



CDBG FUNDING FOR PUBLIC SERVICES

"Public Services" is the term the CDBG grant uses for funding that supports programs benefitting low-to-moderate income persons. Eligible uses include programs that provide child care, health care, or job training; recreation and/or education programs; services for senior citizens, victims of family violence, or homeless persons; and drug abuse counseling and treatment. The pro rata cost of operating a facility that provides these services, including salaries, can be a public service activity.

Funding Limits

- A. The amount of CDBG funds allocated for Public Services cannot exceed 15% of the annual allocation; for example, if the City receives \$500,000 in CDBG funding, no more than \$75,000 can be allocated for Public Services. The full allocation can be made for one program or spread out among multiple programs.
- B. CDBG funds cannot be used to supplant (substitute for) funds that were previously paid by the City in support of the program. For San Marcos, this creates a restriction on how Human Services funds are awarded. If the program received Human Services funding the previous budget year, the amount of Human Services funding cannot be decreased if the program receives CDBG funds. The Human Services funding for other programs offered by the same organization is not impacted by this restriction.

Program Eligibility

The first time an applicant requests funding for a program, they must be able to show:

- A. That this is a new service or program; or,
- B. That this is an existing program/service that has had a quantifiable increase in the level of service or that will have a quantifiably increased if the CDBG funds are provided. An example would be using CDBG funds to hire an additional counselor to be able to serve more clients. The applicant would provide an analysis that estimates the number of additional clients to be served; at the end of the year, the applicant would document the actual new clients served.

An existing program that received CDBG funding the previous year may request the same amount or less than the previous year's funding without showing a quantifiable increase.

Eligible / Ineligible Expenses

Eligible expenses include, but are not limited to labor, supplies, and materials as well as expenses necessary 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, and other property needed for the public service. Costs incurred for telephone services, postage, and computer use/access may be eligible expenses. Travel and training expenses may be authorized by the City on a case-by-case basis.

CDBG funds may not be used to pay for food/meals for staff, fund raising, entertainment, alcoholic beverages, deposits on equipment, incentives to clients (gift cards, raffle prizes), or late fees or penalties. Costs of organized fund raising are not allowable. The purchase of equipment, fixtures, motor vehicles, furnishings, or other personal property not an integral structural fixture is generally ineligible.

Applicant Organization Eligibility

- A. Applicants can be a non-profit organization, a City Department, or other government entity.
- B. Applicants must have a DUNS number and a Federal Identification number to apply.
- C. If funded, the organization must be registered and in good standing in the federal System for Award Management (SAM) by the start of the new program year.
- D. The applicant must be willing and have the financial capacity to meet the City's audit, insurance, and bonding requirements:
 - a. The auditing level is based on the agency's total liquid assets. The term "total liquid assets" is defined to mean the total amount of liquid assets that is documented to be available to the Subrecipient at the time

the funding is approved. The requirements are: \$15,000 or less – CPA preparation of annual financial statement is not required; \$15,001 - \$100,000 – a compiled financial statement is required; \$100,001 - \$200,000 – a reviewed financial statement is required; and anything over \$200,000 in assets or expenditure of \$750,000 or more in federal funding (including CDBG) requires an audited financial statement.

- b. The applicant must carry sufficient insurance to protect contract assets.
- c. The agency must have a blanket fidelity bond covering all employees/board members with fiscal responsibilities at a level that is at least the amount of CDBG funding.
- d. The organization must comply with workman's compensation laws.
- E. Faith Based Agencies are eligible to apply on the same basis as other non-profit organizations. However, CDBG funds cannot be used to support worship, proselytizing, or religious instruction. Religious activities must be offered separately, in time or location, from the CDBG supported activity. Participation in the religious activity must be voluntary for the beneficiaries of the CDBG-funded program. Programs operated by faith-based agencies must be available to all community members and not restricted to the organization's membership or congregation.

Beneficiary Documentation

The organization must document that the program has satisfied the National Objective of benefitting low-to-moderate income persons. At least 51% of the people benefitting from the CDBG funding must have an annual family income that does not exceed 80% of the Area Median Income (AMI), adjusted for family size. HUD establishes the income limits annually; the limits for San Marcos are calculated for the Austin-Round Rock-San Marcos Municipal Statistical Area (MSA). Thus, San Marcos has the same limits as Austin and Round Rock. The applicable income limits are posted on the City's webpage and can be found at www.sanmarcostx.gov/cdbg.

The documentation of income eligibility can be accomplished in various ways.

- A. HUD has identified specific categories of beneficiaries that can be "presumed" to be low/mod and individual income documentation is not required. If the program uses the "presumed category" of income documentation all beneficiaries must fall into one of the "presumed" categories:
 - (a) abused children, (b) elderly persons (age 62 or older), (c) battered spouses, (d) homeless persons, (e) adults who are severely disabled persons (as defined by the Census), (f) illiterate adults, (g) persons living with AIDS, and (h) migrant farm workers.
- B. HUD will accept documentation that the beneficiary has been qualified under another program having income qualification criteria at least as restrictive as that used in the CDBG program. For example, evidence that shows the person is a resident of Public Housing would be acceptable documentation. The use of this form of documentation must be approved by City staff in advance.
- C. In limited circumstances, the use of an applicant self-certification form may be approved by City staff. HUD requires that the City "audit" at least 20% of the self-certified beneficiaries to ensure that they are in fact low-to-moderate income persons. Income documentation for auditing purposes may include tax returns, bank statements, benefit statements, proof of receipt of child support, and wage and earnings documentation (pay stubs).

The organization must also be able to show that at least 51% of the beneficiaries are City residents.

Community Support for Public Service Funding

The City conducted two community need surveys as part of the 2015-2019 Consolidated Plan outreach activities.

The electronic survey received 90 responses. The public service beneficiary categories receiving the highest votes were victims of abuse/neglect (48 votes); programs for youth and children (50 votes); services for the homeless or those at risk of becoming homeless (34 votes); help with transportation for elderly/disabled persons (34 votes).

The paper survey had 161 responses. The public service beneficiary categories receiving the highest votes were programs for senior citizens (63 votes); programs for abused/neglected children (40); programs for family violence victims (30 votes); and programs for the homeless (23 votes).