



Gustav/Ike Recovery & Revitalization Program



MEMORANDUM

August 7, 2009

To: Parish Officials, grant managers, and consultants responsible for *Gustav and Ike Parish – Implemented Recovery and Revitalization Program*

From: Stacy Bonnaffons, Gustav/Ike Program Manager, LRA/OCD-DRU

Re: Clarification on Administrative Cost and Delivery Cost

In follow up to the Technical Assistance Session held on July 29th in Baton Rouge, this memo serves to more clearly articulate and define **Administrative Costs and Delivery** categories and how the disaster CDBG funds are to be recorded on the parish level. Please note, for those familiar with the regular CDBG and entitlement programs, disaster program rules are considerably different.

Administrative Costs, Planning Costs and Project Delivery

Under direction from HUD and based on the Consolidated Security, Disaster Assistance, and Continuing Appropriations Act, 2009 (Pub. L. 110-329, approved September 30, 2008) there is a maximum allowable limit of 5% placed on **Administrative Costs** to be incurred at the combined state and local levels. Given this requirement, LRA/OCD-DRU must be very clear on what level of costs the parishes can expend of their allocation as strictly considered to be “Administration,” as that will be deducted from the state’s overall allowable percentage. **This is an important clarification to earlier interpretation and direction from HUD and differs from the understandings developed for the regular CDBG program.** In order for the State to remain within this eligible limit and effectively manage the diverse recovery programs, parishes are advised to remain trim and precise about their expenses to be considered Administrative Costs versus Planning Costs and versus Delivery Costs.

As previously stated, parishes are to account for their Administrative Costs as part of their parish allocation. The Administrative Cost should be reasonable and appropriate to the allocation of funds and the required level of effort to administer them. The Administrative Costs are tightly defined in categories of parish administration such as direct salaries, financial management, citizen participation related to initial application preparation, audit, and monitoring costs. This also includes costs for compiling the Parish Recovery Proposal. **Parish Administrative Costs are limited to 0.5% of their allocation.**

We anticipate that a majority of costs at the parish level will in fact be considered **Program/Project Delivery**, for instance, hiring of staff and consultants for application development and implementation, environmental reviews, project design, engineering, project specific citizen participation, etc. Program Delivery costs should remain within 15% of the overall allocation.



Gustav/Ike Recovery & Revitalization Program



Should a parish's Administrative or Program Delivery costs, or both, exceed the estimated limits set herein; the LRA will work with the parish to determine the reasonableness of and actual costs needed.

We ask that: Parishes submit a detailed breakdown/justification of their requested and anticipated Administrative Costs budget at the time of their Gustav/Ike Recovery Proposal submission. This includes a description of the positions, scope of services, salaries, and expense categories. The more precise a parish is in submitting their request for Administrative, Planning, and Delivery costs at the time of submitting their Recovery Proposal, the better able LRA-OCD/DRU can work with you to ensure they are classified appropriately.

Attachment A contains detailed definitions and examples of Administrative, Planning and Delivery Costs for your reference. Cost for Planning activities must be clearly distinct and separate from Administrative Costs. **Attachment B** provides a sample template parishes can opt to use as a guide when developing and submitting their Administration budgets.

I hope this information is helpful to you in planning the most effective usage of funds for recovery from the two most recent hurricanes and going forward. We will continue to post this and other program guidance on the LRA website at <http://lra.louisiana.gov> under the **Gustav/Ike Resources** tab on the left of the page and at the Office of Community Development at: www.doa.louisiana.gov/cdbg/drhome.htm. Additionally, if we can be of direct assistance to you, please either call you LRA Outreach Representative or contact me at stacy.bonaffons@la.gov; 225-439-9433.



Gustav/Ike Recovery & Revitalization Program



ATTACHMENT A

CDBG Administrative and Delivery Costs Distinctions under this Disaster CDBG Program

Administrative Costs – *Require Parish keep to 0.5% of total allocation or request approval by LRA/ OCD*

Consists of the following:

- general management, oversight and coordination;
- providing local officials and citizens with information about the general CDBG program;
- preparing budgets and schedules;
- preparing quarterly reports and other HUD required documents;
- monitoring program activities;
- Fair Housing Activities;
- indirect costs and cost allocation plans; must have federal agency/ HUD approval
- development and submittal of applications for Federal programs.

The Administrative Costs relate to activities generally defined as non-specific to any one project, which would include public or general legal notices, audits, monitoring, and financial services of the Gustav/Ike grant. It includes staff time of parish administrator, chief financial officer, budget or finance director, for example, if not linked specifically to a project, or to that part of the scope of engaged consultants, contractors or planning commission that involves the same. The costs for compiling the Parish Recovery Proposal are considered Administrative since not linked to a specific project.

Note: engineering, architectural, and design costs related to a specific project or other costs of implementing plans are not part of this category – they should be charged to the activity line item.

Delivery Costs – *Recommend this remains within 15% of total allocation or must justify any overage due to project specific.*

Consists of the following:

- The costs of carrying out the eligible CDBG activity and include grantees' costs, as well as third parties' (sub-recipient's, contractors, and grantees).
- For example, staff used to conduct housing rehabilitation who do applicant income verification, work write-ups, on-site progress inspections, punch lists, etc. would be doing a delivery activity. As another example, if staff spends time underwriting economic development loans to be made with CDBG funds, this would be treated as a cost of delivering the activity.

Program Delivery Costs are generally linked to a project or are project-specific. They are costs directly related to implementing the eligible CDBG projects/activity* – i.e. grantee or parish staff costs at mid-management/departmental level or below – planning or housing directors & other departmental staff, clerks, permit officials, etc.; third parties sub-recipients or contractors – non-profit staff used to conduct housing rehabilitation or who do applicant income verification, case management; construction contractors, engineers, environmental review specialists etc.



Gustav/Ike Recovery & Revitalization Program



Delivery Costs also cover services such as appraisals, legal fees or recordation fees of titles if linked to specific projects.

* Some parishes have opted to conduct the work in-house with parish personnel; others have secured subcontractors to conduct work associated with specific projects; other parishes may use some combination of parish and third party support.

Planning costs are to be specifically broken out and included as listed activities on the Parish Proposal Budget Sheet as Community Resiliency Plans.

Consists of the following:

- comprehensive plans;
- community development plans;
- functional plans (for housing; land use and urban environmental design; economic development; open space and recreation; energy use and conservation; floodplain and wetlands management; transportation, utilities; historic preservation studies, etc).
- other plans and studies such as small area and neighborhood plans; capital improvements program plans; individual project plans; general environmental; urban environmental design; historic preservation studies; etc)



Gustav/Ike Recovery & Revitalization Program



ATTACHMENT B

Parishes can use their own budgeting templates, determining which positions and consultancy they may need and to what level of effort. However, for those parishes looking for additional guidance, below is a template that will help categorize and describe the Administrative budget calculations. These categories are simply examples and if applicable, can be filled by parish staff or by engaging contractors/consultants. **Note:** If consultants/contractors are utilized, the following table is an example of ways to calculate tasks and rates and/or deliverable process.

Gustav/Ike Administration Budget Template					
{Sample/Guide}					
Total Allocation: _____; Percentage: _____ (target 0.5%)					
Category/Position*	Salary/Percentage**	Total Cost	2009	2010	2011 (etc)
Parish Administration					
General Management					
Oversight					
Budgets and Schedules					
Chief Financial Officer					
Budget Officer					
Accounting/Finance Officer					
Contracts Accountant					
Citizen Participation/Outreach					
Community Liaison					
Public Relations Officer					
Reports (and Parish Proposal)					
Admin Grants Manager					
Admin/Clerk					
Audit					
Auditor/Audit fees					
Monitoring and Compliance					
Monitoring Specialist					
Compliance Officer					
Other					
Legal Clerk					
Purchasing Clerk					
Legal Expenses					
Travel/Training					
Equipment					

* A brief **Position Description/Explanation of Scope** should be provided with each position to effectively understand and assure correct categorization.

** Pertains to existing staff who will be allocating a percentage of time to Gustav/Ike programs.



Gustav/Ike Recovery & Revitalization Program



Consultant Admin expenses			
Cost Reimbursement basis			
Program TASKs	Estimated hours	Hourly Rate	Direct Cost per Task
1 Complete DR Quarterly Report s	-	-	-
Advanced Professional @ four hours x 10 reports	40	85.00	3,400.00
Clerical @ 1.5 hours x 10 reports	15	26.50	397.50
OR			
Consultant Admin expenses			
Deliverable Basis			
Contract Deliverables	Estimated # Items	Cost per item	Services or Materials Cost
1 Completed DR Quarterly Reports	10	\$ 400.00	4,000.00