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Community Development Block Grant Policies & Procedures

COUNTY OF MONTEREY
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COUNTY OF MONTEREY
CDBG PUBLIC SERVICES PROGRAM MANUAL

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INTRODUCTION

The guidelines set forth in this Policies and Procedures Manual specify some of the most significant rules and regulations to be followed by agencies receiving public services/facilities funding through the Monterey County Housing and Community Development funded by Community Development Block Grant (CDBG) Program. They are intended to facilitate uniform administration and accounting of funds and services.

CDBG is administered by the U.S. Department of Housing and Urban Development (HUD) and is authorized under Title 1 of the Housing and Community Development Act of 1974 (HCDA), as amended. HUD is responsible for monitoring participating jurisdictions to ensure compliance with CDBG program requirements. The regulations implementing the CDBG Program are found in the Code of Federal Regulation: 24 CFR Part 570. The purpose of the CDBG program is to enhance and maintain viable urban communities through the provision of decent affordable housing, a suitable living environment, and the expansion of economic opportunities for low – moderate income persons and households.

The County of Monterey receives an annual CDBG allocation directly from HUD and an Urban County. The County does not meet the population or percentage of low-moderate income persons in the unincorporated areas to qualify for designation as an Urban County. To reach the required thresholds the County must partner with cities. During the current three-year Urban County qualification period, the Urban County includes the unincorporated areas of the County and the cities of Del Rey Oaks, Gonzales, Greenfield, and Sand City.

COUNTY STAFF AND URBAN COUNTY COMMITTEE RESPONSIBLITIES

Housing and Community Development Department Staff:

It is the responsibility of the Department staff to monitor the programs' activities and report on contract compliance to the Urban County Standing Committee and to County Council. It is also the responsibility of Department staff to review and process reimbursement requests and to communicate applicable policies and regulations to programs.

A Department staff liaison will be assigned to each program. The staff liaison will handle all contract related matters for the funded program, including contract execution, performance reporting, monitoring, reimbursement of eligible expenses, and technical assistance. All contract-related matters will be channeled through the staff liaison. Technical assistance is available to programs upon request. The response to a request for technical assistance will consider the availability of Department staff and staff members' expertise in the area of concern.

Urban County Standing Committee

The Urban County Standing Committee (UCSC) is an advisory body to the County of Monterey Board of Supervisors which encourages a planned and orderly approach to the development of community services in the County. It is the primary way that community input and comments are collected for Council's review prior to allocating funds. The Urban County Standing Committee reviews, evaluates, and makes recommendations to the County on proposals submitted by agencies seeking funding for County sponsored affordable housing, infrastructure, public projects, and endorse city projects. Public meetings

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of the UCSC are held as needed and is composed of two members of the Board of Supervisors on a rotating basis. The Department provides staff support to the Urban County Standing Committee. All agencies on the Urban County NOFA distribution list receive an electronic copy of each meeting agenda prior to each meeting.

CDBG PROGRAM MANAGEMENT

The County of Monterey Housing and Community Development Department is the lead agency for administration of the CBDG program. Program management includes development of the Consolidated Plan, preparation of the Action Plan, CAPER, and other required reporting as summarized below. The County will at times, utilize the services of a specialized consultant to assist the County in carrying out the activities during each program year.

The County is required to complete an array of plans and reports for the use of CDBG funds. The following summarizes the mandatory plans.

CONSOLIDATED PLAN

A Consolidated Plan is a five-year plan required to receive federal CDBG funding and serves as an agency's application for funds. CDBG Program funding is provided to local jurisdictions for various affordable housing and community development needs. These needs are identified during the Consolidated Plan process. The Consolidated Plan identifies the community development and housing needs of the County, especially for its low-moderate income residents, and the strategies and resources to meet the identified needs. Several stakeholder and public meetings are held during 9th Consolidated Planning process to garner public participation regarding the needs of the community and prioritization of funds. The Consolidated Plan is published for a 30-day public review and comment period. Following the public review period, the Consolidated is presented to the County Council for consideration and approval. The approved Consolidated Plan must be submitted to HUD at least 45 days before the start of the fiscal year.

For example: The Urban County 2020-2024 Consolidated Plan identified the following priority needs that CDBG funds would be used to address.

- Affordable housing - including housing for a variety of special needs populations and retention of affordable units.
- Homeless Services and Homeless Prevention
- Infrastructure improvements, especially projects that address compliance with the Americans with Disabilities Act (ADA), public safety, and infrastructure that supports affordable housing.
- Public Facilities - including projects to make public facilities ADA compliant.
- Public Services – especially those focused on youth, health, and seniors, and fair housing.
- Planning and Administration

ANNUAL ACTION PLAN

Following approval of the annual CDBG budget and funding allocations by the County Council, Housing and Community Development staff prepares the Annual Action Plan. The Action Plan includes goals, objectives and performance measures for all CDBG-funded projects and activities. The Action Plan is published for a 30-day public review and comment period. Following the public review period, the Action Plan is presented to the County Council for consideration and approval. Following County Council approval, the Action Plan is submitted to HUD at least 45 days prior to the beginning of the program year.

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CONSOLIDATED ANNUAL PERFORMANCE REPORT (CAPER)

Community Development staff prepare a CAPER using the provide HUD template annually. The CAPER provides clear and correct financial and beneficiary information showing how the County is carrying out its housing and community development strategies, activities, and projects. The draft CAPER is made available for a 30-day public review and comment period at the end of each program year, followed by a County Council Public Meeting. The County submits the final CAPER to HUD, no later than ninety days following the close of the program year.

CITIZEN PARTICIPATION PLAN

As an entitlement community, the County of Monterey must comply with 24 CFR Part 91.105 regarding public participation. The County Council approved an updated Citizen Participation Plan for the CDBG program on May 19, 2020. The purpose of the Plan is to describe how the County engages the public to become involved in the Consolidated Planning process and use of federal funds. The Citizen Participation Plan for the CDBG program is available for review at the County's Housing and Community Development Department located at 1441 Schilling Place, South, 2nd Floor, Salinas, CA 93901 during normal business hours, Monday – Friday 8:00am – 4:00pm.

FAIR HOUSING (ANALYSIS OF IMPEDIMENTS TO FAIR HOUSING CHOICE)

HUD requires that cities and states receiving block grant funding take actions to affirmatively further fair housing choice. Cities report on such activities by completing an Analysis of Impediments to Fair Housing Choice (AI) every three to five years. In general, the AI is a review of impediments to fair housing choice in the public and private sector. The County of Monterey updated its AI with the 2020-2024 Consolidated Plan process.

CDBG FUNDING LIMITATIONS

HUD allows a maximum of 20% of the CDBG award to be used towards general program administration and planning. A maximum of 15% of the County's total allocation may be used for Public Services activities. The remaining 65% is used for other improvements vital to a community development such as economic development, housing, code enforcement, ADA concrete improvements, recreational facilities, street improvements, water main improvements, sewer line improvements, parks, and playgrounds. For example: As part of the 2020-2024 Consolidated Plan, the Urban County anticipated allocating available CDBG funds to activities proposed by partner cities, public services & general administration shown in Table 1.

Table 1
2020-2024 Consolidated Plan
Planned Funding Allocation

	FY20-21	FY21-22	FY22-23	FY23-24	FY24-25	Total Available Funding	Share of Funding
Del Rey Oaks					$50,000	$50,000	1%
Gonzales			$405,000	$405,000		$810,000	12%
Greenfield			$497,229	$477,229	$425,542	$1,400,000	20%
Sand City						$0	0%

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County Projects	$902,229	$902,229		$20,000	$426,687	$2,251,145	32%
Public Services	$208,207	$208,207	$208,207	$208,207	$208,207	$1,041,035	15%
Administration	$277,608	$277,608	$277,608	$277,608	$277,608	$1,388,040	20%
Total Annual Funding	$1,388,044	$1,388,044	$1,388,044	$1,388,044	$1,388,044	$6,940,220	

The amounts in Table 1 were based on the Urban County's 2019 CDBG award and funding will be adjusted based on the actual CDBG awards. Sand City was awarded funding from the 2020-24 period during the 2013-19 Consolidated Plan period.

CDBG PRIMARY OBJECTIVES

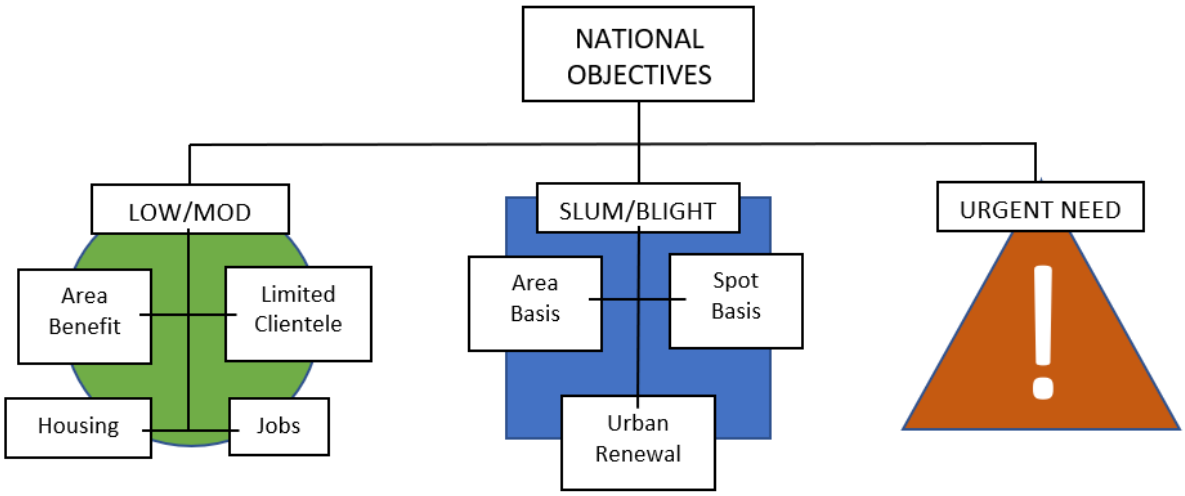
The primary objective of the CDBG program is the development of viable urban communities through the provision of decent housing, a suitable living environment and expanded economic opportunities principally for persons of low-moderate income, defined as a person residing in a household with income at or below 80% of area median income. This is achieved by providing the following, principally for persons of low and moderate income.

1. Decent housing **2. A suitable living environment** **3. Expanded economic opportunities**

NATIONAL OBJECTIVES

To be eligible for CDBG funding each activity must meet one of HUD's three National Objectives. The National objectives are:

1. **National Objective #1** - Benefit low- and moderate-income individuals.
2. **National Objective #2** - Aid in the prevention or elimination of slum and blight.
3. **National Objective #3** - 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.



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NATIONAL OBJECTIVE #1 – BENEFIT TO LOW AND MOD INCOME INDIVDUALS

The Benefit to Low- and Moderate-Income Individual (also known as Low/Mod or LMI) is referred to as the "primary" National Objective because Federal regulations require that 70% of CDBG funds meet this National Objective. The definition of a low- or moderate-income person or household is having an income equal to or less than the Section 8 lower income limits established by HUD. The Urban County uses the current income limits published by HUD at https://www.huduser.gov/portal/datasets/il.html#2022_query. The 2022 HUD income limits for County of Monterey are listed in Table 2:

Table 2
2022 CDBG Income Limits

Household Number	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**
Extremely Low Income 30%	23,900	27,300	30,700	34,100	36,850	39,600	42,300	45,050
Very Low Income 50%	39,800	45,500	51,200	56,850	61,400	65,950	70,500	75,050
Low Income 60%	47,760	54,600	61,440	68,220	73,680	79,140	84,600	90,060
Moderate Income 80%	63,700	72,800	81,900	91,000	98,300	105,600	112,850	120,150

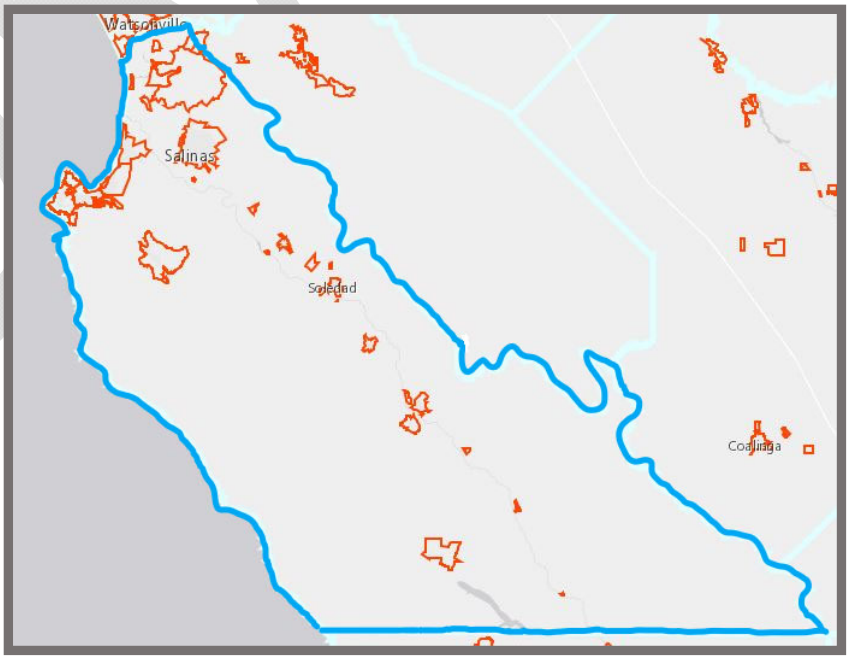
The Low-Moderate National Objective contains four subcategories:

1. Low-Mod Area (LMA)
2. Limited Clientele (LMC)
3. Low-Mod Housing (LMH)
4. Low-Mod Job Creation and Retention (LMJ)

1. Low-Mod Area (LMA)

HUD is currently using the 2011-2015 American Community Service data to define low-moderate income areas. Information on the HUD Low- and Moderate-Income Summary Data can be found at https://www.hudexchange.info/programs/acs-low-mod-summary-data/. The Urban County County's CDBG eligible low-mod boundaries are shown in the map on the following page. The Urban County will use the most current data available through the HUD website.

An area benefit activity serves geographic areas where at least 51% of the households are low and moderate income and primarily residential. To meet this criterion, 51% of household incomes must be equal to or less than 80% of the County median income. Typical activities of LMA are construction, graffiti abatement, community facilities, construction of a health clinic, development of a community center, and street, water, and sewer line improvements.



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2. Limited Clientele (LMC)

Low-Mod Income Limited Clientele (LMC) is an activity which provides benefits to a specific group of persons. At least 51% of the beneficiaries of the activity must be Low-Mod income persons. To qualify under LMC, a client must meet one of the following tests:

- **Test 1 – Limited Clientele Based on Presumed Benefit**
  Clients who are generally *presumed* by HUD to be principally LMI persons.
  Examples: Senior Meals on Wheels Program or Adult Literacy Program.
  Clients *presumed* by HUD to be LMI include:
  - Abused children
  - Elderly persons
  - Battered spouses
  - Homeless persons
  - Illiterate adults
  - Persons living with AIDS
  - Migrant farm workers
  - Severely disabled persons *defined below*:
    - Use of a wheelchair or another special aid for 6 months or longer
    - Unable to perform one or more functional activities: Seeing, hearing, having one's speech understood, lifting, and carrying, walking up a flight of stairs and walking.
    - Prevented from working at a job or doing housework
    - Autism, cerebral palsy, Alzheimer's disease, senility, dementia, or mental retardation
    - Under 65 years of age and covered by Medicare or receive SSI

Records to be maintained for *presumed* benefit:
Subrecipients must collect and retain documentation showing that the activity is designed to be used exclusively by one of these presumed low-income groups. Example: senior service program should retain a copy of a photo I.D. or birth certificate showing each beneficiary is at least 62 years of age.

- **Test 2 – Limited Clientele Based on Family Size and Income**
  Requires family size information and income from every client 18 and over in a household to prove that clients are persons whose family income does not exceed the low – moderate income limit.

Records to be maintained for *Family Size and Income*:
Subrecipients must collect and retain documentation showing the household size and household annual income of each person receiving the benefit. Examples of income documentation include paystubs, tax returns, social security, unemployment, etc. Additional detailed information on Limited Clientele eligibility can be found under Determining Eligibility on page 14.

3. Low-Mod Housing Activities (LMH)

The housing category of LMI benefit National Objective qualifies activities that are undertaken for the purpose of providing or improving permanent residential structures which, upon completion will be occupied by LMI households. To meet the housing LMI National Objective LMH, structures with one

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unit must be occupied by a LMI household. If the structure has two units, half the households must be LMI. Structure with three or more units must have at least 51% occupied by LMI households and documentation must be maintained to meet the definition of LMI.

4. Low-Mod Job Creation and Retention (LMJ)

Low-Moderate Job Creation and Retention activities must create or retain jobs that will principally be available to LMI persons. Documentation must be maintained that demonstrates the minimum number of jobs were created or maintained based on the size of CDBG investment and that 51% of those jobs are available to low- and moderate-income persons. Examples include loans or grants to businesses providing job training opportunities for low- and moderate-income persons. Advertising and recruiting efforts directed to areas where substantial number of low and moderate-income persons reside.

NATIONAL OBJECTIVE #2 – PREVENTION OR ELIMINATION OF SLUM/BLIGHT

This category covers activities that aid in the prevention or elimination of slums or blight in a designated area. Examples include:

- Rehabilitation of substandard housing located in a designated blight area when the housing is brought to standard condition; and
- Infrastructure improvements in a deteriorated area; and
- Economic development assistance in the form of a low-interest loan to a business as an inducement to locate a branch store in a redeveloping blighted area.

Projects may qualify if benefiting an area defined under state or local law as a slum or blighted area, and which contains a substandard number of deteriorating or dilapidated building or infrastructure. To meet eligibility requirements, the activity must be designed to address one or more of the conditions which qualified the area as slum and blighted. Residential rehabilitation qualifies if the property is considered substandard per local definition.

NATIONAL OBJECTIVE #3 – URGENT NEED

Activities must be designed to alleviate existing conditions that pose a serious and immediate threat to the health or welfare of the community, which became urgent within the past 18 months, grantee is unable to finance the activity on its own, and other sources of funding are not available. Examples include:

- Acquisition of property located in a flood plain that was severely damaged by a recent flood;
- Public facility improvements like the reconstruction of a publicly owned hospital that was severely damaged by a tornado;
- Public services like additional police protection to prevent looting in an area damaged by a recent hurricane;
- Interim assistance such as emergency treatment of health problems caused by a recent flood;
- Special economic development assistance to a grocery store that was damaged by a recent earthquake.

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ELIGIBLE CDBG ACTIVIES

Every project that receives CDBG funds must meet two criteria's: the project must meet a National Object and it must also be an Eligible Activity as defined in 24 CFR 570.201. A list of typical eligible activities includes, but is not limited to:

- Public Services
- Public facilities improvements
- Economic development projects
- Infrastructure improvements
- Acquisition
- Relocation
- Clearance activities
- Rehabilitation / Preservation
- Code enforcement in designated target areas
- Historic preservation
- Lead Based Paint Evaluation and Reduction.
- Accessibility projects
- Planning / Administration

INELIGILBLE ACTIVIES

Any activity not specifically authorized under CDBG regulations is ineligible for CDBG funds as defined in 24 CFR 570.207. The following activities may not be assisted with CDBG funds:

- Building for general conduct of government,
- General government expenses,
- Political activities,
- Stadiums,
- Sports arenas,
- Auditoriums,
- Museums,
- Central libraries (branch libraries may be built in CDBG target eligible areas),
- Schools,
- Airports, subways, bus, or other public transportation stations,
- Hospitals, nursing homes, and other medical facilities,
- Treatment works for liquid industrial wastes or sewage,
- Purchase of equipment or furnishing for a property,
- New housing construction,
- Operating and maintenance expense for public facilities,
- Lobby activities, and
- Direct income payments to clients.

ELIGIBLE COSTS

Examples of eligible costs but not limited to:

- Personnel/staff (salary and benefits)
- Overhead
- Indirect Costs
- Office/facility rental or lease costs
- Communications
- Materials or supplies
  - e.g. file folders and / or file cabinets used for filing applications for CDBG clients.
- Travel/mileage

INELIGIBLE COSTS

Examples of ineligible costs but not limited to:

- Programs that do not serve primarily low-moderate income persons
- Programs that promote religion
- Political activities
- Marketing, incentives, or fundraising
- Payment of debt or expenses incurred prior to agreement
- Entertainment, furnishings, or personal property
- Purchasing of equipment generally ineligible, unless it is necessary to implement an eligible activity

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EQUIPMENT VS SUPPLIES

Equipment is defined as tangible property costing more than $500 and having a useful life of more than one year. The purchase of equipment is generally ineligible. Items which cost less than $500 and which have a useful life of less than one year is eligible. All purchases of equipment require County pre-approval. Request to purchase equipment are to be sent to the County 45 days prior to the purchase order date. The request should include the cost of the item, where it will be purchased, a detailed explanation of why it should be bought rather than leased or rented, and where the funds for the purchases will come from. If County CDBG funds will be paying only a portion, list all other funding sources and the respective amounts. The County will review the request and issue a decision within 10 business days.

URBAN COUNTY USE OF CDBG FUNDS

AFFORDABLE HOUSING

CDBG funding may be used to support the rehabilitation and repair of affordable housing; acquisition for rehabilitation of multi-family residential buildings; energy efficiency improvements for homes owned by low-moderate households; and financial assistance to low-moderate income homeowners purchasing a home. Beneficiaries of CDBG supported affordable housing are generally reported using the Low-Mod Household (LMH) National Objective.

CDBG funds may NOT be used to fund construction of new affordable multi-family housing.

INFRASTRUCTURE AND PUBLIC FACILITIES

CDBG funding may be used to support a wide range of infrastructure and public facility projects, including the construction of new neighborhood and public facilities. The Urban County will target the use of CDBG funds towards construction/renovation of public facilities for the homeless or where services for the homeless are provided, addressing architectural barriers for the disabled in public facilities (especially parks), and providing infrastructure in low-moderate communities. Beneficiaries of these improvements will generally satisfy either the Low-Mod Area (LMA) or, in limited cases, the Low-Mod Household when CDBG funds are used to connect qualified homeowners to public utilities.

CDBG funds may not be used to construct or maintain buildings used to provide general governmental services.

PUBLIC SERVICES

The maximum amount of amount of funds obligated for public services cannot exceed 15% of the annual grant. The Urban County will not exercise the option of capturing 15% of program income received during the prior year to augment the Public Service allocation. Majority of the subrecipients apply for public service funding, due to the 15% cap it can be a very competitive process.

At least 51% of a public service activity clientele must be documented as low and moderate-income persons either through Low-Mod Area (LMA) or Low-Mod Limited Clientele (LMC).

Public services must be a new service or an increase in the level of an existing level of services. CDBG funds may be used to pay for labor, supplies, and material as well as to operate and/or maintain the portion of a facility in which the public service is located. This includes the lease of a facility, equipment,

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and other property needed for the public service. Public services ***eligible*** activities include, but not limited to:

- Employment and job development services (e.g. job training)
- Crime prevention and public safety
- Childcare
- Health services
- Substance abuse services (e.g. counseling and treatment)
- Fair housing counseling
- Education programs
- Energy conservation
- Senior citizen services
- Homeless services
- Down payment assistance
- Recreational services
- Youth enrichment services
- Juvenile delinquency prevention

Fair housing is the only CDBG mandated activity. The Urban County may fund fair housing services under either the Public Service cap or the Planning and Administration cap. If fair housing services are funded under the Planning and Administration cap, the requirement that 51% of beneficiaries are low-mod individuals or households.

Public services ***ineligible*** activities include:

- Income payments paid directly to clients, which are used to provide basic services such as food, shelter (including payment for rent, mortgage, and/or utilities) or clothing.

However, such expenditures are ***eligible only if determined as Emergency Situations*** under the following conditions:

- The income payments do not exceed 3 consecutive months; and
- The payments are made directly to the provider of the service on behalf of the client.

PLANNING AND ADMINISTRATION

The maximum amount of amount of funds obligated for planning and administration cannot exceed 20% of the annual grant. The Urban County will not exercise the option of capturing 20% of program income received during the current year to augment the Public Service allocation. Planning and administration activities are generally related to what the County is required to do to implement the Urban County program. This includes public noticing, required reporting, preparation of subrecipient agreements, and environmental reviews that are Exempt, Categorically Excluded, or requiring a "simple" Environmental Assessment. Projects that require "complex" EAs or preparation of an Environmental Impact Statement will generally not be funded by the Urban County. Planning and administrative activities are not required to meet a National Objective.

APPLICATION AND SUBRECIPIENT MANAGEMENT

APPLICATION PROCESS

The County contracts with City Data Services (https://citydataservices.net/ [CDS]) to provide an online application and reporting application. Annually, the Urban County issues a Notice of Funding Availability (NOFA) to interested parties. The purpose of the NOFA is to identify activities and projects that may qualify for Urban County funding, provide technical assistance to organizations that are interested in applying for Urban County funding, collecting updated information on community needs,

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and explaining the online application process. The typical life cycle for an Urban County subrecipient award follows this schedule.

December – NOFA Issued & Workshop
January – Applications Due
February – Public Service applications rated and ranked by Urban County participating jurisdiction staff.
March – Urban County Committee meets to recommend projects and funding levels for inclusion in Annual Plan.
May – Annual Plan considered by Board of Supervisors
June – Environmental reviews and Subrecipient Agreements completed
July – Subrecipient Agreement term begins
June of following year – Subrecipient Agreement term ends
August of following year – Final draw requests and activity reports due

The online application collects information on the applicant organization, the proposed project, the proposed scope of work, and the proposed beneficiaries. Applicants are allowed to self-identify the IDIS Matrix Code their proposed activity is covered by and the National Objective the activity will meet. Urban County staff will review the proposed activity, Matrix Code, and National Objective, and, if necessary, work with the applicant to revise these data points.

ELIGIBILITY DETERMINATION

Applications that proposed to meet the Low-Mod Area Benefit National Objective must be available to ***all*** residents of an area where at least 51% of residents are LMI. The applicant must clearly define the area of benefit. Required documentation of this objective consist of:

- CDS will prompt the applicant to enter the census tract and block group the proposed activity will benefit.
- Maintain records of the boundaries of the service area;
- Document that the area is primarily residential (e.g., zoning map); and
- Document the income characteristics of households in the service area (e.g., Census Data)

Applications for activities that will meet the Limited Clientele National Objective must benefit a specific target group of people of which at least 51% must be LMI. To meet the LMC criteria, the activity must pass 1 of the following tests:

Test 1 – Limited Clientele Based on Presumed Benefit
It must benefit a clientele who are generally *presumed* to be principally low and moderate-income persons such as:

- Abused children
- Elderly persons
- Battered spouses
- Homeless persons
- Illiterate adults
- Persons living with AIDS
- Migrant farm workers
- Severely disabled persons *defined below*:
  - Use of a wheelchair or another special aid for 6 months or longer
  - Unable to perform one or more functional activities: Seeing, hearing, having one's speech understood, lifting, and carrying, walking up a flight of stairs and walking.
  - Prevented from working at a job or doing housework
  - Autism, cerebral palsy, Alzheimer's disease, senility, dementia, or mental retardation
  - Under 65 years of age and covered by Medicare or receive SSI

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Presumed Benefit Source Documentation

Presumed benefit clients require documentation verifying their eligibility. Examples of source documentation include but not limited to:

- Abused children – Referral documenting "abused child status".
- Seniors – Copy of ID, Driver's License, or Social Security Award Letter.
- Disabled – Receipt of disability check or SSDI award letter, or a doctor's note verifying disability.

Test 2 – **Limited Clientele Based on Family Size and Income**

- Requires family size and income from every 18 and over client verifying clientele are persons whose family income does not exceed the LMI limit.
- Requires gross amount, before any payroll deductions when calculating income.
- Income source must be current (within 90 days).

Annual Income Includes:

- Wages, salaries, overtime pay, commissions, fees, tips, and bonuses
- Unemployment payments
- Disability compensation
- Worker's compensation
- Severance pay
- Alimony and child support payments
- Net income from the operation of a business or profession
- Temporary Assistance for Needy Families (TANF)
- Social Security and Social Security Income

Annual Income Does Not Include:

- Income from employment of children, including foster children, under 18
- Payment received for care of foster children or foster adults
- Lump-sum additions to family assets
- Income of a live-in aide
- Food stamps or Women, Infants, and Children (WIC)
- Student Financial Aid
- Sporadic Income/Gifts

Income Documentation

Examples of source documentation for Limited Clientele (LMC):

- Employment check stubs
- Social Security Income/Social Security Disability Income award letter
- Child support documentation
- TANF benefits letter
- Unemployment benefits letter
- Veterans' administration award letter

Unless *presumed* by HUD to be low-moderate income, actual verification of the household income must be provided. If a client has no proof of income a penalty of perjury statement can be completed. The client should be made to understand that they are signing a legal document, and that they are certifying the truth of the information they have provided.

RESTRICTIONS FOR CERTAIN RESIDENT ALIENS

As stated in 24 CFR 570.613, certain newly legalized aliens, as described in 24 CFR part 49, are not eligible to apply for benefits under covered activities funded by the programs listed. Benefits include financial assistance, public services, jobs, and access to new or rehabilitated housing and other facilities

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funded by programs listed. The restrictions under this section apply only to applicants for new benefits not being covered resident aliens.

MANAGEMENT OF SUBRECIPIENTS

POLICY

Prior to contract execution, all subrecipients must have the needed support, confirmed matching resources, sufficiently developed plans, a program site, and budget to start the proposed program after the funding approval and complete the program within one year after start-up. Programs should be able to begin on July 1st, the beginning of the County's Fiscal Year. Funds must be spent in a timely manner.

Subrecipients are expected to spend at least 50% of the allocated funds prior to December 31st and 75% by March 31st. Unspent funds cannot be carried forwarded; therefore, are subject to potential reprogramming to other eligible programs.

If the Agency experiences key staff changes, such as, new Executive Director, other key staff, program, or financial staff, you must contact the Monterey County Housing and Community Development office in writing informing them of the change within 30 days.

SUBRECIPIENTS

To achieve the national objectives, the County allocates CDBG funds on an application basis each year. The subrecipient is a public or private nonprofit agency, authority, or organization, which receives CDBG funds from the County to undertake eligible activities. Prior to the release of CDBG funds from the County, a written agreement must be executed with the subrecipient. The agreement remains in effect during the duration of the period the subrecipient is operating a program in which County CDBG funds are being utilized. County staff must complete the Environmental Review Record (ERR), which will begin upon receipt of the required documentation from the subrecipient.

WRITTEN AGREEMENT

A written agreement must be entered into between the County and all entities receiving CDBG funds. The written agreement forms the basis for the contractual obligation between the parties to fund and implement the activity or program. The agreement will indicate responsibilities attributable to each party and shall outline in exact measure the scope of services to be provided, methods of accountability, and a schedule for payment. Execution of the agreement binds the subrecipient for a specific period and may be revised only upon written authorization from the County.

RECORD KEEPING

Record keeping is very important for all Federal grant recipients. If expenditures are not adequately documented funds may be required to be returned. In efforts of maintaining good records, the following items are required:

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PROGRAM FILES MUST CONTAIN THE FOLLOWING:

- Original executed agreement with the County of Monterey
- Any amendment to the agreement
- Notice of award from the County of Monterey
- Correspondence relating to the grant award
- Copies of request for reimbursements
- Documentation of expenditures
- Budget and budget amendment (if applicable)
- Bid solicitations or request for proposals (if applicable)
- Any other information pertinent to the CDBG program
- Program measurable goals and expectations
- Current Audit

CLIENT FILES MUST CONTAIN THE FOLLOWING:

- An application for assistance (if applicable)
- Documentation of eligibility
  - Documentation client is *presumed* by HUD to be LMI, e.g. homeless, elderly; or
  - Records describing how the nature and location of the activity establishes that it is used predominantly by LMI individuals (e.g. census data tract and map); or
  - Documentation of household size and annual income.
- CDBG Recipient Survey Form
- Self-Certification of Annual Income by Beneficiary
- Documentation of services provided such as case notes
- Documentation of all expenses occurred
- Pre and post program evaluations (if applicable)

BUDGET MODIFICATIONS

Budget modifications to approved budget line items are allowable; however, must be directly related to changes in program services and activities and may not increase the total budget. Budget modifications up to 10% are allowable without a formal request if no change has been done to the scope of work. Budget modifications above 10% require a written request which identifies the reason for the request. The request must include which line items are to be increased and decreased. Budget modifications above 10% require written County approval as a significant change is being done to the written agreement between County and Subrecipient. Requests for budget modifications to Subrecipient Agreements are submitted through the City Data Services portal.

PROGRAM QUARTERLY REPORTS

Quarterly progress reports will be required to report on the implementation of the CDBG funded activities. Quarterly reports are submitted through the CDS portal (https://citydataservices.net/) and include two parts: Quarterly Activity Report; and, Quarterly Request for Reimbursement. Urban County staff will not process Requests for Reimbursement without the accompanying Activity Report. **Reports & invoices due by the 10th of the month for October, January, April, and July or by close of business on the next Monday if the 10th falls on a weekend or holiday.** The quarterly programmatic report shall include the following:

1. Performance Tracker Report
2. Narrative highlighting progress in meeting objectives

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At least once per quarter, Urban County staff will upload activity and performance data from CDS to IDIS.

FINANCIAL QUARTERLY REPORTS

CDBG grants must be administered on a quarterly reimbursement basis and is due by the 15th of every month for October, January, April, and July. To request a reimbursement subrecipients must submit the following:

1. CDBG Disbursement Request Form
2. Quarterly Invoice
3. Timesheets (if applicable)
   a. If salaries are charged then timesheets must be submitted. Timesheets must differentiate between hours charged and not charge to CDBG. It should be signed by the employee and their supervisor. Time charged should only include time spent with eligible Monterey County residents or administering the CDBG program.

PROGRAM CLOSE-OUT REPORT

Programmatic close-out report is due 15 days after the end of the program year, July 15th, and should consist of the following:

- Review and verification of annual client statistical and narrative report. The June Performance Tracking Report with year-to-date client totals and narrative of the program year goals and accomplishments.

FINANCIAL CLOSEOUT REPORT

Financial close-out report is due 15 days after the end of the program year, July 15th, and should consist of the following:

- Indicate Final on CDBG Disbursement Request Form
- New Balance should be zero.
- Indicate Final on Quarterly Invoice
- Include necessary Timesheets

Progress reports and reimbursement invoices should be submitted through City Data Services online at https://www.citydataservices.net/. If you run into any technical issues, you can reach them at citydataservices@yahoo.com.

FEDERAL REQUIREMENTS

Subrecipients and subcontractors are required to comply with all applicable federal rules and regulations governing the use of CDBG funds 24 CFR Part 570 – CDBG Code of Federal Regulations as well as Office of Management and Budget (OMB) Circular 2 CFR Part 200.

FINANCIAL MANAGEMENT

The following are required to maintain good financial management practices. Therefore, financial management systems of other grantees and subgrantees must meet the following standards:

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Financial Reporting: Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with financial reporting requirements of the grant.

Accounting Records: Agencies must maintain records which adequately identify the source and application of funds provided for financially assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income. Accounting systems should include at least the following: chart of accounts, cash receipts journal, cash disbursements journal, payroll journal, and general ledger.

Internal Control: Effective control and accountability must be maintained for all grant cash, real and personal property, and other assets. Agency's must adequately safeguard all such property and must assure that it is used solely for authorized purposes. Agencies must have set procedures that define staff duties, lines of authority, separation of functions, and access controls. The organization must have accounting procedures for recording and approving transactions.

Budget Control: Actual expenditures or outlays must be compared with budgeted amounts for each grant. Financial information must be related to performance or productivity data, including the development of unit cost information whenever appropriate or specifically required in the grant agreement. If unit cost data are required estimated based on available documentation will be accepted whenever possible.

Allowable Costs: Applicable OMB cost principles, agency program regulations, and the terms of grant agreements will be followed in determining the reasonable, allowable, and allocable costs. The organization is required to have a HUD approved indirect cost allocation to charge indirect costs.

Source Documentation: Accounting records must be supported by such source documentation such as cancelled checks, paid bills, payrolls, receipts, invoices, payrolls, time and attendance records, contract and subgrant award documents, etc.

Cash Management: Maintain current budgets for all funded activities and perform a comparison of that budget with actual expenditures for each budget category. Regularly compare progress towards the achievement of goals with the rate of expenditure of program funds. Ensure program income is used for permitted activities and used before further drawdowns are made from the grantee for the same activity.

Audit: The primary goal of the audit is to determine whether and agency has adequate systems in place to assure objects are met, resources are safe guarded, regulations are followed, and reliable dated is obtained and maintained. An audit encompasses auditing of expenses as well as programmatic requirements. The financial and programmatic audits are designed to ensure Subrecipients are complying with federal regulations defined in OMB Circular A-133 – Audit of States, Local Governments, and Non-Profit Organizations.

- ***Financial audits*** are designed to provide an independent opinion on the agency's financial statements, internal central structures, cash flow, and compliance with specific financial systems and procedural requirements.

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- ***Programmatic audits*** provide an independent point of view on the extent to which the agency has efficiently and effectively carried out its operations and achieved the intended program results and benefit.

GENERAL BUDGET INFORMATION

1. Personal Costs:
   a. Personnel – Costs associated with the positions identified on staffing plan. Costs should reflect the actual amount of time each position spends on the program.
   b. Fringe Benefits – Payroll related costs of FICA, Worker's Compensation, health insurance, sick time, vacation, retirement etc.

2. Operating Costs/Program Delivery
   a. Supplies – Consumable commodities that have a useful life of one year or less and which are valued under $500.
   b. Direct Client Supportive Services – Rent, bus passes, food utilities, childcare, clothing, hygiene kits and other program costs paid on behalf of clients.
   c. Communication – Telephone, telephone installation, and postage.
   d. Printing- Copying, printing, paper, ink, and copy machine.
   e. Utilities- Electricity, gas, water, and trash removal.
   f. Rent – Rental costs for real property or office space for program.
   g. Travel- Mileage reimbursement for conducting program objectives.
   h. Insurance- Insurance related costs required for the operation of the program.
   i. Miscellaneous- for eligible operating expenses not noted above. Should not exceed 1% of CDBG grant.
   j. Entertainment costs is not an allowable expense and will not be reimbursed.

3. Contract Services
   a. Equipment Rental – Costs for the rental of equipment to operate program
   b. Equipment Purchase – Purchase of equipment is essential to operate program and is more cost effective to purchase equipment rather than rent it. Includes any item with a useful life of more than one year and costs over $500. Requires 3 bids. The lowest prices must be purchased or explanation as to why the lowest price was not purchased. Purchase of equipment requires prior County approval.
   c. Contracted Services – Professional and technical services not performed by staff.
   d. Audit Fees – County CDBG funds may pay for audit; however, only the percentage of the County CDBG federal funds in the total agency budget. For example, if the audit costs are $1,000, and only 10% of the program's overall budget is from the County CDBG, only 10% of the bill is allowed. Bookkeeping and payroll fees are eligible expenses.

TIME RECORDS

Time records should be kept indicating hours worked, sick, vacation, holiday etc. Timesheets should be recorded each day and signed by both employee and supervisor. Time sheets showing labor distribution and time project log, which documents time spent on the program must be kept for all grant funded employees. Copies of timesheets must be submitted with reimbursement request if claiming personnel costs.

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PROGRAM INCOME

Program income consists of earnings generated through the use of CDBG funds as defined under 24 CFR 570.000(a). Program income must be recorded and reported to the County separately from grant funds monthly. Program income may be retained by Subrecipient upon approval of the County. Program income must be used for exclusive benefit of the CDBG program. It should be treated as additional CDBG funds; thus, subject to all applicable federal and local requirements. Program Income does not reduce the size of the organization's CDBG grant if it is spent on eligible expenses. Housing development agencies which use CDBG funds for administration only, do not report funds received from the construction of affordable housing units as program income.

OTHER APPLICABLE LAWS AND REQUIREMENTS

CDBG subrecipients must comply with all applicable state and federal laws. Below is a summary of some of the laws and requirements:

CIVIL RIGHTS, FAIR HOUSING AND EQUAL OPPORTUNITY

Subrecipients must comply with Title VI of the Civil Rights Act of 1964 (prohibiting race, color, and national origin discrimination including language access for limited English proficient persons), Section 504 of the Rehabilitation Act of 1973 (prohibiting disability discrimination), Title IX of the Education Amendments of 1972 (prohibiting sex discrimination in the education and training programs), and the Age Discrimination Act of 1975 (prohibiting age discrimination in the provision of services).

CDBG funded services may focus on a particular group or population without violating guidelines regarding equal access to services, as long as any member within the particular group is able to participate. The County will ensure that subrecipients abide by federal Fair Housing and Equal Opportunity (FHEO) and California Department of Fair Employment and Housing (CA DFEH) fair housing and equal opportunity requirements for non-discrimination with regard to housing or services provided.

AMERICANS WITH DISABILITIES ACT

CDBG funded activities must comply with the Americans with Disabilities Act (ADA). The ADA provides comprehensive civil rights to individuals with disabilities in the areas of employment, public accommodations, State and local government services, and telecommunications. ADA requires that buildings are designed and constructed to be accessible to and usable by individuals with disabilities. The law also requires the removal of architectural and communication barriers to existing facilities, where such removal is easily accomplishable and able to be carried out without much difficulty or expense.

SECTION 3

Section 3 of the Housing and Urban Development Act of 1968 promotes employment, training, and contracting opportunities for lower-income residents who live in the neighborhoods where HUD funding is allocated. To the greatest extent feasible, businesses and contractors employed on HUD funded projects must make a Good Faith Effort to train and/or employ Section 3 residents (lower income) within the area, and contract with businesses which employ Section 3 residents.

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The three primary goals of Section 3 are:

1. To the greatest extent feasible, provide outreach and training to Section 3 residents.
2. To the greatest extent feasible, train and/or hire Section 3 residents.
3. To the greatest extent feasible, contract with Section 3 businesses.

CONFLICT OF INTEREST

No persons affiliated with the entitlement community (including subrecipients) who exercise or have exercised any responsibilities with respect to CDBG programming, or who are able to participate in a decision-making process, may obtain a financial interest or benefit from a CDBG-assisted activity (including subcontracts), either for themselves or those with whom they have business or immediate family ties, during their income tenure or for one year thereafter.

LABOR REQUIREMENTS

CDBG construction projects must comply with federal regulations on wage and labor standards. Davis-Bacon Act, federal wage rates apply to most (but not all) construction projects exceeding $2,000.

- Davis-Bacon and Related Acts: Ensures that mechanics and laborers employed in construction work under federally assisted projects are paid federal prevailing wage for the locality.
- Contract Work Hours and Safety Act: Provides that mechanics and laborers employed on federally assisted construction projects are paid time and one-half hour for work in excess of 40 hours per week.
- Copeland (Anti-Kickback) Act: Governs the deductions from paychecks that are allowable.

More information about Davis-Bacon requirements can be viewed at: http://hud.gov/offices/olr.

DISPLACEMENT AND AFFIRMATIVE MARKETING

Developers are encouraged to propose projects that prevent or minimize displacement of occupants, rehabilitation projects that require only temporary relocation, and new construction projects. If a project includes relocation, federal Uniform Relocation Act (URA) and Section 104(d) requirements must be met. **Projects must have an Affirmative Fair Housing Marketing Plan.**

UNIFORM RELOCATION ASSISTANCE

The Uniform Relocation Act (URA) applies to all occupied residential and/or commercial property assisted with federal funds. The URA protects all tenants in occupancy at the time of application for federal funds. You may not deny tenancy to current tenants – including refusal to renew a lease unless the tenant has violated the lease. The URA also protects tenants occupying or vacating units following application unless proper procedures are followed. URA guarantees that after the project is completed, the tenant's initial rent, including the estimated average monthly utility costs, will not exceed the greater of tenant's current rent and average utility cost or 30% of tenant's average monthly gross household income.

EQUIPMENT DISPOSITION

All equipment with a cost of $5,000 or more purchased with HUD grant funds shall revert to the County at the close of the activity. If a Subrecipient wishes to continue utilizing the equipment, and is not funded the following year, a letter must be submitted to the County requesting approval and describing

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how the continued use of the equipment, the grant objectives will be met. Equipment shall be depreciated on a 5-year, straight line depreciation basis. A Subrecipient is required to maintain records of the HUD funded equipment purchases and report to the County during the 5-year depreciation period. If the property is disposed of prior to the 5-year depreciation period, the County shall provide the disposition instructions. If the property is disposed of for cash during the depreciated period it is considered Program Income, which must be reported.

Once the equipment has been fully depreciated, and if the equipment is sold, the Subrecipient may retain funds provided that the County is notified in writing and the funds are used for the exclusive benefit of the previously CDBG funded program.

REAL PROPERTY DISPOSITION

Real property is defined as land, including land improvements and buildings. Any real property acquired or improved in whole or in part with CDBG funds more than $25,000 must continue to meet the National Objective of the program for a minimum of 5 years after expiration of the contract. If a National Objective is not being met, the Subrecipient must sell the real property in a manner that results in the reimbursement of the federal grant funds that were expended for the project.

ENVIRONMENTAL REVIEW PROCEDURES

The environmental review procedures must be completed for each CDBG subrecipient and County Program activity prior to the issuance of any contract or subrecipient agreement or other choice limiting factor. The County must prepare and maintain a written record of the environmental review undertaken for each project. This written record is called the Environmental Review Record (ERR) are posted to the County's website (https://www.co.monterey.ca.us/government/departments-a-h/housing-community-development/planning-services/community-development-project-program-financing/urban-county-community-development-block-grants) and are available for public review upon request. The four environmental classifications are:

- Exempt Activities
- Categorically Excluded Activities
- Activities Requiring an Environmental Assessment
- Activities Requiring an Environmental Impact Statement

The ERR shall contain all environmental review documents, public notices, proof of their publication, and written determinations or environmental finds required by 24 CFR Part 58 as evidence of review, decision making and actions pertaining to a particular project.

FAITH-BASED ACTIVITIES

Religious or faith-based organizations are eligible to participate in the CDBG program. Local government representatives and CDBG program administrators shall not discriminate against an organization on the basis of its religious affiliation according to 24 CFR 570.200.

LOCATION OF ACTIVITIES

CDBG funds may be awarded to an activity outside of the jurisdiction of the entitlement community only if it can be determined that the activity directly benefits the County of Monterey residents or is a part of a regional effort to assist low-income persons and households.

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MONITORING PROCESS

All CDBG Subrecipients are monitored for compliance with applicable local, state, and federal requirements. Compliance monitoring includes, but not limited to quarterly reporting and an annual onsite visit. The primary objective of monitoring subrecipients is to ensure compliance with regulations governing administrative, financial, and programmatic operations. The County will conduct on-going monitoring process to ensure performance goals are achieved within the scheduled time frame and funds are being spent in a timely manner.

The monitoring process involves resolving problems, offering technical assistance, and promoting timely implementation of programs. In efforts of achieving this, County staff may require Subrecipients to provide corrective action workout plans if the following occur:

- Goals are not being met
- Funds are not being spent on a timely basis or incorrectly
- Insufficient documentation

MONITORING REVIEWS

Monitoring of Subrecipients will be conducted to ensure that Subrecipients are compliant with the federal regulations regarding the use of federal funds within the CDBG program.
A monitoring visit will include:

- **Notification Letter** - A letter will explain the purpose of the visit, confirm date, scope of monitoring and outlines the information that will be needed to conduct the review.
- **Entrance Conference** – Introduction monitoring visit purpose, scope, and schedule.
- **Documentation and Data Gathering** – The County will review and collect data and document conversations held with staff, which will serve as the basis for conclusions drawn from the visit. This includes reviewing client files, financial records, and agency procedures.
- **Exit Conference** – At the end of the visit the County will meet again with agency staff to present preliminary results, provide an opportunity for the agency to correct any discrepancies and report any corrective actions already in progress.
- **Follow-up Letter** – The County will forward a formal written notification of the results of the monitoring visit pointing out problems areas and recognizing successes. The agency will be required to respond in writing to any problems or concerns noted.

ON-SITE VISITS

County staff may hold on-site visits with Subrecipients whose performance does not appear to be sufficient in meeting the objective stated in the agreement. An on-site visit may occur to discuss the service activity shortfall. On-site monitoring visits may also be conducted to ascertain that eligible clients for whom the program was intended are being served and in the event of an audit; the required client information is being maintained. An on-site visit may also occur if a Subrecipient is not spending in a timely manner.

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COUNTY INTERNAL AUDIT REVIEWS

The County reserves the right to have its Internal Audit Division review all Subrecipient records and transactions. Audit findings resulting in monetary repayment to the County will be collected by the County from the Subrecipient's non-federally funded resources. County Internal Auditors review Subrecipient monitoring/account reviews to begin their single audit review. Reports containing finding are then sent to both the County Community Economic Development Department and Subrecipient for compliance. Progress on the compliance is monitored. Failure to resolve findings within a reasonable amount of time may result in suspension, termination of grant agreement, and/or disbarment from future grant funding.

EXTERNAL AUDIT REVIEWS

All Subrecipients must submit a single audit, Audited Financials, or an Annual Certified Financial Statement. The County reserves the right to request a Subrecipient to hire a Certified Public Accountant to review and report on the agency financial and programmatic records.

All organizations that expend between $200,000 - $499,999 in federal funds during the calendar year will be required to have a CPA Audited Financial Statement. The funds expensed may be from one or multiple federal funding sources. If allowable by program regulations, the County may only pay for the portion of the audit, which represents the percentage of County federal funds in the program budget.

Types of Audits:

- **Single Audit** – Organization that expend $750,000 or more in one year in federal awards shall have a single or program specific audit conducted for that year.
- **Audit Financials** – A CPA has audited records in accordance with Generally Accepted Accounting Principles (GAAP).
- **Annual Certified Financial Statement** – This is the lowest threshold criteria and will only be accepted from those non-profits who can document that they did not qualify for a single or regular audit. Annual Certified Financial Statements (ACFS) must be certified, signed, and dated by the Treasurer and the Board President. They must also have the following certification statement: We, the undersigned, as Executive Director and Treasurer of (Name of Organization), herby certify that, to the best of our understanding and knowledge, the attached Financial Statements fairly and accurately represent the financial condition and operations of this organization.

IRS Form 990 filing – All organizations with revenue or $25,000 or more must complete and submit this annual tax report. Contact the IRS for more information.

RECORDS RETENTION PERIOD

All CDBG files must be maintained for a ***minimum of five (5) years after the completion of the program*** according to 24 CFR Part 570 Subpart J, to allow access for audit and public examination. If audit findings are not resolved, the records shall be retained beyond the five years. The retention period starts when the annual or final expenditure report submitted or for non-expendable property, from the date of final disposition.

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ACCESS TO RECORDS

HUD and authorized representatives, have the right to access subrecipient agency program records. All CDBG grantees are required to provide citizens with reasonable access to records regarding the CDBG funded activities.

POST-AWARD RESPONSIBILITIES

Upon execution of the agreement between the County of Monterey and the Subrecipient, the Subrecipient shall:

1. Immediately report all changes in its articles of incorporation, bylaws, or tax-exempt status to the County within 30 days.
2. Ensure no member of the Board of Directors is a paid employee, agent, or subcontractor.
3. Ensure all meetings of the Board of Directors are open to the public, except meetings, or portions thereof, dealing with personnel or litigation matters.
4. Continue to include representation on the Board of Directors, the broadest possible cross section of the community, including those with knowledge and interest in the available services.
5. Maintain minutes of all regular and special meetings of the Board of Directors, have a regular meeting at least once a year, and/or available upon request.

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CBDG Program Contact Information:

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Housing Team Email: HousingPrograms@co.monterey.ca.us

County of Monterey website: https://www.co.monterey.ca.us/government/departments-a-h/housing-community-development/planning-services/community-development-project-program-financing/urban-county-community-development-block-grants

U.S. Department of Housing & Urban Development
Community Planning and Development
Region IX
One Sansome St., Suite 1200
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