



COLORADO

Department of Local Affairs

Community Development Block Grant –
Disaster Recovery

MEMORANDUM FOR RECORD

To: CDBG-DR Program Managers and Sub-recipients

From: David Bowman; CDBG-DR Director, Department of Local Affairs

Date: 6/2/2015

Re: Clarification and Guidance on Program Administrative Costs (PACs) and Activity Delivery Costs (ADCs) for the State of Colorado CDBG-DR programs

Purpose: The purpose of this document is to provide clear guidance to partner agencies receiving CDBG-DR grant funds on the distinction between Program Administrative Costs and Activity Delivery Costs and to ensure that partner agencies and sub-recipients understand the need to account for these costs.

Background: While the regular CDBG program allows for up to 20% in administrative costs, the Disaster Relief Appropriations Act, 2013 (Pub. L. 113-2) limits administrative costs to 5% of the State's total allocation. This includes both State administrative costs and administrative costs passed down through subrecipients. For the purposes of this document and to be consistent with CPD 13-07, we will use the term **Program Administrative Costs (PACs)** to describe the 5% administration allocation available through the CDBG-DR grant. As fewer resources are available for PACs, careful budgeting and accounting is required to ensure that the State partners and sub-recipients understand the distinction between **PACs** and **Activity Delivery Costs (ADCs)**, and they are diligent in their accounting.

In accordance to 24 CFR 570.206, **Program Administrative Costs (PACs)** are payment of reasonable administrative costs and carrying charges related to the planning and execution of community development activities assisted in whole or in part with funds provided under this part. This includes staff and associated overhead costs attributable to oversight, reporting and overall grant management. This does NOT include staff and overhead costs directly related to carrying out activities eligible under §570.201 through §570.205, since those costs are eligible as part of such activities. Costs associated with the implementing and carrying out eligible CDBG-DR activities are considered **Activity Delivery Costs (ADCs)**. ADCs are not governed by the limitation 24 CFR 570.206 and are based on reasonable, necessary and actual costs for implementing the program.

The State of Colorado anticipates that most of the costs at the local level will be ADCs and not part of their administration limit. For example using existing staff, hiring of new staff and hiring of consultants for implementation of DR Programs are Activity Delivery Costs (ADCs). **A general rule of thumb is if it crosses multiple projects, it is probably a Program**

Administration Cost. Conversely, if the costs are solely attributable to one activity, it is likely an ADC. See the chart below for specific examples:

Activity	Entity Performing Activity		
	State Grantee	Sub-Grantee	Consultant
Development of Program Action Plans	PAC	PAC	PAC
Develop Program Wide Policies (Example would be the creation of general CDBG-DR policies impacting multiple programs)	PAC	PAC	PAC
Providing local officials and citizens with information about the general CDBG-DR Program	PAC	PAC	PAC
Fair Housing Activities	PAC	PAC	PAC
Development and Submittal of applications to the State DR Programs that do not receive funding	PAC	PAC	PAC
Development and Submittal of applications to the State DR Programs/Activities that receive funding	N/A	ADC	ADC
Develop Activity Policies and Procedures (Example would be the creation of a specific housing rehabilitation program policy)	ADC	ADC	ADC
Monitor Program Wide (overall accounting process to assure compliance or overall compliance with their Action Plan)	PAC	PAC	ADC
Monitor of contracted consultant	PAC	PAC	N/A
Monitor Activity Compliance (monitoring of a specific infrastructure activity)	ADC	ADC	ADC
Salaries of executive officers and Staff with general program oversight	PAC	PAC	N/A
Salaries of executive officers and staff for the time devoted to the performance of implementing and carrying out a specific eligible CDBG activity	ADC	ADC	ADC
Lease office space for staff	PAC	PAC/ADC	ADC
Costs of materials acquired, consumed, or expended by staff in carrying out a specific eligible CDBG activity	ADC	ADC	ADC
Travel costs incurred specifically for carrying out a specific CDBG eligible activity	ADC	ADC	ADC
Specific activity related items such as eligibility verification, environmental reviews, activity monitoring, application development, processing payments etc.	ADC	ADC	ADC
Engineering, architectural, and design costs related to a specific project.	ADC	ADC	ADC

PAC – Project **A**dministrative Costs

ADC – Activity **D**elivery Costs

Additional Guidance:

- PACs are limited to 5% statewide for all CDBG Disaster Programs. These are reasonable PACs related to the execution of CDBG programs and activities. Local Project Administration Costs are limited to 1.34% of their grant award unless additional justification can be approved, but in no case will PACs at the local level be greater than 3%.
- All Interagency Agreements (IGAs) and Subrecipient contracts will maintain separate budget line items for PACs (if allowed under the IGA or contract), ADCs, and actual project costs.
- Any staff that bill to multiple line items (i.e. PACs and ADCs), must utilize an approved timesheet format that can track these hours separately. One of two methods may be used:
 - a) Hours attributed to each line item are tracked on a daily basis or
 - b) Hours are tracked for a two week period to determine percentage to be allocated to PAC and ADC. Percentages are documented and validated every six months.

References: 24 CFR 570.206; CPD 13-07

Contact: For questions, comments or concerns regarding this guidance, contact Stephanie Morey, CDBG-DR Compliance Manager at 303-864-7746.

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cc: Stephanie Morey, Compliance Manager, Disaster Recovery Unit, Dept of Local Affairs