDBG-DR program is 277 (279 and 280) -0000-369-03-33. 24 CFR 570.504(a).
2. Program income received before or after grant (that generated the funds) closeout, and used for disaster activities, is treated as additional CDBG funds subject to all applicable requirements and in accordance with grant Action Plan. Income earned shall be used for eligible activity needs prior to drawing down additional funds from awarding agencies. 24 CFR 570-504(b)
3. Program income earned and expended must be reported to the correct activity in the Disaster Recovery Grant Reporting (DRGR) system and documentation maintained in the project file.
4. Action Plan amendments shall be completed if required based on program income.

5. Program income that is not used for disaster recovery is not eligible for waivers.
6. If at the end of the program year, if any program income cash balances or any investment thereof remain (except immediate cash needs, cash balances of a revolving loan fund, cash balances from a lump-sum drawdown, or cash or investments held for section 108 loan guarantee security needs), exceeding one-twelfth of the most recent grant made pursuant to § 570.304, shall be remitted to HUD as soon as practicable, to be placed in the recipient's line of credit. This applies to program income cash balances and investments held by the City and its subrecipients. CFR 24 570.504(b)(2)(iii).
7. Program income on hand at the time of closeout shall continue to be subject to the eligibility requirements of the awarding agency until expended.
8. If no ongoing grant received directly from HUD exists at the time of closeout, income received after closeout from the disposition of real property or from loans outstanding at the time of closeout shall not be governed by the provisions of this policy, except such income shall be used for activities meeting one of the national objectives in 24 CFR 570.901 and eligibility requirements described in section 105 of the Fair Housing Act.
  - a. Benefiting low-and moderate-income persons
  - b. Preventing or eliminating blight
  - c. Meeting other community development needs having a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community, and other financial resources are not available to meet such needs.

## Section 6: Approval and Revision Tracking

Policy and Procedure Name	Program Income Policies and Procedures	Original Approval Date	6/27/2013
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Complete the below for each revision:				
No.	Brief Description of Revision	Date sent for Approval	Signature of Person Approving	Date Approved
	Original	6/27/2013		
1	Updated for revisions to 570.504 and amount of interest the City may retain for administrative expense; and subrecipient program income.	3/3/16		