Economic Development and Finance
Standing Committee Meeting Agenda
Monday, November 7, 2022
5:00 PM

Location: HYBRID
We invite you to view the meeting in person in the 5th-floor conference room, Suite 512, Municipal Office Building, 701 N. 7th Street, Kansas City, Kansas, or virtually via Zoom webinar.

You are invited to a Zoom webinar.
When: Nov. 7, 2022, 05:00 PM Central Time (US and Canada)
Topic: Standing Committee

Please click the link below to join the webinar:
https://us02web.zoom.us/j/87493518747?pwd=TnZKbWZKSzh1dW9qakZzS1psWTY2Zz09
Passcode: 380362
Or One tap mobile:
US: +16699009128,87493518747# or +17193594580,87493518747#
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Dial (for higher quality, dial a number based on your current location):
US: +1 669 900 9128 or +1 719 359 4580 or +1 253 215 8782 or +1 346 248 7799 or +1 669 444 9171 or +1 564 217 2000 or +1 646 558 8656 or +1 646 931 3860 or +1 301 715 8592 or +1 309 205 3325 or +1 312 626 6799 or +1 360 209 5623 or +1 386 347 5053 or 888 475 4499 (Toll Free) or 877 853 5257 (Toll Free)
Webinar ID: 874 9351 8747
International numbers available: https://us02web.zoom.us/u/ke9lWzWB8

Name	Absent
Commissioner Tom Burroughs, Chair	☐
Commissioner Brian McKiernan	☐
Commissioner Chuck Stites	☐
Commissioner Gayle Townsend	☐
Commissioner Andrew Davis	☐
David Haley, BPU Member	☐

I. Call to Order/Roll Call
II. Revisions to November 7, 2022 Agenda
III. Approval of standing committee minutes September 12, 2022.
IV. Committee Agenda

Item No. 1 - RESOLUTION: FOURTH AMENDMENT TO LEGENDS WEST LAWN DEVELOPMENT AGREEMENT

Synopsis: A resolution authorizing the fourth amendment to the Legends West Lawn Development Agreement, submitted by Patrick Waters, Deputy Chief Counsel.

Tracking #: 212074

Item No. 2 - RESOLUTION: FLAHERTY COLLINS- THE YARDS 2-IRB APPLICATION

Synopsis: A resolution determining the intent of the Unified Government of Wyandotte County/Kansas City, Kansas to issue its Industrial Revenue Bonds in the amount of not to exceed $51,803,111 to finance the costs of acquiring, constructing, improving and equipping a commercial project for the benefit of KC THE YARDS 2, LLC, and its successors and assigns (sales exemption only), submitted by Patrick Waters, Deputy Chief Counsel, and Stephanie Bell, Economic Development Management Analyst.

Tracking #: 212081

Item No. 3 - RESOLUTION: AMEND THE MERC MANAGEMENT AGREEMENT

Synopsis: A resolution authorizing the adoption of the First Amendment to the Merc Grocery Store Management Agreement with Community Mercantile, Inc., extending the original term of the agreement from July 30, 2023 to July 30, 2025. Submitted by Patrick Waters, Legal Counsel, Stephanie Bell, Economic Development

Tracking #: 212082

Item No. 4 - RESOLUTION: 2023-A BONDS AND 2023-I & II TEMPORARY NOTES

Synopsis: A resolution authorizing the offering for sale of municipal temporary notes and general obligation bonds of the Unified Government of Wyandotte County/Kansas City, Kansas, submitted by Debbie Jonscher, Acting Chief Financial Officer.

Tracking #: 212029

Item No. 5 - RESOLUTION: GRANTS MANAGEMENT MANUAL

Synopsis: A resolution approving the Unified Government's Grants Management Manual submitted by Debbie Jonscher, Acting Chief Financial Officer

Tracking #: 212086

V. **Public Agenda**

VI. **Adjourn**

ECONOMIC DEVELOPMENT AND FINANCE
STANDING COMMITTEE MINUTES
Monday, September 12, 2022

The meeting of the Economic Development and Finance Standing Committee was held on Monday, September 12, 2022, at 5:01 p.m. The following members were present: Commissioner Burroughs, Chairman; Commissioners Davis, Townsend, Stites, McKiernan, and BPU Board Member Haley. The following officials were also in attendance: Katherine Carttar, Director of Economic Development; Patrick Waters, Deputy Chief Counsel; Andrea Vinyard, Deputy Treasurer; Kathleen VonAchen, Chief Financial Officer; Reginald Lindsey, Budget Director; Debbie Jonscher, Deputy Chief Financial Officer; Jeffrey Conway, Assistant Counsel; Monica Sparks, Acting UG Clerk; and Adelina Masingill and Tifani Portley, UG Clerk's Office.

Chairman Burroughs said before I call the meeting to order I do want to announce that some committee members, staff, and the public are attending remotely via Zoom as well as on-site.

All participants joining by phone should mute their phones when not speaking to avoid background noise. During the meeting, please make sure that you announce yourself by name and title every time you speak so the public that is observing knows who is speaking. This is critical given the number of remote participants and is the current guidance from the Kansas Attorney General.

The public is allowed to participate by Zoom or submit comments by email prior to the meeting and those comments will be included in the record of this meeting. The public may also indicate your intent to provide remote, public comments by contacting the Clerk's Office by 5:00 the Thursday before the meeting. The public also will have an opportunity to provide brief comments by telephone or via Zoom from the 5th Floor Conference Room of the Municipal Office building.

Chairman Burroughs called the meeting to order. Roll call was taken and all members were present as shown above. There are no revisions to tonight's agenda.

Approval of standing committee minutes from April 4, 2022. **On motion of Commissioner Davis, seconded by Commissioner Stites, the minutes were approved as submitted**. Roll call was taken and there were five "Ayes," Davis, Townsend, Stites, McKiernan, Burroughs. BPU Board member Haley did not vote.

COMMITTEE AGENDA

Item No. 1 – 211935… RESOLUTION: RESOLUTION OF INTENT TO ISSUE INDUSTRIAL REVENUE BOND

Synopsis: Resolution of Intent to Issue Industrial Revenue Bonds not to exceed $25,000,000 for the Benefit of Sunflower Development Group, LLC (505 Central Avenue Project), submitted by Katherine Carttar, Director of Economic Development.

Chairman Burroughs said this takes us to our first item of business this evening, we do have a fairly brief agenda this evening. The first order of business is an action item, a resolution of Intent to Issue Industrial Revenue Bonds. We have Katherine Carttar this evening making the presentation. Please go ahead.

Katherine Carttar, Director of Economic Development said this is a continuation of the item we heard just about a month ago at the full commission for the 505 Central apartment complexes.

Commission Actions for 505 Central Project

Action Items	Dates
Resolutions: Approve Development Agreement Set public hearing date establishing TIF District	ED&F – July 11th Commission – July 14th (setting public hearing) August 25th (DA)
Public Hearing & Ordinance: Approve formation of TIF District Resolution: Approve Development Agreement	Commission – August 25th
Resolution setting project plan public hearing date Resolution of Intent to Issue IRB Sales Tax Exemption on Construction Materials	ED&F – Sept 12th (Commission – Sept 14th)
Public Hearing & Ordinance: Approve Project Plan Resolution of Intent to Issue IRB Sales Tax Exemption on Construction Materials	Commission – Oct 27th

As you recall, this is a fairly lengthy process, so these are the steps we have. Back on August 25th the development agreement as well as the TIF district were approved. In that development agreement, we went over a number of items specific to the project, including what the tax increment financing deal point looks like as well as an IRB tax exemption request for just construction materials.

What we have today, I can go through and remind everyone what this project looked like, but I feel like we spent quite a lot of time on it so I don't have to do that. But we have in front of you today are two resolutions. One is a resolution of intent to issue industrial revenue bonds sale tax exemptions on construction materials, again as discussed in the development agreement. The other is a resolution setting a public hearing date for October 27th on that public hearing date is when the second and final step of the TIF program gets voted on and that's actually the project plan. As you recall the district was put in place which kind of put the boundaries of that area and that has been approved, so there is now a TIF district. But to actually provide the incentive to that specific project in the terms we have discussed in the development agreement that requires the project plan.

Those are the two things. Again, we are not voting on the project plan tonight, we are setting the public hearing date. We ask that you also move forward resolution of intent to issue industrial revenue bonds. I will make one final note that to stay on half to have the public hearing on October 27, there are fairly lengthy notice provisions. It would be ideal if we could fast-track just the public hearing date resolution to this week and the others can go as normal. Any questions, happy to go into any other specifics with the project or these two resolutions.

Chairman Burroughs said members have any questions. Staff, do you see any hands up by community members?

Monica Sparks, Acting UG Clerk said no, there are no hands up.

Action: Commissioner Stites made a motion, seconded by Commissioner Davis to approve.

Chairman Burroughs said gentlemen thank you before I move forward, I do want to ask if there are any other questions from the committee. If not, then I will recognize any members from the public or online who wish to address the committee.

Ms. Sparks said we have Rose Elits online. Ms. Elits go ahead.

Chairman Burroughs said you will have 3 minutes to make your comment.

Rose Elits, KCK Strawberry Hill, said that's fine, it's really kind of a question. I read through the packet that was for this meeting. On page, I think it's 54, there's some reference that makes it sound like the Unified Government is going to own this property. Did I misread that? I'm trying to find the exact location of that part.

Ms. Carttar said the way industrial revenue bonds work, the short answer is no the Unified Government will not own the property. Basically, what we do is we're providing the developer and we do this with any time you get sales tax exemption on construction bonds, it's kind of a quick pass through the Unified Government. We're providing them with kind of our tax exemption status for that time during the construction while they're purchasing those materials. Never does the Unified Government actually own the property, but there is some, Patrick may be able to explain better how that functions.

Patrick Waters, Deputy Chief Counsel said it used to be under the old law that you would actually take ownership while the bonds were outstanding, but the state legislature changed that. It's now a leaseback structure, which is purely a legal vehicle. Again, as Katherine said so that they can use our tax-exempt status, but we have no actual property interest in it. **Ms. Ellis** said okay would it make sense to reword that because that's sure how it reads.

Mr. Waters said I'm happy to talk with our bond Council for future resolutions if there's a way that we can clarify that. **Ms. Ellis** said okay thank you.

Ms. Sparks said no other hands are raised.

Chairman Burroughs said I will now recognize anyone in the audience who wishes to speak. You will be given three minutes. Let the record show nobody is present wishing to speak. With that we do have a motion and a second, I ask the clerk to call the roll.

Roll call was taken and there were six "Ayes," Haley, Davis, Townsend, Stites, McKiernan, Burroughs.

Item No. 2 – 211933… RESOLUTION: A RESOLUTION SETTING A PUBLIC HEARING ON A REDEVELOPMENT PROJECT PLAN

Synopsis: Resolution setting a Public Hearing on a Redevelopment Project Plan for the 505 Central Avenue for October 27, 2022, submitted Katherine Carttar, Director of Economic Development.

Chairman Burroughs said that takes us to item number two and that's a resolution setting just the hearing in reference to the 505 Central Avenue Redevelopment project plan for October 27. This has been asked to be fast-tracked, as it was stated, to the September 15 full commission meeting. I believe Ms. Carter will make any other additional comments you have. **Ms. Carttar** said no other comments. **Chairman Burroughs** said any comments from the committee members?

Commissioner Davis said yeah just on that slide it says the 14^{th}. **Ms. Carttar** said just whatever Thursday is. I appreciate that thank you.

Chairman Burroughs said any other comments or questions? Seeing none, I'd ask a clerk if there were any comments received from the public. **Ms. Sparks** said no comments were received.

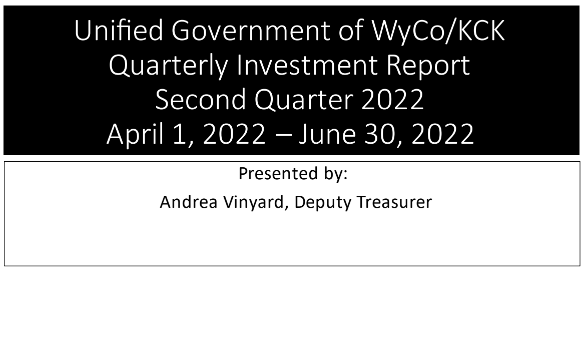
Chairman Burroughs said I just will ask if anyone present this evening in the audience would like to speak to the resolution. Let the record show no one has stepped forward. Again, this is just to set the public hearing for 505 Central. With that, I'd entertain a motion.

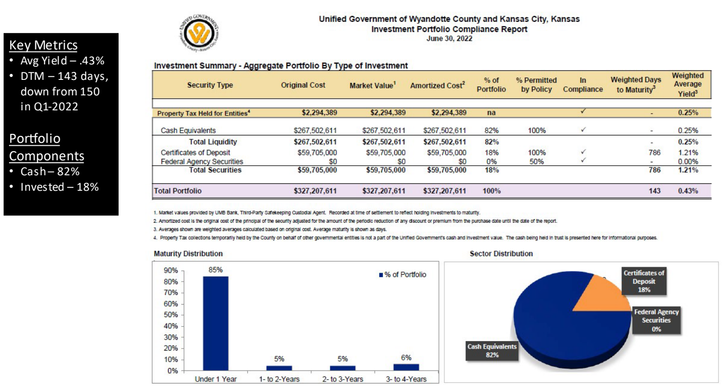
Action: **Commissioner Stites made a motion, seconded by Commissioner Davis, to approve and fast-track the resolution**. Roll call was taken and there were six "Ayes," Haley, Davis, Townsend, Stites, McKiernan, Burroughs.

Item No. 3 – 211818… REPORT: SECOND QUARTER 2022 CASH INVESTMENTS

Synopsis: Second Quarter 2022 Cash Investments Report, submitted by Andrea Vinyard, Deputy Treasurer.

Chairman Burroughs said those are our two action items. I believe this takes us to item number three which is our second-quarter 2022 Cash Investments and our Deputy Treasurer, Andrea Vinyard. This is for information only.





Key Metrics
- Avg Yield – .43%
- DTM – 143 days, down from 150 in Q1-2022

Portfolio Components
- Cash – 82%
- Invested – 18%

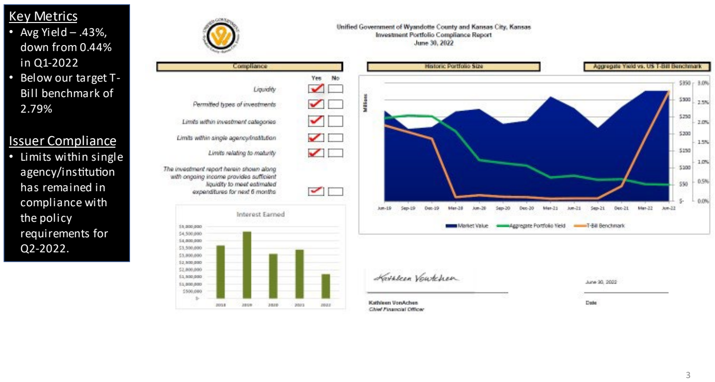
Unified Government of Wyandotte County and Kansas City, Kansas
Investment Portfolio Compliance Report
June 30, 2022

Investment Summary - Aggregate Portfolio By Type of Investment

Security Type	Original Cost	Market Value[1]	Amortized Cost[2]	% of Portfolio	% Permitted by Policy	In Compliance	Weighted Days to Maturity[3]	Weighted Average Yield[3]
Property Tax Held for Entities[4]	$2,294,389	$2,294,389	$2,294,389	na		✓	-	0.25%
Cash Equivalents	$267,502,611	$267,502,611	$267,502,611	82%	100%	✓	-	0.25%
Total Liquidity	$267,502,611	$267,502,611	$267,502,611	82%			-	0.25%
Certificates of Deposit	$59,705,000	$59,705,000	$59,705,000	18%	100%	✓	786	1.21%
Federal Agency Securities	$0	$0	$0	0%	50%	✓	-	0.00%
Total Securities	$59,705,000	$59,705,000	$59,705,000	18%			786	1.21%
Total Portfolio	$327,207,611	$327,207,611	$327,207,611	100%			143	0.43%

1. Market values provided by UMB Bank, Third-Party Safekeeping Custodial Agent. Recorded at time of settlement to reflect holding investments to maturity.
2. Amortized cost is the original cost of the principal of the security adjusted for the amount of the periodic reduction of any discount or premium from the purchase date until the date of the report.
3. Averages shown are weighted averages calculated based on original cost. Average maturity is shown as days.
4. Property Tax collections temporarily held by the County on behalf of other governmental entities is not a part of the Unified Government's cash and investment value. The cash being held in trust is presented here for informational purposes.

Andrea Vinyard, Deputy Treasurer said this will be the quarter two 2022 investment report. First slide here just going to go over a few metrics. The average yield for that quarter was 0.43 and then days to maturity was at 143 days going down a little bit from quarter one of 2022. Of the portfolio we're sitting at 82 percent in cash, and then the rest would be Investments.



As stated in the last slide the yield was at 0.43 last quarter of quarter 21 or excuse me 22, quarter one was at 0.44 very small change. Still below our target t-bill rate, which was at 2.79 for that quarter. As always, I like to represent the compliance that we follow within our limits of our institution. In the past that was an issue, we've kept that under wraps for about the last three years which is a goal of ours. Still there as of quarter two under the limit.

Types of securities in our investment portfolio?

Of the $327 M total, $59.7 M or 18% - CDs fully collateralized per investment policy and State Statute & $0 US Agencies Securities.

Unified Government of Wyandotte County and Kansas City, Kansas
Investment Portfolio Compliance Report
June 30, 2022

Issuer Detail - Aggregate Portfolio by Issuer

Issuer	Original Cost	Market Value[1]	% of Portfolio[3]	% Permitted by Issuer	In Compliance[3]	Weighted Average Maturity Days[2]	Weighted Average Yield[2]
Property Tax Held for Entities[3]	**2,294,389**	**2,294,389**	**na**	**See note 3**	✓	**0**	**0.25%**
UMB, Wyandotte Operating	263,907,611	263,907,611	81%	25%	✓	0	0.25%
UMB, Wyandotte Health	3,595,000	3,595,000	1%	25%	✓	0	0.00%
Cash Equivalents	**267,502,611**	**267,502,611**	**82%**		✓	**0**	**0.25%**
Argentine Federal Savings	235,000	235,000	0%	25%	✓	0	0.00%
Bank Midwest	235,000	235,000	0%	25%	✓	0	0.00%
Commerce Bank	50,000,000	50,000,000	15%	25%	✓	773	0.77%
Security Bank of KC	9,235,000	9,235,000	3%	25%	✓	9	0.24%
Certificates of Deposit	**59,705,000**	**59,705,000**	**18%**		✓	**786**	**1.21%**
NA	-	-	0%	*50% of total*	✓	0	0.00%
NA	-	-	0.0%	*portfolio*	✓	0	0.00%
Federal Agency Securities	**-**	**-**	**0%**		✓	**0**	**0.00%**
Grand Total	**327,207,611**	**327,207,611**	**100%**			**143**	**0.43%**

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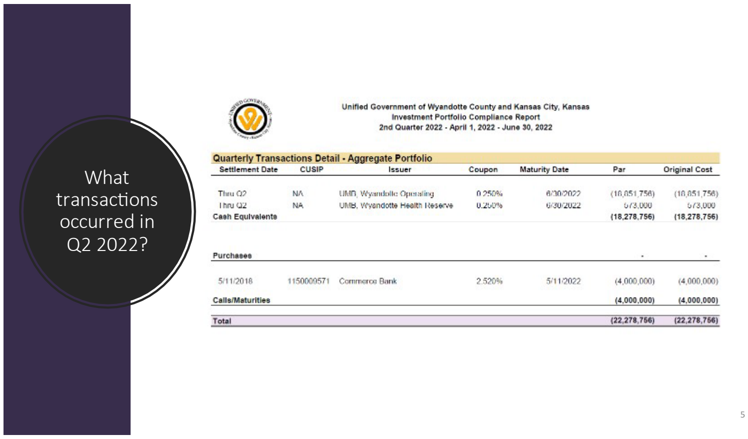
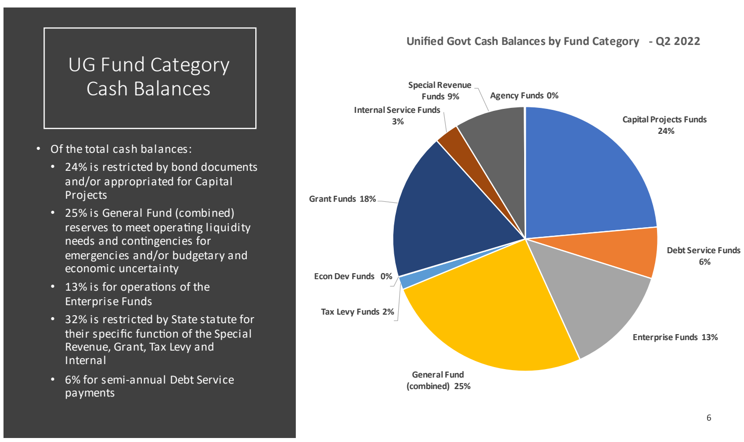
Of our portfolio, we have $327M. Of that, we are sitting at about 18% in CDs which comes to about $59M. In this quarter we still did not have any federal agency securities. The rest was in the cash for the overnight and the Health Reserve account.



Quarterly Transactions Detail - Aggregate Portfolio

Settlement Date	CUSIP	Issuer	Coupon	Maturity Date	Par	Original Cost
Thru Q2	NA	UMB, Wyandotte Operating	0.250%	6/30/2022	(18,851,756)	(18,851,756)
Thru Q2	NA	UMB, Wyandotte Health Reserve	0.250%	6/30/2022	573,000	573,000
Cash Equivalents					(18,278,756)	(18,278,756)
Purchases					-	-
5/11/2018	1150009571	Commerce Bank	2.520%	5/11/2022	(4,000,000)	(4,000,000)
Calls/Maturities					(4,000,000)	(4,000,000)
Total					(22,278,756)	(22,278,756)

Transactions from Quarter Two, we only had one. We did have a Commerce Bank CD mature in May, that would have been for $4M.



Last but not least, I'll quickly go over that as these two to my right and left will go a lot deeper into that here in the next item. The fund balance for cash for the 24% is in the bond documents capital projects. 25% of the general fund, then we've got 13% in the enterprise funds, carrying into 32% in restricted funds, such as the grant fund tax levy and internal fund. Then we have 6% sitting in the annual Debt Service payments fund. Actually, all I have.

Chairman Burroughs said thank you Andrea. Committee any questions?

I do have a question if I may, Andrea. I'm looking at page six how you broke it down to 24%-25% General Fund. There was a question the other day in reference to our reserves. To fund reserves and maybe I'm a little mistaken and I'm looking for some clarity, Debbie this may be towards you and Reggie also. When we were having a budget discussion the other night we talked about our reserves. We have two months' equivalent of reserves in our budget. and I thought it was on us to also have an additional month in emergency reserves. I was to understand that we don't have additional monthly emergency reserves.

Debbie Jonscher, Deputy Chief Financial Officer, said I'm trying to remember what we had. I think when we were looking at 2020, how we ended the year of 2021. I don't remember exactly what that percentage was, but I believe we had met the two-month reserve.

Reginald Lindsey, Budget Director, said the policy reads that it's mandatory that we try to keep the 17%. In ideal times we try to build up to the 25% when we can. We're not out of compliance if we don't have the 25% for the General Funds that is.

Chairman Burroughs said well when I look and I read this 25% general fund combined reserves operating liquidity, that's above the 17% that we have for two months. I was just curious if we have that third month funded for emergency purposes.

Ms. Jonscher said when we budget the reserve, which is the fund balance, that's the reserve that we're talking about. Here we're actually talking about the cash balance at the end of June 30th. When we talk about the fund balance policy, we want it at the end of the year when everything's all ready to come in and all the expenses went out, we want still sitting in our account that 17% which is a two-month reserve. During the year those can fluctuate, you know when revenues come in and when they go out. Everything doesn't come in on a monthly basis, some of them come in equally on a monthly basis but there are other items interesting maybe seasonal, or you know like property tax. We get, you know, we probably have 90% or more of the property tax collected by the end of the second quarter. It can vary from month to month or quarter to quarter.

Commissioner Stites said this was a reflection obviously of quarter two at the end of quarter two. That 25% more than likely will not be the same at the end of quarter three, correct? **Ms. Jonscher** said that is correct.

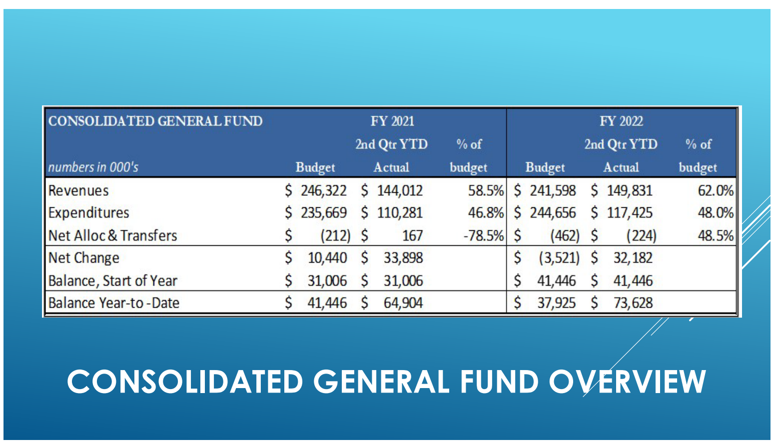
Chairman Burroughs said thank you for that clarification. Any other comments or questions? Seeing none, any comments from staff? As I stated this was for information only.
Do we have any remote comments from the public?

Ms. Sparks said no one has their hands raised.

Chairman Burroughs said anybody present wants to speak. Let the record show no one was present. Okay, thank you, Andrea. Appreciate it very much.

Item No. 4 – 211934…REPORT: SECOND QUARTER 2022 BUDGET VS. ACTUALS
Synopsis: Second Quarter 2022 Financial Performance Compared to Budget of the Unified Government, submitted by Kathleen VonAchen, Chief Financial Officer and Reginald Lindsey, Budget Director. *For information only.*

This takes us to Item #4, if I remember correctly that would be the second quarter budget to actuals. I believe we have Debbie and Reginald here this evening to present. This item is also for information only.

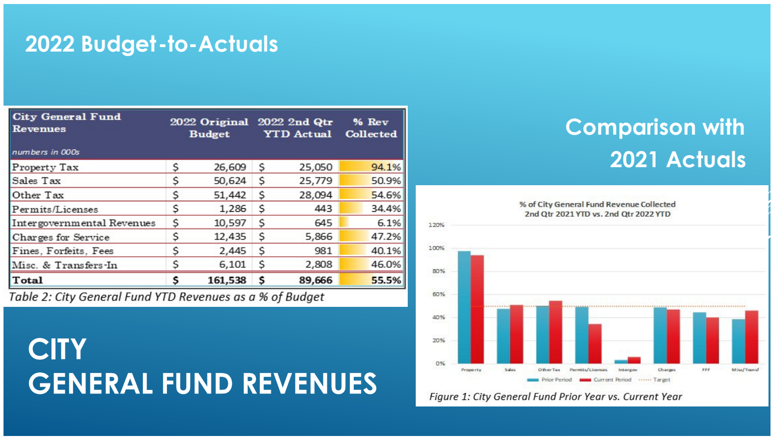


CONSOLIDATED GENERAL FUND	FY 2021			FY 2022		
		2nd Qtr YTD	% of		2nd Qtr YTD	% of
numbers in 000's	Budget	Actual	budget	Budget	Actual	budget
Revenues	$ 246,322	$ 144,012	58.5%	$ 241,598	$ 149,831	62.0%
Expenditures	$ 235,669	$ 110,281	46.8%	$ 244,656	$ 117,425	48.0%
Net Alloc & Transfers	$ (212)	$ 167	-78.5%	$ (462)	$ (224)	48.5%
Net Change	$ 10,440	$ 33,898		$ (3,521)	$ 32,182	
Balance, Start of Year	$ 31,006	$ 31,006		$ 41,446	$ 41,446	
Balance Year-to-Date	$ 41,446	$ 64,904		$ 37,925	$ 73,628	

Debbie Jonscher, Deputy Chief Financial Officer, said and as you said tonight, we're here to report the second quarter budget to actual. We bring this information to the standing committee on a quarterly basis. I will be covering the revenues and then I will turn it over to Reginald Lindsey, our Budget Director, to cover the expenses.

This first one is just the Consolidated General Fund overview. Just a reminder the Consolidated General Fund includes the City General Fund, the County General Fund, and the Parks General Fund.

As you can see, this table is a comparison of second quarter year-to-date actuals. The first part of the graph shows the fiscal year 2021 and then the second half is fiscal year 2022. As you can see in 2021 at this point, we were at 58% collected on revenues, and for this year we're at 62%. On the expenditures, we're at 46.8% in 2021 and then we're at 48% for 2022. We started the year with the year-to-date fund balance I guess for the fiscal year 2022, we are at $73,628M.



City General Fund Revenues *numbers in 000s*	2022 Original Budget		2022 2nd Qtr YTD Actual		% Rev Collected
Property Tax	$	26,609	$	25,050	94.1%
Sales Tax	$	50,624	$	25,779	50.9%
Other Tax	$	51,442	$	28,094	54.6%
Permits/Licenses	$	1,286	$	443	34.4%
Intergovernmental Revenues	$	10,597	$	645	6.1%
Charges for Service	$	12,435	$	5,866	47.2%
Fines, Forfeits, Fees	$	2,445	$	981	40.1%
Misc. & Transfers-In	$	6,101	$	2,808	46.0%
Total	**$**	**161,538**	**$**	**89,666**	**55.5%**

Table 2: City General Fund YTD Revenues as a % of Budget

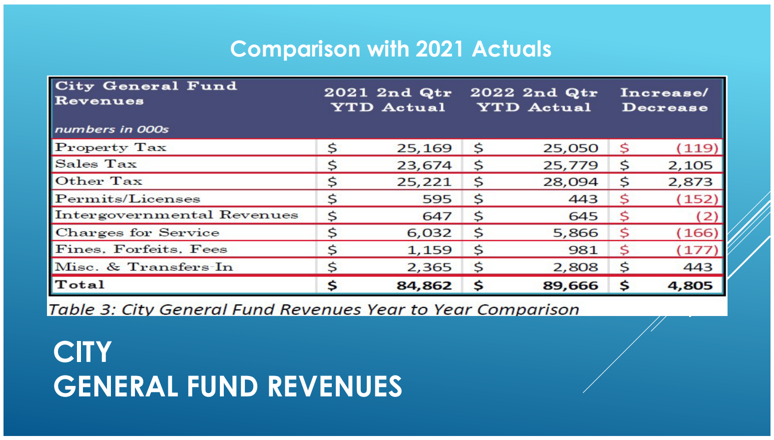
Figure 1: City General Fund Prior Year vs. Current Year

The next two graphs are going to be, I'm going to just talk specifically about the City General Fund. The first graph on your left shows the budget to actual and it breaks down all the different revenues for the City General Fund. Our total budget for 2022 was $161.5M. Year-to-date we have our revenues collected are $89.6M, with a total of 55.5%.

As I said with property tax by the end of the second quarter, we've collected the majority of the property tax. We're sitting at 94.1%, and for sales tax we're at 50.9%. Sales tax is currently tracking very close to right on budget.

Our Other Taxes which would include Franchise Taxes we're at 54.6%. The one that I'll just point out, the Intergovernmental Revenues you'll see is 6.1%. I do believe that the reason for that is Intergovernmental Revenues are where we had the ARPA revenue budgeted. If you recall this year, we did make an adjustment to the ARPA revenue. The amount that we had budgeted here I believe is still showing the total budget. That's why it's only showing at 6.1% because that lost revenue that's budgeted there does not have any expenses, or very little.

Charges for Service are at 47.2%. The largest category in this area is the Trash and Recycling, and then we've got Fines and Fees at 40% and Miscellaneous at 46%. The graph on your right just shows a comparison of 2021 to 2022. The blue is the prior year, the red is the current year and then the dotted line is the 50% mark showing where we would be. It just shows each one of these categories. It kind of aligns with the graph Property Tax is well above almost at 100%, and Sales and Other Taxes are right around 50% or a little bit higher. Any questions on either one of those?



City General Fund Revenues *numbers in 000s*	2021 2nd Qtr YTD Actual	2022 2nd Qtr YTD Actual	Increase/ Decrease
Property Tax	$ 25,169	$ 25,050	$ (119)
Sales Tax	$ 23,674	$ 25,779	$ 2,105
Other Tax	$ 25,221	$ 28,094	$ 2,873
Permits/Licenses	$ 595	$ 443	$ (152)
Intergovernmental Revenues	$ 647	$ 645	$ (2)
Charges for Service	$ 6,032	$ 5,866	$ (166)
Fines. Forfeits. Fees	$ 1,159	$ 981	$ (177)
Misc. & Transfers In	$ 2,365	$ 2,808	$ 443
Total	**$ 84,862**	**$ 89,666**	**$ 4,805**

Table 3: City General Fund Revenues Year to Year Comparison

Chairman Burroughs said does the committee have any questions in reference to the first part of the presentation?

David Haley, BPU Board member, said the question is for the revenues that are generated. Would the Payment-in-lieu-of-taxes be, I know that it was in reference, we did add the reference line to like the Trash Fees, but would that be along the line of this presentation, where that revenue is generated?

Ms. Jonscher said yes, the PILOT would show up in the Other Tax category. That's what you were asking? The trash fee, the residential trash fee, is under Charges for Service. The PILOT fee is under the Other Tax category.

Mr. Haley said okay and I'm sorry I'm using this Zoom I'm unable to see the chart (Inaudible) like one or the other. It's gone from me, but what is that line item if you could share that with us, please again.

Ms. Jonscher said the Other Tax category budget, the revenue budget was $51.4M. We currently collected a little over $28M at 54.6% and this would be the category that the PILOT would be under.

Mr. Haley said all right, so at some point subsequent will there be something that shows how those revenues collected for the PILOT would have been dispersed or everything just goes into hodgepodge into the City General Fund? Is that a fair statement? **Ms. Jonscher** said yes, the PILOT is deposited to the City General Fund. **Mr. Haley** said but it's collected for a specific purpose, is that not true? **Ms. Jonscher** said we are collecting the PILOT for, I mean it goes to offset expenses within the City General Fund. **Mr. Haley** said there's been some questions as to what the origin of the PILOT was intended to do and what it was to be applied to. I just didn't know.

Chairman Burroughs said Mr. Haley, if I may, I believe what your question initially was where is the PILOT reflected on the chart? If I understood staff correctly, it's in the category it says Other Tax, is that correct staff? Then it goes into the General Fund to be dispersed through wherever the staff says it needs to be set within the General Fund. I don't know if I understand your question fully, but I want to give staff a fair opportunity to understand the question, and to give you a fair response.

Ms. Jonscher said I was just going to say, when we deposit the PILOT, it doesn't go to a specific department or fund. It is used to pay operating expenses across the entire General Fund. So, you may have a department that collects a specific revenue, that would go back to a specific department, but for the PILOT, similar to the Sales Tax and the Property Tax, those are spread out to offset all General Fund expenses.

Mr. Haley said okay, thank you both, for that clarity. My understanding was that there was at its inception, the reason for the collection of the PILOT, was to be to offset a specific purpose and I'm getting some clarity that that's not the case. It is a General Fund initiative or General Fund revenue that comes back in. There is no reason from its inception that it would go back to alleviate a particular part of the city or of the county of the Unified Government's expenses. It could be anything.

Ms. Jonscher said that's my understanding, I don't know if Legal would have a different interpretation, but that's our understanding.

Mr. Haley said well thank you both for the clarity.

Commissioner Davis said I think what Senator Haley's getting at is something that I agree. I think we need more information on the origin of the PILOT because I think to this day there's not a clear answer on kind of where it originated from and what purpose it serves. I've heard that the PILOT is kind of this fee that offsets the cost of doing business between BPU and the Unified Government. I've also heard the PILOT is being used as a payment-in-lieu-of-taxes, that tax being property taxes on entities that do not pay taxes which would be BPU, it would be your non-profits, your churches, your educational institutions, and what have you. There’s a variety of definitions of the purpose, but this is collecting like $35M. I think it would be prudent upon us to get some answers on what the genesis, what the origin of it is, then what the legal language of the PILOT is that kind of backs it up. You don't have to get that now, but I think at some point at least to this committee if not to the full commission, that could be very helpful.

Ms. Jonscher thank you, okay, we can provide that.

Reginald Lindsey, Budget Director, said Commissioner Davis, I will answer some of your questions about the PILOT. Utility companies, they do collect the franchise tax. Since BPU is owned by the citizens, we don't have a franchise tax that we collect from them. Other utility companies that we collect the franchise tax from, they also have property within a county or city that they would reside in and you also get property tax from them for that. So, the PILOT is a way to help us collect a franchise tax and also recognize the property tax, and not saying that we have to do it or anything like that, but that is a way that PILOTS are used across the country.

Mr. Haley said I'm sorry, I don't - my screen has changed. I appreciate that clarity. This is greatly educational for me, and I appreciate Commissioner Davis helping me to try to better articulate my concern. I thought, or I think, that there is a franchise fee line item currently on the BPU bill independent of the PILOT. I'd have to go back, I don't have my bill or other bills in front of me. So there'd be more than one franchise fee, if that's the case of one being the PILOT or part of that and the other being the line item that speaks to a fee of franchise fee? **Chairman Burroughs** said David, is that a question to staff?

Mr. Haley said whomever, and again this is for informational purposes tonight. Mr. Chair I don't want to belabor this with that one issue, but I do hope that at some point in time, because there's a general question and concern among the public as to what the PILOT is, how long it's supposed to be extracted, if there is a shelf life for the PILOT, how is it applied when it goes into the General Fund, what does it offset. These are questions, I'll just say that I may be alone, but that I've heard from within our tax base. I don't know if there's a better time to ask it. This may not be the appropriate time, but I would hope that at some point in time we can get some clarity on those questions. **Chairman Burroughs** said thank you, Mr. Haley.

Commissioner Stites said, Senator Haley, I totally agree with you. This is a tax that really is just another way to generate funds for the City General Fund. We have Edwardsville, we have Bonner Springs paying into that fun. It doesn't go into a county fund, it goes into a Kansas City, Kansas fund. I do think that we need to look at how we eliminate this PILOT, that is just another source of revenue put on the backs of our taxpayers. If we need to look at it, I appreciate the way that it’s framed. We need to find out why it was created, how long, and what the purpose was. I'm in favor of eliminating it totally.

Chairman Burroughs said any other comments before we move on with the presentation. Reggie, thank you for that overview, I know that I think one of our presentations last week talked about the average pilot by utility companies. There was a certain percentage, I want to say it was like 5-7% and we are at 11.5-11.9%. I think that was some of the question-reasoning behind the question. Thank you for that comment and could you come back with that average again for us in reference to the information that Commissioner Davis and Haley and Stites requested?

Commissioner Stites said and here's what I want to say also, I believe it has a cap at 15%. So, there's still room for this thing can go up even more.

Ms. Jonscher said I believe you are correct. I believe the resolution states between 5-15 percent.

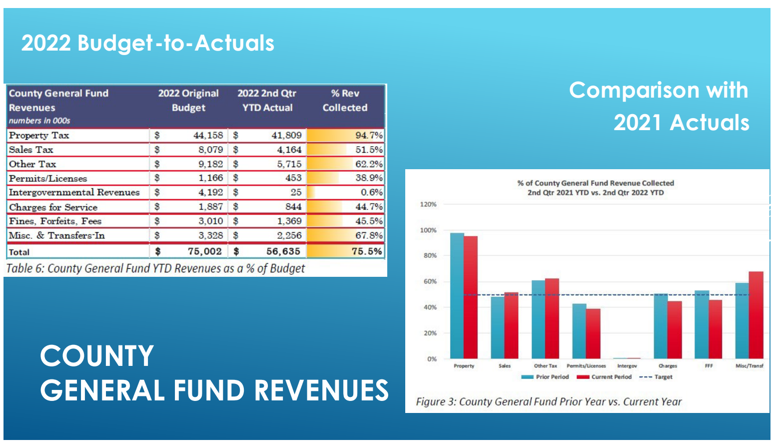
Chairman Burroughs said thank you, okay seeing no other comments, no hands anything like that please continue.

With the City a little ahead of themselves, it's 5 basis points ahead of our 50% mark for the second quarter. That's good news. One other question, if I may, the property taxes at 94.1%, when will the second tranche of the property tax come in? Is it in December?

Ms. Jonscher said the two largest distributions have already occurred, the January and June are the largest. Then we have a small March distribution, as well as there's a September and an October distribution.

Chairman Burroughs said we anticipate that 94.1 percent could be well over 100 probably, 105%. **Ms. Jonscher** said right, the remaining collections would be I believe, well the September collection would be, anything once when they're processing the distribution, there's a cut-off date. So, any payments that came in after that cut-off date are processed on the next distribution. Then usually the final distribution in October is usually a just delinquent collection, it's usually small.

Chairman Burroughs said okay that's good news for the city budget, as you well know it's been quite the challenge this year. Thank you.



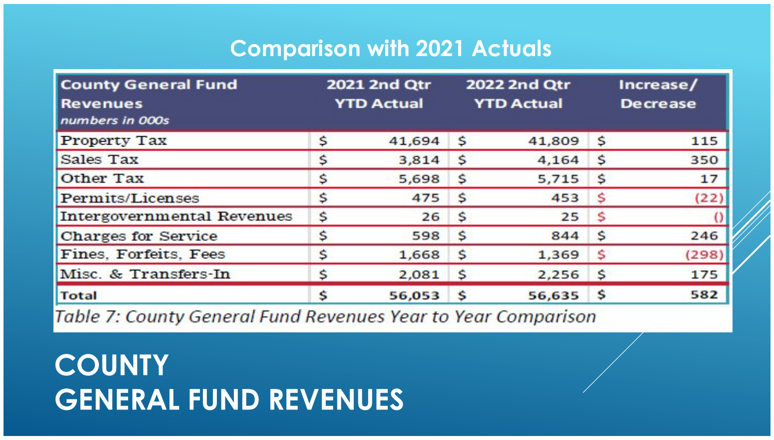
County General Fund Revenues *numbers in 000s*	2022 Original Budget		2022 2nd Qtr YTD Actual		% Rev Collected
Property Tax	$	44,158	$	41,809	94.7%
Sales Tax	$	8,079	$	4,164	51.5%
Other Tax	$	9,182	$	5,715	62.2%
Permits/Licenses	$	1,166	$	453	38.9%
Intergovernmental Revenues	$	4,192	$	25	0.6%
Charges for Service	$	1,887	$	844	44.7%
Fines, Forfeits, Fees	$	3,010	$	1,369	45.5%
Misc. & Transfers-In	$	3,328	$	2,256	67.8%
Total	$	75,002	$	56,635	75.5%

Table 6: County General Fund YTD Revenues as a % of Budget

Ms. Jonscher said this next slide is just some more information comparison from 2021 second quarter year-to-date actuals to 2022. As you can see for the second quarter, we're actually $4.8M, we've collected $4.8M more in 2022 than we did in 2021.

The next two slides are the County General Fund. The same information that I presented for the City. You will see that the graph on the left shows all of the revenues for the County General Fund in detail. We have a total of $75M budgeted and currently for the second quarter we are at $56.6M. We've collected on average 75.5%.

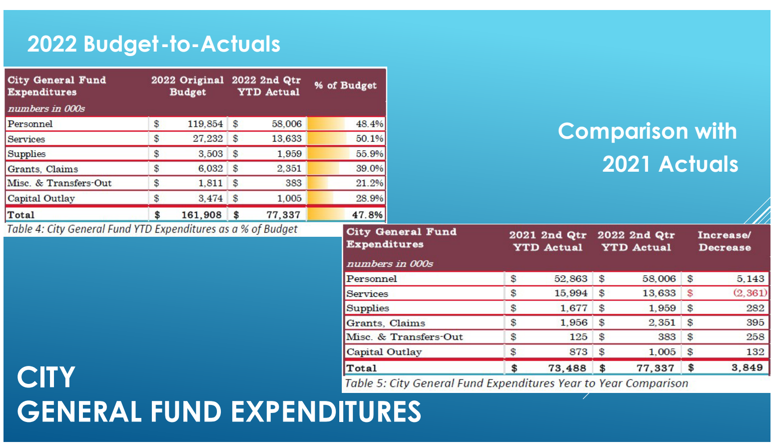
Property Tax again is at 94%, Sales Tax is 51%. The Other Tax, which for the County General Fund would include Motor Vehicle, as well as any IRB, and that was also on the City also but that's at 62%. Charges for Service are is 44.7%, and Fines and Fees are at 45%. Then the graph just shows each one of those categories comparing to the prior year. Once again, the blue is the prior year, the red is the current year, and the dotted line is the target of 50 percent for the second quarter.



County General Fund Revenues *numbers in 000s*	2021 2nd Qtr YTD Actual	2022 2nd Qtr YTD Actual	Increase/ Decrease
Property Tax	$ 41,694	$ 41,809	$ 115
Sales Tax	$ 3,814	$ 4,164	$ 350
Other Tax	$ 5,698	$ 5,715	$ 17
Permits/Licenses	$ 475	$ 453	$ (22)
Intergovernmental Revenues	$ 26	$ 25	$ ()
Charges for Service	$ 598	$ 844	$ 246
Fines, Forfeits, Fees	$ 1,668	$ 1,369	$ (298)
Misc. & Transfers-In	$ 2,081	$ 2,256	$ 175
Total	**$ 56,053**	**$ 56,635**	**$ 582**

Table 7: County General Fund Revenues Year to Year Comparison

This last one just shows another comparison. We are pretty close to where we were last year with collections, as you can see for the total between 2021 and 2022, we've collected $582,000 more in 2022 than we did at the same time last year now. I'm going to turn this over to Reginald Lindsey.



City General Fund Expenditures *numbers in 000s*	2022 Original Budget	2022 2nd Qtr YTD Actual	% of Budget
Personnel	$ 119,854	$ 58,006	48.4%
Services	$ 27,232	$ 13,633	50.1%
Supplies	$ 3,503	$ 1,959	55.9%
Grants, Claims	$ 6,032	$ 2,351	39.0%
Misc. & Transfers-Out	$ 1,811	$ 383	21.2%
Capital Outlay	$ 3,474	$ 1,005	28.9%
Total	**$ 161,908**	**$ 77,337**	**47.8%**

Table 4: City General Fund YTD Expenditures as a % of Budget

City General Fund Expenditures *numbers in 000s*	2021 2nd Qtr YTD Actual	2022 2nd Qtr YTD Actual	Increase/ Decrease
Personnel	$ 52,863	$ 58,006	$ 5,143
Services	$ 15,994	$ 13,633	$ (2,361)
Supplies	$ 1,677	$ 1,959	$ 282
Grants, Claims	$ 1,956	$ 2,351	$ 395
Misc. & Transfers-Out	$ 125	$ 383	$ 258
Capital Outlay	$ 873	$ 1,005	$ 132
Total	**$ 73,488**	**$ 77,337**	**$ 3,849**

Table 5: City General Fund Expenditures Year to Year Comparison

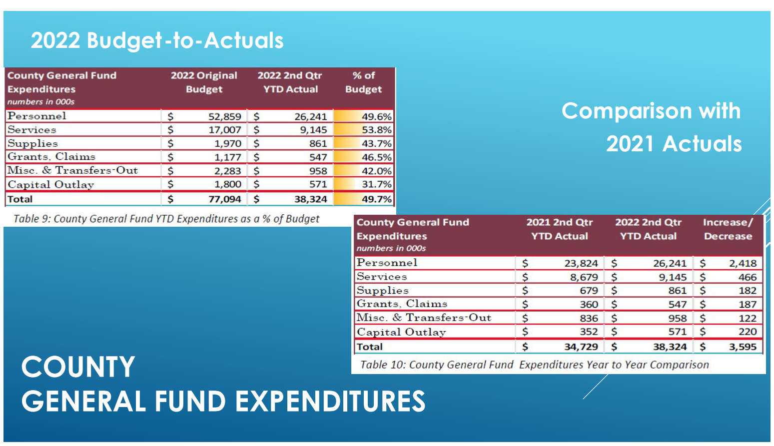
Reginald Lindsey, Budget Director, said the first expenditures that we're going to look at are the City General Fund. In the top right-hand corner, the view we have we're looking at the 2022 budget as it compares to the actuals that we have in the second quarter of 2022. A good rule of thumb is we should be below 50% on our expenditures. We can see in Personnel that we are at 48%. In Services we are right at 50%. Supplies we're at 55% and then some of the things that are for them from Supplies here are like our utility bills. Also, our fuel and also our parts and supplies and those costs have been up and that's one of the reasons we are up over that budget, that we have spent about 60% almost.

The next category is the Grants and Claims and then Miscellaneous Transfers In and Out and then we have Capital Outlay that is at 28%. One of the reasons Capital Outlay hadn't been spent at the 50% level is because a lot of our capital projects go on during the warm weather months and we also had the cyber incident so some of the projects are not tracking as fast as they traditionally have. That's one of the reasons Capital Outlay is at about 30%.

In the next chart down here in the bottom from the right-hand corner is a comparison that last year's second-quarter actuals, so we're comparing 2021 and 2022. We can kind of see where Personnel is up about 10% compared to last year. Then our Services are actually down compared to last year.

One of the things going on there is actually the budget, so just some things aren't happening because of the cyber incident, and some of the contractual expenditures that need to be spent just hadn't been spent yet.

Then Supplies are up about 20%. Then our Capital Outlay is up about 62% compared to last year. One of the reasons is that our budget was a larger one compared to last year's budget, so that's one of the reasons for that.



County General Fund Expenditures *numbers in 000s*	2022 Original Budget	2022 2nd Qtr YTD Actual	% of Budget
Personnel	$ 52,859	$ 26,241	49.6%
Services	$ 17,007	$ 9,145	53.8%
Supplies	$ 1,970	$ 861	43.7%
Grants, Claims	$ 1,177	$ 547	46.5%
Misc. & Transfers-Out	$ 2,283	$ 958	42.0%
Capital Outlay	$ 1,800	$ 571	31.7%
Total	**$ 77,094**	**$ 38,324**	**49.7%**

Table 9: County General Fund YTD Expenditures as a % of Budget

County General Fund Expenditures *numbers in 000s*	2021 2nd Qtr YTD Actual	2022 2nd Qtr YTD Actual	Increase/ Decrease
Personnel	$ 23,824	$ 26,241	$ 2,418
Services	$ 8,679	$ 9,145	$ 466
Supplies	$ 679	$ 861	$ 182
Grants, Claims	$ 360	$ 547	$ 187
Misc. & Transfers-Out	$ 836	$ 958	$ 122
Capital Outlay	$ 352	$ 571	$ 220
Total	**$ 34,729**	**$ 38,324**	**$ 3,595**

Table 10: County General Fund Expenditures Year to Year Comparison

Chairman Burroughs said, actually, before we move forward are there any questions from the committee in reference to the 2021-2022 City General Fund, actuals, budget to actuals?

Mr. Lindsey said, the top right-hand corner County General Fund expenditures comparison of the chart here. We're looking at the 2022 original budget and comparing it to what we have spent so far on year-to-date actuals through the 2nd quarter of 2022. A good rule of thumb, here again, is we're looking to be under 50% on expenditures. We can see that out of the six categories we have spent almost 50% which is a good thing as far as we aren't over budget.

One of the categories where we have spent more than 50% is Services. This is related to funding that we paid out for the cyber incident. Just contractual services that we had to contract out. Then our Supplies were at about 43%. Our Grants and Claims are at 46% and then Miscellaneous Transfers are at 42%, then our Capital Outlay is at about 31%.

If we compare it to last year's budget down in the right-hand corner, 2021 2nd Quarter compared to 2022 2nd Quarter, we can see that we're about 10% above what we spent last year, and then Services we're about 5% above. Then we have our supplies where we're about 52% above. All in all, the budget we've ended up spending about 10% more than we did last year. Any questions about any spending in the County General Fund?

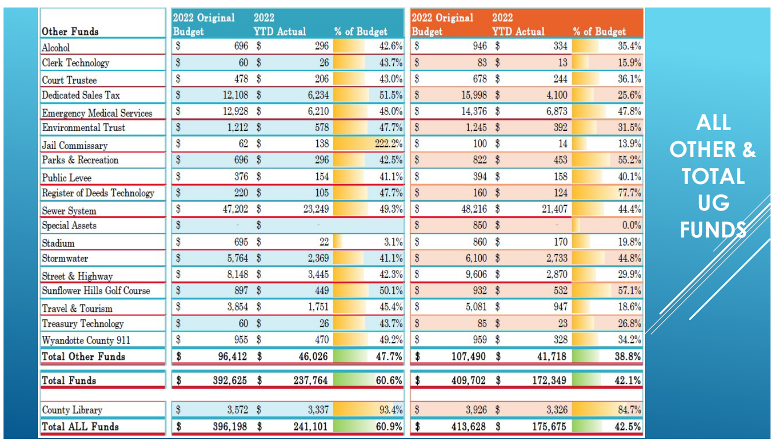
Chairman Burroughs said I'll just state that it's always good to see our expenses, expenditures below our revenues. It looks like we're right on target with the expenditures on the county side. That's not a bad thing and actually, we're below expenditure on the city at this particular time too, if I'm reading that correctly. **Mr. Lindsey** said yes. **Chairman Burroughs** said that's good news as we move into the budget. Any other questions/comments from the committee? **Mr. Lindsey** said there are a couple of more slides. **Chairman Burroughs** said I thought you were wrapping up. I'm sorry.

	REVENUES numbers in 000's			EXPENDITURES numbers in 000's		
Tax Levy Funds	2022 Original Budget	2022 YTD Actual	% of Budget	2022 Original Budget	2022 YTD Actual	% of Budget
City General Fund	$ 161,538	$ 89,666	55.5%	$ 161,908	$ 77,337	47.8%
City Bond & Interest	$ 38,230	$ 29,372	76.8%	$ 39,775	$ 6,872	17.3%
County General Fund	$ 75,002	$ 56,635	75.5%	$ 77,094	$ 38,324	49.7%
Cons. Parks General Fund	$ 7,313	$ 4,658	63.7%	$ 8,373	$ 3,116	37.2%
County Bond & Interest	$ 5,649	$ 4,051	71.7%	$ 6,107	$ 1,038	17.0%
Aging	$ 2,172	$ 1,737	79.9%	$ 2,231	$ 994	44.5%
Developmental Disabilities	$ 615	$ 522	84.9%	$ 598	$ 243	40.7%
Elections	$ 1,486	$ 1,318	88.7%	$ 1,641	$ 568	34.6%
Health	$ 3,489	$ 3,148	90.2%	$ 3,767	$ 1,843	48.9%
Mental Health	$ 718	$ 632	88.0%	$ 718	$ 295	41.1%
Total UG Tax Levy Funds	**$ 296,214**	**$ 191,738**	**64.7%**	**$ 302,213**	**$ 130,631**	**43.2%**

ALL UNIFIED GOVERNMENT TAX LEVY FUNDS

Mr. Lindsey said this current slide is a comparison of our other tax levy funds that do include the City General Fund and the County General Fund. On the left-hand side of the page we're comparing revenue. On the right-hand side of the page we're comparing expenditures. One of the rules of thumb is we're looking for revenues to be above 50% and expenditures to be below 50%. We can see the total UG Tax Levy Funds are at about 64%. We have collected more than 50% here, so that is a good thing.

Then over on the expenditure side, we can see overall the UG Tax Levy Fund, the whole category, about 43% of the budget has been spent, and none of them is over 50%. Any questions about any of those Tax Levy Funds? **Chairman Burroughs** asked any questions/comments. You look at these numbers they're not bad numbers, to review at first halfway through the year.



Other Funds	2022 Original Budget	2022 YTD Actual	% of Budget	2022 Original Budget	2022 YTD Actual	% of Budget
Alcohol	$ 696	$ 296	42.6%	$ 946	$ 334	35.4%
Clerk Technology	$ 60	$ 26	43.7%	$ 83	$ 13	15.9%
Court Trustee	$ 478	$ 206	43.0%	$ 678	$ 244	36.1%
Dedicated Sales Tax	$ 12,108	$ 6,234	51.5%	$ 15,998	$ 4,100	25.6%
Emergency Medical Services	$ 12,928	$ 6,210	48.0%	$ 14,376	$ 6,873	47.8%
Environmental Trust	$ 1,212	$ 578	47.7%	$ 1,245	$ 392	31.5%
Jail Commissary	$ 62	$ 138	222.2%	$ 100	$ 14	13.9%
Parks & Recreation	$ 696	$ 296	42.5%	$ 822	$ 453	55.2%
Public Levee	$ 376	$ 154	41.1%	$ 394	$ 158	40.1%
Register of Deeds Technology	$ 220	$ 105	47.7%	$ 160	$ 124	77.7%
Sewer System	$ 47,202	$ 23,249	49.3%	$ 48,216	$ 21,407	44.4%
Special Assets	$ -	$ -		$ 850	$ -	0.0%
Stadium	$ 695	$ 22	3.1%	$ 860	$ 170	19.8%
Stormwater	$ 5,764	$ 2,369	41.1%	$ 6,100	$ 2,733	44.8%
Street & Highway	$ 8,148	$ 3,445	42.3%	$ 9,606	$ 2,870	29.9%
Sunflower Hills Golf Course	$ 897	$ 449	50.1%	$ 932	$ 532	57.1%
Travel & Tourism	$ 3,854	$ 1,751	45.4%	$ 5,081	$ 947	18.6%
Treasury Technology	$ 60	$ 26	43.7%	$ 85	$ 23	26.8%
Wyandotte County 911	$ 955	$ 470	49.2%	$ 959	$ 328	34.2%
Total Other Funds	**$ 96,412**	**$ 46,026**	**47.7%**	**$ 107,490**	**$ 41,718**	**38.8%**
Total Funds	**$ 392,625**	**$ 237,764**	**60.6%**	**$ 409,702**	**$ 172,349**	**42.1%**
County Library	$ 3,572	$ 3,337	93.4%	$ 3,926	$ 3,326	84.7%
Total ALL Funds	**$ 396,198**	**$ 241,101**	**60.9%**	**$ 413,628**	**$ 175,675**	**42.5%**

Mr. Lindsey said the current slide is a view of our other special revenue tax funds and there are about 19 funds here. The blue column, which is on the left-hand side of the revenues, and then an orange shading column is our expenditures. We should be tracking below 50% of revenues. Again, we should be tracking over 50%. We can kind of see down looking at total funds we're at about 60%.

Then if we go over the expenditures, we see that the total funds are at about 42%. We do have a couple of funds that have spent more than 55%. Parks and Recreation being one of them, also, the Register of Deeds Technology Fund. One of the things that happens is the Register of Deeds Technology Fund, they do encumber their funding for contracts for their computer software early in the year so that's referenced there.

Then, one thing is Parks. They start to get ready for the park season, so they do start to spend some of their money a little bit earlier, so that's why they would be over by a little bit, and the same thing down here with Sunflower Hills. They are over the 50%, they're 57% so they do spend the bulk of their money within the warm weather That is why they have spent more than the 50%.

Commissioner Stites said so obviously the one that sticks out on this chart would be the one that says Jail commissary that's at 222.2%. I mean what, why is that so out of whack? **Mr. Lindsey** said this is basically, they definitely have brought in more revenue than we have forecasted. I don't know right off what the reason is. It could be that our forecast is low there. This is something we probably do need to check. **Commissioner Stites** said how does that compare to 2021's forecast in that category? **Mr. Lindsey** said you know, I don't know that right off. I don't know that for Jail Commissary right off.

Chairman Burroughs said Reggie help me understand, I'm going back looking at the revenues and expenditures on this item here, and down at the bottom I see 413,000, or I'm assuming that's $413M, and then $396M on the revenue side. Are we projected to spend $23 more million than what you see at the bottom. Am I reading that wrong?

Mr. Lindsey said currently that is the forecast and how we built that budget in 2022. One thing I will add is that with all those funds that we are spending on the expenditure side, there was a fund balance to build those budgets at those amounts.

Chairman Burroughs said am I to understand that ARPA is on this revenue side?
Ms. Jonscher said that is correct. **Chairman Burroughs** said it would also show up on the expenditure side if it has been spent. **Ms. Jonscher** said yes, that's correct.

Chairman Burroughs said okay because that could be why there's a variance in numbers at first blush. But I'm looking at, we're 42.5% of expenditures, but yet we're at 60 almost 61% of revenue. That's a 20% difference or a 19-basis points difference, if I'm reading that correctly I just want to ensure that we're tracking not to bust this budget, but if we're ahead in revenues we should be able to with the limited expenses that I have seen in the earlier projections, at the very least become revenue neutral.

Ms. Jonscher said I will just note with the ARPA funds, those were split out to all the different funds but the majority of that was within the City and County General Funds.

Chairman Burroughs said great thank you. Any questions from other committee members? Any questions from staff or any other comments?

Thank you this is important information as we go into the budget just next week. Thank you for your patience with this commission in reference to the questions they posed to you. We appreciate it very much.

That is again for information only. I believe that there are no other initiatives or subject matter before the committee this evening. That does conclude the Economic Development Finance Standing Committee. At this time I would entertain a motion to adjourn.

Action: **Commissioner Davis made a motion, seconded by BPU Board Member Haley to adjourn**. Roll call was taken and there were six "Ayes," Haley, Davis, Townsend, Stites, McKiernan, Burroughs.

PUBLIC AGENDA

No items.

ADJOURN

Meeting was adjourned at 5:51 p.m.

BM

Staff Request for Commission Action

Tracking No. 212029

Full Commission Meeting Date: 11/17/22
Committee: Economic Development & Finance

Date of Standing Committee Action: 11/7/22 (If none, please explain):

Publication Required: No

Date:	Contact Name:	Contact Phone:	Contact Email:	Department/Division:
10/12/2022	Debbie Jonscher, Alyse Villarreal	x5847, x5273	djonscher@wycokck.org, avillarreal@wycokck.org	Finance

Item Description: A resolution authorizing the offering for sale of municipal temporary notes and general obligation bonds of the Unified Government of Wyandotte County/Kansas City, Kansas.
Action Requested: Approval
Budget Impact: (if applicable) Amount: Source: Included In Budget: Other (explain):
Attachments List: Sale Resolution - 2023 GO Bonds and Notes (UG)

RESOLUTION NO. _______________

A RESOLUTION AUTHORIZING THE OFFERING FOR SALE OF MUNICIPAL TEMPORARY NOTES AND GENERAL OBLIGATION BONDS OF THE UNIFIED GOVERNMENT OF WYANDOTTE COUNTY/KANSAS CITY, KANSAS.

WHEREAS, pursuant to the provisions of the laws of the State of Kansas applicable thereto, by proceedings duly had, the governing body of the Unified Government of Wyandotte County/Kansas City, Kansas (the "Issuer" or the "Unified Government") has previously authorized certain internal improvements described as follows (the "Improvements"):

Improvements to be Funded with General Obligation Bonds and/or Municipal Temporary Notes

CMIP	Project Name	Estimated Project Costs to be Financed
9410321	Annual Concrete Repair Program, 2021	$772,000
9410322	Annual Concrete Repair Program, 2022	$1,500,000
9410821	Annual Neighborhood ADA Pedestrian Handicapped Ramps, 2021	$400,000
9410822	Annual Neighborhood ADA Pedestrian Handicapped Ramps, 2022	$800,000
9410823	Annual Neighborhood ADA Pedestrian Handicapped Ramps, 2023	$100,000
9410922	Fairfax Industrial Area Improvements, 2022	$100,000
9411020	Annual R/R Crossing Improvement, 2020	$150,000
9411022	Annual R/R Crossing Improvement, 2022	$150,000
9411122	Annual Pavement Preservation Program, 2022	$2,400,000
9411222	Annual Alley Improvement Program, 2022	$300,000
9420119	Annual Bridge Repair, 2019	$200,000
9420121	Annual Bridge Repair, 2021	$300,000
9420122	Annual Bridge Repair, 2022	$300,000
9430119	Annual Priority Traffic Signal Replacements, 2019	$800,000
9430120	Annual Priority Traffic Signal Replacements, 2020	$400,000
9430121	Annual Priority Traffic Signal Replacements, 2021	$400,000
9430122	Annual Priority Traffic Signal Replacements, 2022	$800,000
9430123	Annual Priority Traffic Signal Replacements, 2023	$150,000
9480122	Annual Elevator Upgrades, 2022	$500,000
9480222	Annual Facilities/Parking Annual Maintenance & Repair, 2022	$700,000
9480223	Annual Facilities/Parking Annual Maintenance & Repair, 2023	$100,000
9480320	Annual ADA Modif-UG Facilities, 2020	$100,000
9480321	Annual ADA Modif-UG Facilities, 2021	$100,000
9480322	Annual ADA Modif-UG Facilities, 2022	$100,000
9622141	Holiday Drive Bridge Replacements	$900,000

9622169	Bridge #223 (36th and Ohio Ave.) Replacement	$410,000
9622170	Bridge #210 (18th St.) over Turkey Creek	$150,000
9698013	Maintenance Facility Quarter Master Project	$1,500,000
9698085	Fire Station #20	$500,000
9698096	Turner Fire Station #16	$9,300,000
9698176	City Hall Structure Study and Stabilization	$5,500,000
9698228	PDHQ Chiller	$1,750,000
9701027	47th Street Complete Street Improvements, Rainbow to Mission	$700,000
9701054	Fiber Connectivity Projects	$1,000,000
9701059	Fairfax Trafficway	$800,000
9701072	6th St. Improvements, Ann Ave. to Central Ave.	$100,000
9701073	7th St./US-69 and Central Ave. Reconstruction	$700,000
9701609	Hutton & Leavenworth Road Intersection	$850,000
9701618	Hutton & Donahoo Rd Intersection Improvements	$350,000
9703037	Safe Routes to Schools-Phase G (Northwest Middle and Caruthers Elem.)	$435,000
9714425	WyCo Lake Waterline Study & Repair	$1,290,000
9717316	APX Radio Replacement Project	$5,300,000
9647827	McIntyre Settlement	$12,500,000
	NON-EXEMPT SUBTOTAL	**$55,657,000**
9460521	Annual Sanitary Sewer System Capacity Upgrades, 2021	$2,750,000
9460522	Annual Sanitary Sewer System Capacity Upgrades, 2022	$900,000
9636354	Annual Monitoring and Control Improvements, 2018-2020	$3,500,000
9460622	Annual Monitoring and Control Improvements, 2022	$1,000,000
9636309	Annual Wastewater System Renewal, 2022	$7,250,000
9460723	Annual Wastewater System Renewal, 2023	$250,000
9636311	Annual Overflow CSO Reduction Program, 2021-2022	$1,200,000
9460823	Annual Overflow CSO Reduction Program, 2023	$700,000
9636039	Relocation of Sewer Maintenance Facilities	$14,000,000
9636045	Kaw Point Bio solids Digestion	$13,700,000
9636047	Plant 20 Biosolids Dewatering	$3,500,000
9636048	Green Infrastructure Improvements	$67,000
9636056	Wolcott Expansion/Conner Creek	$12,102,000
9636131	Pump Station 18, 5, 4 Upgrade	$1,600,000
9636132	Pl 20 & 3 Equipment and Structural Rehab	$1,750,000
	SEWER SUBTOTAL	**$64,269,000**

9450221	Stream Bank Stabilization Improvements, 2021	$100,000
9450222	Stream Bank Stabilization Improvements, 2022	$100,000
9635317	Stormwater Enhancements, 2021	$300,000
9635067	Jersey Creek Naturalization	$100,000
	STORM SUBTOTAL	**$600,000**
	Total	**$120,526,000**

WHEREAS, it is necessary for the Issuer to provide cash funds to meet its obligations incurred in constructing the Improvements prior to the completion thereof and the issuance of the Issuer's general obligation bonds, and it is desirable and in the interest of the Issuer that such funds be raised by the issuance of one or more series of temporary notes of the Issuer; and

WHEREAS, pursuant to Charter Ordinance No. CO-03-09*,* K.S.A. 75-6113, K.S.A. 75-6101 *et seq*., K.S.A. 10-1201 *et seq.,* K.S.A. 65-3321 *et seq*., and Article 12, Section 5 of the Constitution of the State of Kansas the Unified Government previously exercised its authority to issue and sell its general obligation bonds and/or temporary notes for the purpose of funding certain of the Improvements described herein; and

WHEREAS, the Issuer has previously issued $49,035,000 principal amount of Municipal Temporary Notes, Series 2022-I (the "Existing Notes"); and

WHEREAS, all aspects of the Improvements being financed with the temporary notes will not be completed prior to the maturity date of the Existing Notes and it is necessary for the Issuer to provide cash funds to meet its obligations on a portion of the Existing Notes and to temporarily finance a portion of the costs of the Improvements by the issuance of one or more series of additional temporary notes of the Issuer; and

WHEREAS, the Issuer desires to issue its general obligation bonds in one or more series in order to permanently finance a portion of the costs of the Improvements and to retire a portion of the Existing Notes which were issued to temporarily finance a portion of the costs of the Improvements; and

WHEREAS, the Issuer hereby selects the firm of Baker Tilly Municipal Advisors, LLC, Saint Paul, Minnesota ("Municipal Advisor"), as Municipal Advisor for one or more series of municipal temporary notes and one or more series of general obligation bonds of the Issuer, to be issued in order to provide funds to pay the costs of the Improvements; and

WHEREAS, the Issuer desires to authorize the Municipal Advisor, in conjunction with the Clerk, acting Chief Financial Officer, and other officers and representatives of the Issuer to proceed with the offering for sale of said municipal temporary notes and general obligation bonds, and related activities; and

WHEREAS, one of the duties and responsibilities of the Issuer is to prepare and distribute a preliminary official statement relating to said municipal temporary notes and bonds; and

WHEREAS, the Issuer desires to authorize the Municipal Advisor, in conjunction with the Clerk, acting Chief Financial Officer, and other officers and representatives of the Issuer to proceed with the preparation and distribution of a preliminary official statement and notice of bond sale and to authorize the distribution thereof and all other preliminary action necessary to sell said municipal temporary notes and bonds.

THEREFORE, BE IT RESOLVED BY THE GOVERNING BODY OF THE UNIFIED GOVERNMENT OF WYANDOTTE COUNTY/KANSAS CITY, KANSAS, AS FOLLOWS:

Section 1. **General Obligation Financing Authorized.** The Issuer is hereby authorized to offer at competitive public sale one or more series of municipal temporary notes and one or more series of general obligation bonds to fund total project costs of approximately $120,526,000 plus interest and costs of issuance (collectively, the "Obligations") as described in the Notice of Sale to be prepared by officials and representatives of the Issuer, as authorized below. Such project costs may be paid through the issuance of tax-exempt or taxable Obligations.

Section 2. **Preliminary Official Statement.** The acting Chief Financial Officer is hereby authorized to cause to be prepared a Preliminary Official Statement, and such officials and other representatives of the Issuer are hereby authorized to use such document in connection with the public sale of the Obligations.

Section 3. **Notice of Bond Sale.** The acting Chief Financial Officer, in conjunction with the Municipal Advisor and Gilmore & Bell, P.C., Kansas City, Missouri ("Bond Counsel"), is hereby authorized and directed to give notice of said bond sale by publishing a summary of the Notice of Sale not less than 6 days before the date of the bond sale in a newspaper of general circulation in Wyandotte County, Kansas, and the ***Kansas Register*** and is hereby authorized to distribute copies of the Notice of Sale and Preliminary Official Statement relating to the Obligations to prospective purchasers of the Obligations. Bids for the purchase of the Obligations shall be submitted upon the terms and conditions set forth in said Notice of Sale, and shall be delivered to the governing body at its meeting to be held on the date of such sale, at which meeting the governing body shall review such bids and shall award the sale of the Obligations or reject all bids for a particular series of the Obligations.

Section 4. **Compliance with Federal Securities Laws.** For the purpose of enabling the purchaser(s) of the Obligations (collectively, the "Purchasers") to comply with the requirements of Rule 15c2-12 of the Securities and Exchange Commission (the "Rule"), the appropriate officers of the Issuer are hereby authorized: (a) to approve the form of the Preliminary Official Statement; (b) covenant to provide continuous secondary market disclosure by annually transmitting certain financial information and operating data and other information necessary to comply with the Rule to certain national repositories and the Municipal Securities Rulemaking Board, as applicable; and (c) take such other actions or execute such other documents as such officers in their reasonable judgment deem necessary to enable the Purchasers to comply with the requirement of the Rule.

The Issuer agrees to provide to the Purchasers within seven business days of the date of the sale of Obligations or within sufficient time to accompany any confirmation that requests payment from any customer of the Purchasers, whichever is earlier, sufficient copies of the final Official Statement to enable the Purchasers to comply with the requirements of Rule 15c2-12(3) and (4) of the Securities and Exchange Commission and with the requirements of Rule G-32 of the Municipal Securities Rulemaking Board.

Section 5. **Further Authority.** The Mayor/Chief Executive, acting Chief Financial Officer, Clerk and the other officers and representatives of the Issuer, Bond Counsel and the Municipal Advisor are hereby authorized and directed to take such other action as may be necessary to carry out the sale of the Obligations.

Section 6. **Effective Date.** This Resolution shall be in full force and effect from and after its adoption.

ADOPTED by the governing body on November 17, 2022.

(SEAL)

____
Mayor/Chief Executive Officer

ATTEST:

____
Clerk

Approved as to form:

____
Office of Chief Counsel

Staff Request for Commission Action

Tracking No. 212074

Full Commission Meeting Date: November 17, 2022
Committee: Economic Development & Finance

Date of Standing Committee Action: (If none, please explain):

Publication Required: No

Date:	Contact Name:	Contact Phone:	Contact Email:	Department/Division:
10/21/2022	Patrick Waters	x5079	patrickwaters@wycokck.org	Economic Development

Item Description: Fourth Amendment to Legends West Lawn Development Agreement
Action Requested: Approve
Budget Impact: (if applicable) Amount: Source: Included In Budget: Other (explain):
Attachments List: Resolution approving Fourth Amendment to West Lawn DA, Fourth Amendment to Legends West Lawn DA (002)

RESOLUTION NO. R-____-22

A RESOLUTION ADOPTING THE FOURTH AMENDMENT TO LEGENDS WEST LAWN DEVELOPMENT AGREEMENT

WHEREAS, on February 8, 2018 the Unified Government and W-LD Legends Owner VII, L.L.C. ("Developer")(collectively, the "Parties") entered into that certain Development Agreement for Legends West Lawn (the "Agreement"); and

WHEREAS, the Parties entered into that certain First Amendment to Legends West Lawn Development Agreement on January 4, 2019; and

WHEREAS, the Parties entered into that certain Second Amendment to Legends West Lawn Development Agreement on May 9, 2019; and

WHEREAS, the Parties entered into that certain Third Amendment to Legends West Lawn Development Agreement on September 30, 2021; and

WHEREAS, the Governing Body has determined that it is advisable to enter into an amended Development Agreement with Developer with respect to the Development Agreement for Legends West Lawn (the "Fourth Amendment to Legends West Lawn Development Agreement"), attached as Exhibit A hereto, and incorporated by reference herein.

NOW, THEREFORE, BE IT ORDAINED BY THE GOVERNING BODY OF THE UNIFIED GOVERNMENT OF WYANDOTTE COUNTY/KANSAS CITY, KANSAS:

Section 1. That the Unified Government Board of Commissioners hereby approves the Fourth Amendment to Legends West Lawn Development Agreement in substantially the form attached hereto.

Section 2. That the Mayor of the Unified Government is hereby authorized to execute in the name of the Unified Government of Wyandotte County/Kansas City, Kansas, the Fourth Amendment to Legends West Lawn Development Agreement, and any other certificates and instruments as may be necessary or desirable to carry out and comply with the intent of this Resolution.

Section 3. This Resolution shall be effective upon adoption by the Governing Body.

ADOPTED BY THE UNIFIED GOVERNMENT BOARD OF COMMISSIONERS THIS ______ DAY of __________________, 2022.

____

Tyrone Garner, Mayor/CEO

ATTEST:

____
Unified Government Clerk

Approved as to form:

____
Chief Counsel

FOURTH AMENDMENT TO DEVELOPMENT AGREEMENT FOR LEGENDS WEST LAWN

This FOURTH AMENDMENT TO DEVELOPMENT AGREEMENT FOR LEGENDS WEST LAWN (this "Amendment") dated as of November, 2022, is made and entered into by and between the Unified Government of Wyandotte County/Kansas City, Kansas (the "UG"), and W-LD Legends Owner VII, L.L.C., a Delaware limited liability company ("Developer").

RECITALS

A. The UG and Developer, entered into that certain Development Agreement for Legends West Lawn dated February 8, 2018 (the "Original Agreement") with respect to, among other things, the design, development, and construction of certain improvements to the Legends Outlets Kansas City, including among other things, hardscape and landscape replacements, video board installation on the existing "smokestack," shade structure, signage, façade improvements, escalator repair and enclosure and new "legends" monuments (the "Project"), all as more particularly described in the Agreement. All capitalized terms which are not otherwise defined herein shall have the meanings assigned to them in the Agreement.

B. On January 4, 2019, the parties entered into that certain First Amendment to Legends West Lawn Development Agreement (the "First Amendment") to extend the time for the completion of certain improvements.

C. On May 9, 2019, the parties entered into that certain Second Amendment to Legends West Lawn Development Agreement (the "Second Amendment") to extend the time for the completion of certain improvements.

D. On September 30, 2021, the parties entered into that certain Third Amendment to Legends West Lawn Development Agreement (the "Third Amendment") to extend Developer's obligations to "pave in asphalt and stripe, in a manner consistent with asphalt parking lots elsewhere at the Legends Outlets Kansas City, the unpaved portions of parcel number 299900 located at 1824 Village West Parkway" on or before December 31, 2020 (the "Paving Obligations") as set forth in Section 2.2(c) of the Agreement. Pursuant to the Third Amendment, the deadline to complete the Paving Obligations is currently November 30, 2022. To date, Developer has not yet performed the Paving Obligations. The Original Agreement, as amended by the First Amendment, the Second Amendment and the Third Amendment, shall be collectively referred to herein as the "Agreement").

E. Developer has requested an extension the deadline to complete the Paving Obligations as set forth in Section 2.2(c) of the Agreement.

F. The parties hereby agree to amend and modify the Paving Obligations as set forth herein.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the UG and Developer agree as follows:

1. Amendment to Paving Obligations in Section 2.2(c). Section 2.2(c) of the Agreement shall be deleted in its entirety and replaced with the following:

"Developer hereby agrees to pave in asphalt and stripe, in a manner consistent with asphalt parking lots elsewhere at the Legends Outlets Kansas City, the unpaved portions of parcel number 299900 located at 1824 Village West Parkway. This work must be performed in a manner that fully complies with Applicable Laws and Requirements, including without limitation, all stipulations and requirements from the planning and zoning for this parcel. These paving and striping improvements shall be completed by Developer on or before November 30, 2023. Notwithstanding the foregoing, in the event a redevelopment plan for an alternative use of parcel number 299900 is approved by the UG's Commission on or before November 30, 2023, then the terms of this Section 2.2(c) shall be of no further force or effect. In the event that (i) Developer shall fail to complete the paving and striping improvements described herein by November 30, 2023, or (ii) a redevelopment plan for an alternative use of parcel number 299900 is not approved by the UG's Commission on or before November 30, 2023, then Developer shall pay to the UG liquidated damages in the amount of $500,000. The parties hereby further agree as follows:

(x) the $500,000 of damages described in the prior sentence is agreed upon by and between the UG and Developer as fair and equitable liquidated damages due to the difficulty and inconvenience of ascertaining and measuring actual damages, and the uncertainty thereof, and no other damages, rights or remedies will in any case be collectible, enforceable or available to the UG as a result of Developer's failure to timely perform under this Section 2.2(c).

(y) the notice and cure provisions set forth in Section 9.1 shall not be applicable to a failure of Developer to timely perform under this Section 2.2(c).

(z) if Developer fails to fully pay the $500,000 of liquidated damages to the UG in immediately available funds on or before December 15, 2023, then the UG shall be entitled to default interest in the amount described in Section 9.4 of the Agreement, along with all reasonable costs and charges, including attorneys' fees incurred by or on behalf of the UG in connection with the enforcement of this provision and the collection of the $500,000 of liquidated damages described herein."

2. Recitals. The parties acknowledge that the Recitals set forth above are true and correct and are hereby incorporated into the body of this Amendment.

3. No Further Modification. Except as expressly set forth in this Amendment, all terms and provisions of the Agreement are hereby confirmed and remain unmodified and in full force and effect, such terms and provisions being hereby incorporated herein for all purposes.

4. Conflict or Inconsistency. In the event of any conflict or inconsistency between the terms and provisions of this Amendment and the terms and provisions of the Agreement, the terms and provisions of this Amendment shall control.

5. Multiple Counterparts. This Amendment may be executed in any number of counterparts, each of which may be executed by only one party, which shall be enforceable against the parties actually executing such counterparts, and all of which together shall constitute one instrument. Delivery by facsimile or electronic transmission of an executed counterpart of any signature page to this Amendment to be executed hereunder shall have the same effectiveness as delivery of a manually executed counterpart thereof.

[Remainder of page intentionally left blank. Signature pages immediately follow.]

IN WITNESS WHEREOF, the parties have caused this Fourth Amendment to be executed as of the day and year first above written.

<u>The UG</u>:

THE UNIFIED GOVERNMENT OF WYANDOTTE
COUNTY/KANSAS CITY, KANSAS

By: ______________________________
Name: Tyrone A. Garner
Its: Mayor/CEO

STATE OF KANSAS)
) SS.
COUNTY OF WYANDOTTE)

This instrument was acknowledged before me on ______________________, 2022, by Tyrone A. Garner as the Mayor/CEO of the Unified Government of Wyandotte County/Kansas City, Kansas.

Printed Name: ______________________________
Notary Public in and for said State
Commissioned in __________________ County

My commission expires

____

[Seal]

[*Signatures continue onto the next page.*]

Developer:

W-LD LEGENDS OWNER, L.L.C.,
a Delaware limited liability company

By: ______________________________
Name: ______________________________
Its: ______________________________

STATE OF ________________)
) SS.
COUNTY OF ______________)

This instrument was acknowledged before me on ________________, 2022, by ___________________ as the __________ of W-LD Legends Owner, L.L.C.

Printed Name: ______________________________
Notary Public in and for said State
Commissioned in __________________ County

My commission expires

____

[Seal]

Staff Request for Commission Action

Tracking No. 212081

Full Commission Meeting Date:
Committee: Economic Development & Finance

Date of Standing Committee Action: 11/7/22 (If none, please explain):

Publication Required: No

Date:	Contact Name:	Contact Phone:	Contact Email:	Department/Division:
10/25/2022	Patrick Waters	x5079	patrickwaters@wycokck.org	Economic Development

Item Description:
A resolution determining the intent of the Unified Government of Wyandotte County/Kansas City, Kansas to issue its Industrial Revenue Bonds in the amount of not to exceed $51,803,111 to finance the costs of acquiring, constructing, improving and equipping a commercial project for the benefit of KC THE YARDS 2, LLC, and its successors and assigns (sales exemption only), submitted by Patrick Waters, Deputy Chief Counsel, and Stephanie Bell, Economic Development Management Analyst.

Action Requested:
To adopt the resolution

Budget Impact: (if applicable)
Amount:
Source:
Included In Budget:
Other (explain):

Attachments List:
Resolution of Intent - Yards II (UG)

RESOLUTION NO. R __-22

RESOLUTION DETERMINING THE INTENT OF THE UNIFIED GOVERNMENT OF WYANDOTTE COUNTY/KANSAS CITY, KANSAS, TO ISSUE ITS INDUSTRIAL REVENUE BONDS IN THE AMOUNT OF NOT TO EXCEED $51,803,111 TO FINANCE THE COSTS OF ACQUIRING, CONSTRUCTING, IMPROVING AND EQUIPPING A COMMERCIAL PROJECT FOR THE BENEFIT OF KC THE YARDS 2, LLC, AND ITS SUCCESSORS AND ASSIGNS (SALES EXEMPTION ONLY)

WHEREAS, the Unified Government of Wyandotte County/Kansas City, Kansas (the "Unified Government"), desires to promote, stimulate and develop the general welfare and economic prosperity of the Unified Government and its inhabitants and thereby to further promote, stimulate and develop the general welfare and economic prosperity of the State of Kansas; and

WHEREAS, the Unified Government is authorized and empowered under the provisions of K.S.A. 12-1740 to 12-1749d, inclusive (the "Act"), to issue industrial revenue bonds to pay the cost of certain facilities (as defined in the Act) for the purposes set forth in the Act, and to lease such facilities to private persons, firms or corporations; and

WHEREAS, KC The Yards 2, LLC, an Indiana limited liability company (the "Company"), has submitted to the Unified Government an Application for the Issuance of Industrial Revenue Bonds (the "Application") requesting that the Unified Government finance the cost of acquiring, constructing and equipping a commercial project primarily consisting of an approximately 224-unit multifamily facility and parking facilities located at 200 S. James Street, Kansas City, Kansas 66118, as more fully described in the Application (collectively, the "Project") through the issuance of its industrial revenue bonds in one or more series in the amount of not to exceed $51,803,111 (the "Bonds"), and to lease the Project to the Company, or its successors and assigns, in accordance with the Act; and

WHEREAS, it is hereby found and determined to be advisable and, in the interest, and for the welfare of the Unified Government and its inhabitants that the Unified Government finance the costs of the Project by the issuance of the Bonds under the Act in a principal amount of not to exceed $51,803,111, said Bonds to be payable solely out of rentals, revenues and receipts derived from the lease of the Project by the Unified Government to the Company.

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BODY OF THE UNIFIED GOVERNMENT OF WYANDOTTE COUNTY/KANSAS CITY, KANSAS, AS FOLLOWS:

Section 1. Approval of Project. The governing body of the Unified Government hereby finds and determines that the acquiring, constructing, improving and equipping of the Project will promote the general welfare and economic prosperity of the Unified Government, and the issuance of the Bonds to pay the costs of the Project will be in furtherance of the public purposes set forth in the Act. The Project shall be generally located at 200 S. James Street, Kansas City, Kansas 66118, in the corporate boundaries of the Unified Government, as further described in the Application.

Section 2. Intent to Issue Bonds. The governing body of the Unified Government hereby determines and declares the intent of the Unified Government to acquire, construct and equip the Project out of the proceeds of the Bonds of the Unified Government in the principal amount of not to exceed $51,803,111, to be issued pursuant to the Act.

Section 3. Provision for the Bonds. Subject to the conditions of this Resolution, the Unified Government expresses its intent to (i) issue the Bonds to pay the costs of acquiring, constructing, improving and equipping the Project, with such maturities, interest rates, redemption terms and other provisions as may be determined by ordinance of the Unified Government; (ii) provide for the lease (with an option to purchase) of the Project to the Company; and (iii) to effect the foregoing, adopt such resolutions and ordinances and authorize the execution and delivery of such instruments and the taking of such action as may be necessary or advisable for the authorization and issuance of the Bonds by the Unified Government and take or cause to be taken such other action as may be required to implement the aforesaid.

Section 4. Conditions to Issuance. The issuance of the Bonds and the execution and delivery of any documents related to the Bonds are subject to: (i) obtaining any necessary governmental approvals; (ii) agreement by the Unified Government, the Company and the purchaser of the Bonds upon (a) mutually acceptable terms for the Bonds and for the sale and delivery thereof, and (b) mutually acceptable terms and conditions of any documents related to the issuance of the Bonds and the Project; (iii) the Company's compliance with the Unified Government's policy relating to the issuance of industrial revenue bonds; (iv) the passage and publication of an Ordinance authorizing the issuance of the Bonds; and (v) Company's payment of all of the costs of issuance related to the issuance of the Bonds.

Section 5. Sale of the Bonds. The sale of the Bonds shall be the sole responsibility of the Company; provided, however, arrangements for the sale of the Bonds shall be acceptable to the Unified Government.

Section 6. Limited Obligations of the Unified Government. The Bonds and the interest thereon shall be special, limited obligations of the Unified Government payable solely out of the amounts derived by the Unified Government under a Lease Agreement with respect to the Bonds and as provided herein and are secured by a transfer, pledge and assignment of and a grant of a security interest in the trust estate to the trustee for the Bonds and in favor of the owners of the Bonds, all as provided in the Indenture. The Bonds shall not constitute a general obligation of the Unified Government, the State or of any other political subdivision thereof within the meaning of any State constitutional provision or statutory limitation and shall not constitute a pledge of the full faith and credit of the Unified Government, the State or of any other political subdivision thereof and shall not be payable in any manner by taxation, but shall be payable solely from the funds provided for as provided in the Indenture. The issuance of the Bonds shall not, directly, indirectly or contingently, obligate the Unified Government, the State or any other political subdivision thereof to levy any form of taxation therefor or to make any appropriation for their payment.

Section 7. Authorization to Proceed. The Company is hereby authorized to proceed with the acquiring, constructing and equipping of the Project, including the necessary planning and engineering for the Project and entering into of contracts and purchase orders in connection therewith, and to advance such funds as may be necessary to accomplish such purposes, and, to the extent permitted by law and upon compliance with the other requirements of this Resolution, the Unified Government will reimburse the Company for all expenditures paid or incurred therefor out of the proceeds of the Bonds.

Section 8. No Reliance on Resolution. Kansas law provides that the Unified Government may only issue the Bonds by passage of an Ordinance and compliance with other state law requirements. The Unified Government has not yet passed an Ordinance for the Bonds. This Resolution only evidences the intent of the current governing body to issue the Bonds for the Project. The Company should not construe the adoption of this Resolution as a promise or guarantee that the Ordinance for the Bonds will be passed or that the Project will be approved.

Section 9. Termination of Resolution. This Resolution shall terminate three (3) years from the date of the adoption of this Resolution unless (i) the Bonds have been issued for the Project or (ii) a building permit has been issued by the Unified Government for the Project. The Unified Government, upon the written request of the Company, may extend this time period.

Section 10. Benefit of Resolution. This Resolution will inure to the benefit of the Unified Government and the Company. The Unified Government may, at the prior written request of the Company, assign all or a portion of the Company's interest in this Resolution to another entity, and such assignee will be entitled to the benefits of the portion of this Resolution assigned and the proceedings related hereto.

Section 11. Further Action. Counsel to the Unified Government and Gilmore & Bell, P.C., Bond Counsel for the Unified Government, together with the officers and employees of the Unified Government, are hereby authorized to work with the purchaser of the Bonds, the Company, their respective counsel and others, to prepare for submission to and final action by the Unified Government all documents necessary to effect the authorization, issuance and sale of the Bonds and other actions contemplated hereunder.

Section 12. Effective Date. This Resolution shall take effect and be in full force immediately after its adoption by the governing body of the Unified Government.

[Remainder of page intentionally blank.]

ADOPTED BY THE COMMISSION OF THE UNIFIED GOVERNMENT OF WYANDOTTE COUNTY/KANSAS CITY, KANSAS ON NOVEMBER __, 2022.

By:_________________________________
Mayor/CEO of the Unified
Government of Wyandotte County/
Kansas City, Kansas

[SEAL]

ATTEST:

By: ____________________________
Unified Government Clerk

Approved as to Form:

By: ______________________________
Chief Counsel

Staff Request for Commission Action

Tracking No. 212082

Full Commission Meeting Date: 11/17/22
Committee: Economic Development & Finance

Date of Standing Committee Action: 11/7/22 (If none, please explain):

Publication Required: No

Date:	Contact Name:	Contact Phone:	Contact Email:	Department/Division:
10/25/2022	Patrick Waters	x5079	patrickwaters@wycokck.org	Economic Development

Item Description: A resolution approving the adoption of the first amendment to the Merc Grocery Store Management Agreement with Community Mercantile, Inc., extending the original term of the agreement from July 30, 2023, to July 30, 2025. Submitted by Patrick Waters, Legal Counsel, Stephanie Bell, Economic Development
Action Requested: Approval
Budget Impact: (if applicable) Amount: Source: Included In Budget: Other (explain):
Attachments List: Resolution authorizing approval of First Amended Management Agreement, First Amendment to Merc Management Agreement

RESOLUTION NO. ______________________

A RESOLUTION AUTHORIZING THE ADOPTION OF THE FIRST AMENDMENT TO GROCERY STORE MANAGEMENT AGREEMENT WITH THE COMMUNITY MERCANTILE, INC.

WHEREAS, on August 30, 2018, the Unified Government of Wyandotte County/Kansas City, Kansas ("Unified Government") and The Community Mercantile, Inc. ("Manager") entered into that certain Grocery Store Management Agreement (the "Original Management Agreement"), whereby the UG agreed to construct, and Manager agreed to manage, a full-service grocery store at 501 Minnesota Avenue, Kansas City, Kansas, all as set forth in the Original Agreement;

WHEREAS, the Term of the Original Agreement was for three years, which Term is set to expire on July 30, 2023; and

WHEREAS, the Unified Government and The Merc believe that it is in their mutual interest, and the interest of the community, to continue their partnership and renew the term of the Management Agreement for an additional two years, with covenants as set forth herein.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF THE UNIFIED GOVERNMENT OF WYANDOTTE COUNTY/KANSAS CITY, KANSAS:

Section 1. Authorization. The Unified Government Mayor/CEO is hereby authorized and directed to enter into and execute in the name of the Unified Government of Wyandotte County/Kansas City, Kansas the First Amended Management Agreement, in substantially the form attached hereto as Exhibit A.

Section 2. Further authority. The Mayor, the County Administrator, and the Unified Government's other officers, agents, and employees are hereby authorized and directed to take such further action, and execute such other documents, certificates, and instruments as may be necessary or desirable to carry out and comply with the intent of this Resolution.

Section 3. Effective Date. This Resolution shall be effective upon its adoption by the Unified Government Board of Commissioners.

ADOPTED BY THE BOARD OF COMMISSIONERS OF THE UNIFIED GOVERNMENT OF WYANDOTTE COUNTY/KANSAS CITY, KANSAS THIS _________ DAY of __________________, 2022.

____
Tyrone Garner, Mayor/CEO

Attest:

____

Approved as to Form:

____

FIRST AMENDMENT TO GROCERY STORE MANAGEMENT AGREEMENT

THIS FIRST AMENDMENT TO GROCERY STORE MANAGEMENT AGREEMENT (this "First Amendment"), by and among the **UNIFIED GOVERNMENT OF WYANDOTTE COUNTY/KANSAS CITY, KANSAS** (the "UG"); **and THE COMMUNITY MERCANTILE, INC.,** a Kansas corporation ("Manager"), is made and entered into as of the date executed by the UG (the "Effective Date"). The UG and Manager are collectively referred to herein as the "Parties".

RECITALS:

A. On August 30, 2018, the UG and Manager entered into that certain Grocery Store Management Agreement (the "Original Management Agreement"), whereby the UG agreed to construct, and Manager agreed to manage, a full-service grocery store at 501 Minnesota Avenue, Kansas City, Kansas, all as set forth in the Original Agreement.

B. The Original Agreement was modified by that certain letter agreement entered in to between the Parties on March 8, 2019, relating to extension of the Condition Date and the amount of parking available to Manager (the "Letter Amendment").

C. The Original Agreement provided for an initial term of three (3) years from the Effective Date, subject to renewals by agreement of the Parties. The Effective Date of the Original Agreement was the date that Manager opened for business, on July 30, 2020. The Parties agree that it is desirable and in the best interest of each of the Parties to extend the term of the Original Agreement, with certain amendments as set forth herein. The Original Agreement, along with all letter agreements and this First Amendment, shall collectively be known as the "Amended Agreement".

NOW, THEREFORE, in consideration of the foregoing and in consideration of the mutual covenants and agreements herein contained, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

1. **Incorporation of Recitals.** The Parties understand and agree that the Recitals set forth above are hereby incorporated as though more fully set forth herein.

2. **Amendment of Original Agreement.**

A. Modification of the Term of the Original Agreement. The Parties agree that Section 5.1 shall be deleted in its entirety and replaced with the following:

> **5.1 Term**. The Parties agree that the Term of the Original Agreement lasts until July30, 2023, and the Parties shall operate under the terms and conditions of the Original Agreement until that date. The Parties agree to renew the Term for an additional two (2) years, until July 30, 2025 (the "Second Term"). The Second Term shall then automatically renew each year thereafter for a period of one (1) year, provided that either the Manager or the UG may terminate the Amended Agreement upon the giving of no less than six (6) months advance written notice

to either party prior to the expiration of the Second Term ending or no less than six (6) months prior to the end of each successive one (1) year Term.

B. Deletion of the "Grand Opening" provisions as no longer germane to the Amended Agreement. The Parties agree that Section 5.2 shall be deleted in its entirety.

C. Amendment of Stabilization Fund Reserve Account. The Parties agree that Section 5.4 shall be deleted in its entirely and replaced with the following:

5.4 Stabilization Fund. Upon the commencement of the Second Term, the UG shall establish a Stabilization Fund. The Stabilization Fund shall be drawn on and made available to Manager during the Second Term only if the applicable Quarterly Sales Stabilization Benchmark has not been achieved during each quarter of the Second Term (the "**Stabilization Period**") as hereinafter provided. At the end of each Quarterly Accounting Period during the Stabilization Period in which the Gross Revenues for such Quarterly Accounting Period fail to exceed the applicable Quarterly Sales Stabilization Benchmark (a "**Quarterly Gross Revenue Shortfall**") as set forth on the matrix attached hereto as Exhibit 4 (the "**Stabilization Fund Matrix**"), Manager shall be entitled to receive from the Stabilization Fund a percentage of such Quarterly Gross Revenue Shortfall in the amounts set forth in the Stabilization Fund Matrix, subject to the Quarterly Cap set forth therein. Any unused funds in the Stabilization Fund at the expiration of the Stabilization Period shall become the sole and exclusive property of the UG, and Manager shall have no further right to the Stabilization Fund.

D. New Exhibit 4. The Parties agree that the original Exhibit 4 shall be amended and replaced with the new Exhibit 4, attached hereto.

3. **Miscellaneous.** In connection with this Amendment, the Parties hereby agree as follows:

A. Any capitalized term used herein that is not specifically defined herein shall have the meaning provided in the Original Agreement.

B. Except as specifically modified by this Amendment, the Original Agreement shall be and remain in full force and effect in accordance with the terms thereof.

C. It is the intent of the Parties that the provisions of the Original Agreement, as amended by the Letter Amendment and this First Amendment, shall be enforced to the fullest extent permitted by applicable law. To the extent that the terms set forth in the Original Agreement, as amended by the Letter Amendment and this First Amendment, or any word, phrase, clause or sentence is found to be illegal or unenforceable for any reason, such word, phrase, clause or sentence shall be modified, deleted or interpreted in such a manner as to afford the party for whose benefit it was intended the fullest benefit commensurate with making the Original Agreement, as amended by the Letter Amendment and this First Amendment, enforceable and the balance of the Original Agreement, as amended by the Letter Amendment and this First

Amendment, shall not be affected thereby, the balance being construed as severable and independent.

D. The Parties hereto declare and represent that no promises, inducements or agreements not herein expressed have been made; the Original Agreement, as amended by the Letter Amendment and this First Amendment, contain the entire agreement between the Parties hereto; and the terms hereof are contractual and not mere recitals.

E. This First Amendment shall be binding upon and inure to the benefit of the Parties hereto, and their successors and assigns.

F. This First Amendment may be executed in counterparts.

G. This First Amendment shall be construed in accordance with the laws of the State of Kansas.

[Remainder of page intentionally left blank; exhibit and signature pages follow.]

EXHIBIT 4

STABILIZATION FUND MATRIX

Schedule of Quarterly Sales Stabilization Benchmarks			Contribution %	Quarterly Cap
3rd Year	Q1	$837,000	15.00%	$35,000
	Q2	$875,000	15.00%	$35,000
	Q3	$845,000	15.00%	$35,000
	Q4	$875,000	15.00%	$35,000
4th Year	Q1	$925,000	15.00%	$30,000
	Q2	$965,000	15.00%	$30,000
	Q3	$960,000	15.00%	$30,000
	Q4	$900,000	15.00%	$30,000
5th Year	Q1	$952,750	15.00%	$25,000
	Q2	$993,950	15.00%	$25,000
	Q3	$988,800	15.00%	$25,000
	Q4	$927,000	15.00%	$25,000

IN WITNESS WHEREOF, the Parties have executed these presents as of the day and year first above written.

UG:

THE UNIFIED GOVERNMENT OF WYANDOTTE COUNTY/KANSAS CITY, KANSAS

By:_______________________________________
Tyrone Garner, Mayor/CEO

STATE OF KANSAS)
) SS.
COUNTY OF WYANDOTTE)

This instrument was acknowledged before me on _______________, 2022 by Tyrone Garner as Mayor/CEO of the Unified Government of Wyandotte County/Kansas City, Kansas.

Printed Name: ______________________________
Notary Public in and for said State
Commissioned in ____________ County

My commission expires
____

IN WITNESS WHEREOF, the parties hereto have executed these presents as of the day and year first above written.

MANAGER:

THE COMMUNITY MERCANTILE, INC., a Kansas corporation

By: ____________________________________
General Manager

STATE OF _________________)
) SS.
COUNTY OF _______________)

This instrument was acknowledged before me on _______________, 2022 by _____________, as General Manager of The Community Mercantile, Inc., a Kansas corporation.

Printed Name: ______________________________
Notary Public in and for said State
Commissioned in ____________ County

My commission expires

____

Staff Request for Commission Action

Tracking No. 212086

Full Commission Meeting Date: November 17, 2022
Committee: Economic Development & Finance

Date of Standing Committee Action: August 8, 2022 (If none, please explain):

Publication Required: No

Date:	Contact Name:	Contact Phone:	Contact Email:	Department/Division:
10/26/2022	Debbie Jonscher, Rebecca Sandow	x5847, x5855	djonscher@wycokck.org, rsandow@wycokck.org	Finance

Item Description: Resolution to approve the Unified Government Grants Management Manual submitted by Debbie Jonscher, Acting Chief Financial Officer, and Rebecca Sandow, Grants Manager.
Action Requested: Approve resolution
Budget Impact: (if applicable) Amount: Source: Included In Budget: Other (explain):
Attachments List: Resolution - Grants Management Manual, Grants Management Manual-Final

RESOLUTION NO. R-_______________

WHEREAS, budgetary and financial policies are to contain high-level principles and requirements that an organization must follow, as formally agreed upon by management and its governing body, in order to direct the strategic vision of an organization;

WHEREAS, budgetary and financial policies inform organizational processes by providing insight into the standard functions and key risk and control points that need monitoring and those policies take into consideration risk assessments, mitigations, and audit efforts to achieve operational efficiencies;

WHEREAS, those policies help to shape strategic direction, so an organization can move to a mindset that recognizes cost/risk avoidance as a critical public policy discipline; and

WHEREAS, formal adoption of budgetary and financial policies by a governmental organization is a recommended practice of the International City Management Association (ICMA) and the Government Finance Officers Association (GFOA).

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BODY OF THE UNIFIED GOVERNMENT OF WYANDOTTE COUNTY/ KANSAS CITY, KANSAS:

Section 1. That the Unified Government Board of Commissioners hereby adopts the Grants Management Manual included in Exhibit A.

Section 2. That the County Administrator is hereby authorized to execute in the name of the Unified Government of Wyandotte County/Kansas City, Kansas, any and all documents and instruments as may be necessary or desirable to carry out and comply with the intent of this Resolution, and that all other Unified Government staff is further authorized to take such actions as are necessary and proper to effectuate the purposes and intent of this Resolution.

ADOPTED BY THE BOARD OF COMMISSIONERS OF WYANDOTTE COUNTY/KANSAS CITY, KANSAS, THIS _____ DAY OF ________, 2022.

____
Tyrone A. Garner, Mayor/CEO

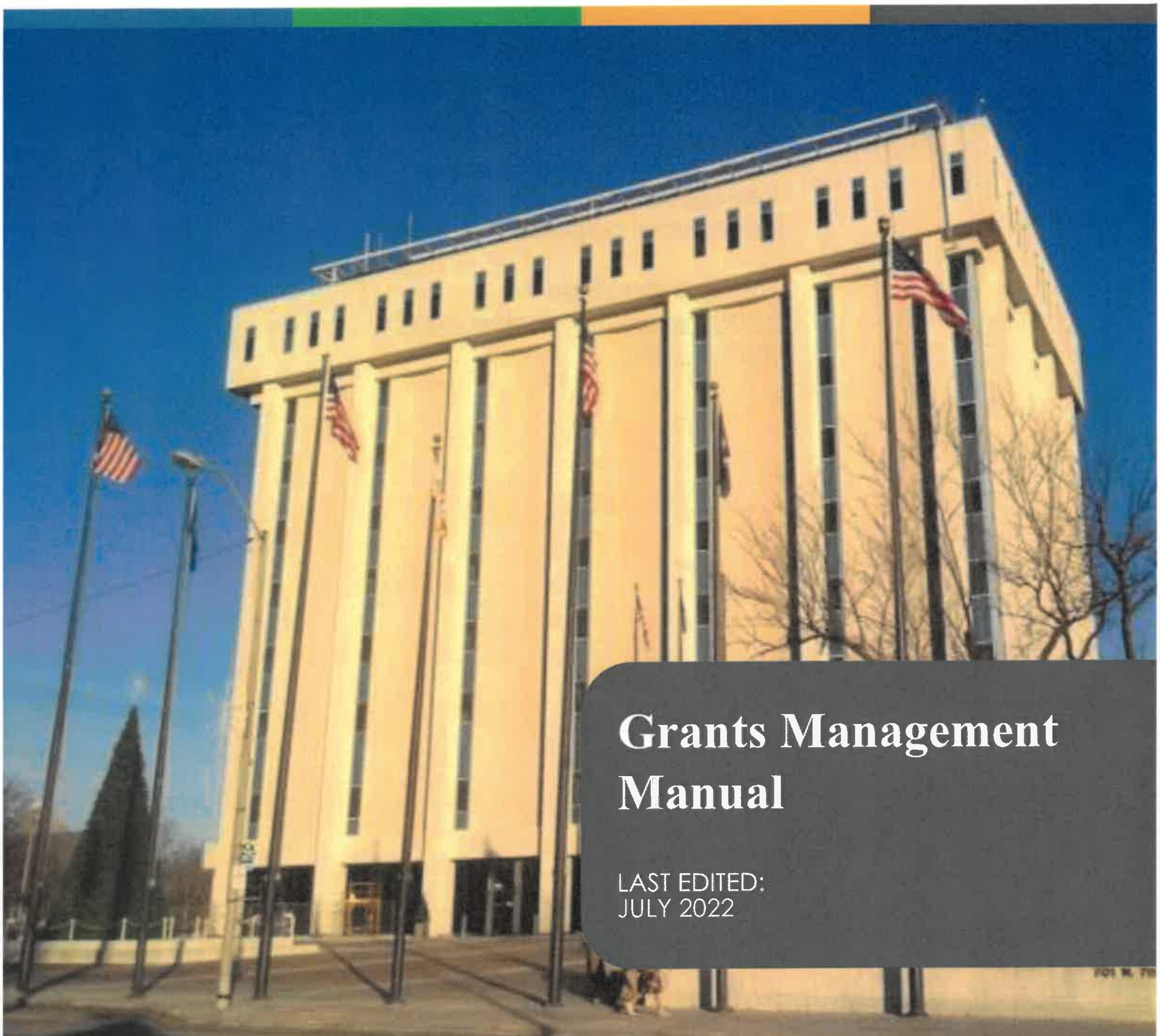
Attest:

____
Unified Government Clerk

Approved as to Form:

____
Unified Government Assistant Counsel

UNIFIED GOVERNMENT • Wyandotte County • Kansas City, Kansas



Grants Management Manual

LAST EDITED:
JULY 2022

TABLE OF CONTENTS

Table of Contents i

I. Introduction **I-4**

II. About the Office **II-5**

A. Grants Management Division II-5
Description of Grants Management Office II-5
Our Mission, Values, and Goals II-5

B. Responsibilities II-6
Our Responsibilities II-6

C. Key Leadership II-6
Key Leadership II-6

III. Federal Grant Administration Rules **III-7**

A. Control Systems: Federal Administrative Requirements III-7

B. Expenditure Controls: Federal Cost Principles III-8

C. Audits III-8

D. Other Rules III-8
Lobbying Restrictions III-8
Debarment and Suspension III-8
Drug-Free Workplace III-9
Other Rules III-9

IV. Kansas State Grant Administration Rules **IV-10**

A. State Grants management Requirements IV-10

V. Grant Lifecycle **V-11**

A. Identify Grant Funding Opportunities V-11
Grants.gov V-11
Kansas State Grant Opportunities V-11
Private Grant Opportunities V-11

B. Analyze the Grant V-12
Analyze Capacity for Benefit V-12

C. Apply for a Grant (Prepare & Submit) V-12
Plan the Grant Application (Prepare & Submit) V-12
Prepare Grant Documents V-13
Finalize Grant Application Packet V-13
Key Grant Signatory authority for grant application V-14
Submit and Track V-14

D. Negotiate & Receive the Grant V-14

Sign the Agreement V-14
Grant Account Set-Up V-15
Receive Grant Funds V-15

E. Implementation of grants V-16
Grant Costs V-16
Budgets V-17
Cost Transfers V-18
Program Income V-18
Property V-19

F. Drawdown of Grant Funds V-23
Retrieving Grant Funds V-23
Procurement Procedures V-24
Contractor Management V-24
Affirmative Steps V-25
Federally-Mandated Procurement Contract Provisions V-25
Labor Reporting V-26

G. Closeout Grant V-27
Final Phase V-27
Record Retention V-28

VI. Appendices VI-29

Appendix A: Federal Financial Report (SF-425) VI-29
Appendix B: Request for Advance or Reimbursement (SF-270) VI-30
Appendix C: Outlay Report and Request for Reimbursement for Construction ... Programs (SF-271) VI-31
Appendix D: SF-PPR Performance Progress Report VI-32
Appendix E: Tangible Personal Property Report (SF-428) VI-33
Appendix F: Proposed Real Property Status Report (SF-429) VI-34
Appendix G: Procurement Records Checklist VI-35
Appendix H: Property records checklist VI-36
Appendix I: Grant Closeout Checklist VI-37
Appendix J: Audit Checklist VI-38
Appendix K: Selected Items of Cost VI-39
Appendix L: Glossary of Terms VI-82

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I. INTRODUCTION

The purpose of this Manual is to provide Grants Specialists with basic resources and knowledge of Grants Management to assist them in applying for and managing Unified Government (UG) grants. This Grants Manual establishes policies and procedures for the entire grants lifecycle and is designed to provide grants compliance guidance for Grants Specialist. The Unified Government designates this grants manual as the prime resource for Grants Specialists in the administration and management of their respective grant programs. This Grants Manual provides relevant federal laws and policies regarding grant administration and contains sample forms most commonly used throughout the grant life cycle. While this Grants Manual is intended as a primary resource for Grant Specialists, it is not intended to replace or supersede any federal guidance on grant administration.

This Grants Manual organizes pertinent information in the following manner:

- Information about the UG Grants Management Office
- A glossary of terms related to federal grants
- Federal Compliance rules regarding Federal Grant Administration
- The Grant life cycle and the components of each phase

Additionally, the Appendices include examples of a number of relevant forms, other documents commonly used for managing federal and other grants and links to outside sources.

II. About the Office

A. Grants Management Division

Description of Grants Management Office

The Unified Government's (UG) Grants Management office is housed within the Finance Department and is tasked with centralizing the UG's grant-seeking efforts as well as providing guidance and assistance to all departments in managing their grant pursuits, administration, and reporting processes.

Our Mission, Values, and Goals

Grant funding received by the Unified Government (UG) support important programs and services in our community. These funds allow the UG to extend pre-existing services, introduce new initiatives, gain technological advances, and subsidize programmatic staffing and equipment. Grant funds are dispersed throughout our area and impact a variety of efforts, including public safety, economic development, social services, recreation, and infrastructure improvement and maintenance, among many others. Because grant funding allows the Unified Government to leverage local public funds to extend and enhance the services it offers to the community, the impact of grant funding is significant.

The mission of the Grants Management office is to increase the Unified Government's capacity to compete for federal, state, and private grants and to effectively assist in the full life cycle of grant management from award through closeout. Our aim is to increase grant-related revenue, limit the Unified Government's exposure to any grant-related findings, and improve the efficiency and impact of programs and services funded through grant dollars.

The purpose of this Grants Manual is to develop, implement, and maintain meaningful grant pursuit coordination and post-award oversight across all departments, allowing us to achieve our mission more fully. The policies and procedures contained herein are intended to foster exceptional stewardship of the public trust through a rigorous adherence to ethical standards associated with grant-related activity.

The policies and procedures laid out in this Grants Manual aim to achieve the following:

- Ensure that all grant-related activity is consistent with the strategic priorities of the Board of Commissioners and administration.
- Ensure the integrity of the Unified Government's reputation amongst grantmaking entities, which includes federal funders, state funders, and private funders.
- Ensure accountability for financial and programmatic elements of grant management, as well as the detection and mitigation of potential grant-related problems.
- Serve as a resource for all stages of the grant's lifecycle including grant pursuits, post-award management, and closeout for all departments; and
- Centralize grant pursuits and management to promote collaboration and coordination of the grants process between all departments.

B. Responsibilities

Our Responsibilities

To achieve our goals, the Grants Management Office must have knowledge of all departmental needs and priorities that can potentially be met through grant funding. Understanding a department's needs and priorities will allow the grants management staff to conduct research to find possible grant opportunities that meet the stated needs of the departments.

The following methods will be used to match departmental needs with grant opportunities:

1. Annual meetings with department heads:
   - As part of the yearly formation of the UG's Operating and Capital budgets, the Grants Manager will meet with Department heads and the Budget Department to identify the current needs and priorities of each department. These identified priorities will inform regular funding searches of our grants database. Department heads and the designated grant specialists for each department will be notified throughout the year as promising new grant opportunities are identified.

2. Ad-hoc grant seeking:
   - At any time during the year, all departments are encouraged to bring new priorities or initiatives to the Grants Management Office. In these cases, our staff will work to match your priority to existing grant opportunities and add the information to our internal department priority lists.

C. Key Leadership

Key Leadership

A Grants Management Advisory Committee has been established and consists of the Chief Financial Officer, Assistant County Administrators and Grants Manager. The purpose of this committee is to: 1) create a platform for effective dialogue and collaboration among departments and with external partners to coordinate programs and maximize available funding; 2) evaluate and make suggestions regarding performance indicators, accountability measures and program policies; and 3) submit recommendations to the County Administrator concerning legislative recommendations and regulatory policy.

III. Federal Grant Administration Rules

The federal government provides guidance for how all grant recipients must receive, spend, track, and report on federal funds. These rules are detailed in 2 CFR Chapter I, Part 200 titled the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. This set of rules is also sometimes referred to as the "Uniform Guidance". The reforms that comprise the Uniform Guidance **aim to reduce the administrative burden on award recipients and, at the same time, guard against the risk of waste and misuse of Federal funds.** In this Grants Manual, the set of federal grant administration rules is divided into four major categories: federal administrative requirements, federal cost principles, audits, and other rules.

A. Control Systems: Federal Administrative Requirements

Overall federal administrative requirements for grant management can be found in 2 CFR Part 200, can be accessed online at the following link:

eCFR :: 2 CFR Part 200 -- Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards

This guidance applies to all non-federal entities receiving federal grant awards and is applicable to all entity types. The federal government groups the administrative requirements into subparts that address the pre-award and post-award administration phases.

Pre-award Requirements: Discusses grant eligibility, applying for federal assistance, and debarment/suspension. Can be accessed online at the following link:

eCFR :: 2 CFR Part 200 Subpart C -- Pre-Federal Award Requirements and Contents of Federal Awards

Post-award Requirements: Discusses program management, payments, program income, budgeting, costs, cost sharing, and non-federal audits. Also discusses property and procurement guidelines, reporting and records retention, termination and enforcement, and closeout. Can be accessed online at the following link:

eCFR :: 2 CFR Part 200 Subpart D -- Post Federal Award Requirements

B. Expenditure Controls: Federal Cost Principles

Federal cost principles are regulations that help recipients and subrecipients determine eligible costs for specific activities identified in grant agreements and contracts and outlines financial management requirements including audits. Federal cost principles can be found in 2 CFR Part 200 Subpart E, can be accessed online at the following link:

eCFR :: 2 CFR Part 200 Subpart E -- Cost Principles

These laws discuss allowable costs, direct and indirect costs, determining reasonable costs, and unallowable costs associated with grant administration. The Cost Principles reference specific items, such as compensation, equipment, or advertising, in the Selected Items of Cost sections. Additional guidance related to timekeeping can be found in the Standards for Documentation of Personnel Expenses in section §200.430 (i) of the Uniform Guidance.

C. Audits

2 CFR Part 200 Subpart F sets forth standards for obtaining consistency and uniformity among Federal agencies for the audit of non-Federal entities expending Federal awards. These articulated audit rules govern the audit of all federal grantees expending $750,000 or more of federal awards during their own fiscal year. This subpart does not apply to for-profit subrecipients.

2 CFR Part 200 Subpart F can be accessed online at the following link:

eCFR :: 2 CFR Part 200 Subpart F -- Audit Requirements

D. Other Rules

Other applicable rules governing grants administration can be found in various sections throughout the federal code. Some of the sections that may apply to UG grants include:

Lobbying Restrictions

Lobbying restrictions can be found in section § 200.450 of the federal administrative requirements. This section also identifies other agency regulations that discuss lobbying restrictions. Generally, federal grantees and subrecipients are prohibited from using federal funds to influence federal employees or members of Congress and their staff. Costs incurred in attempting to improperly influence either directly or indirectly, an employee or officer of the executive branch of the Federal Government to give consideration or to act regarding a federal award or a regulatory matter are unallowable. If a federal grantee or subrecipient engages in lobbying activities, they must submit a form SF-LLL, Disclosure of Lobbying Activities, with their grant application. This form can be found located in the Appendix.

Debarment and Suspension

In order to ensure federal funds do not flow to excluded parties, non-Federal entities and other parties are responsible for determining whether any of the principals of covered transactions are excluded or disqualified from participating in the transaction. Names of debarred or suspended parties can be found by searching the System for Award Management (SAM) for exclusion records, active or excluded at https://sam.gov/content/exclusions.

2 CFR 180, *OMB Guidelines to Agencies on Governmentwide Debarment and Suspension (Non procurement)* governs debarment and suspension of non-Federal entities and other parties from receiving federal awards. Debarment and suspension can occur if covered parties use federal funds irresponsibly, wastefully, or fraudulently.

DRUG-FREE WORKPLACE

2 CFR 182, *Governmentwide Requirements for Drug-Free Workplace (Financial Assistance)* requires federal grantees to agree to a maintain a drug-free workplace.

The Unified Government continues to support its staff in this effort offering regular and required training courses through the HR Department.

OTHER RULES

Other Agency-specific rules for grant administration can be found under the agency's CFR title. For example, administration of Head Start grants under the Department of Health and Human Services can be found under 45 CFR Part 1301. To find CFR titles for agency-specific grant administration rules, look in the grant administration manual accompanying the grant award or search the CFR online at the U.S. Government Printing Office (GPO) website at

http://www.gpo.gov/fdsys/browse/collectionCfr.action?collectionCode=CFR.

For Codification of Governmentwide Grants Requirements by Department and Federal agency the archived chart can be accessed online at the following link:

https://obamawhitehouse.archives.gov/omb/grants_chart.

IV. Kansas State Grant Administration Rules

The State of Kansas also provides guidance for how all grant recipients must receive, spend, track, and report on state grant funds. These rules are detailed on the state's website, and additional forms and guidance are provided for recipients of State grant funding.

A. State Grants Management Requirements

On the States website it provides detailed administrative requirements for grant management, which include the following topics:

- Award Notification
- Award Documents
- Creating a grant file
- Reporting requirements
- Budget & Budget Revisions
- Programmatic Revisions
- Extension Requests
- Payment Processes
- Grant Compliance
- Grant Closeout

Detailed administrative requirements for State grant management can be found on the State of Kansas website, can be accessed online at the following link:

Grant Management (ks.gov)

V. Grant Lifecycle

Stages of the Grant Lifecycle Include:

- Identify Opportunities
- Analyze Capacity
- Prepare & Submit Application
- Negotiate Grant Award
- Implement program according to grant requirements and objectives.
- Drawdown and spend money in timely manner.
- Report program milestones
- Evaluate success and Closeout

A. Identify Grant Funding Opportunities

Grants.gov

The federal government requires federal agencies to post discretionary grant opportunities on the federal grants clearinghouse located at www.grants.gov. This website offers a comprehensive search feature to locate federal grant opportunities for most federal government office. The Unified Government (UG) can conduct searches by many different criteria including funding opportunity number, the category of funding, listing agency, and other unique search criteria. Grants.gov also has an email alert service that will send notification of new grant opportunities as they are posted. The email alert service can be accessed at:

https://www.grants.gov/web/grants/manage-subscriptions.html

Kansas State Grant Opportunities

The Kansas Governor's Grants Program (KGGP) administers state and federal grant programs to units of state and local government, Native American Tribes, nonprofit, community, and faith-based organizations throughout the state. Grants administrated by the KGGP enhance the criminal justice system, improve public safety, support crime victim services, and support drug and violence prevention programs in Kansas. The state provides information regarding the grant and specifications on how to apply on its dedicated website. The states grant opportunities can be accessed online at the following link:

Grant Opportunities (ks.gov)

Private Grant Opportunities

In addition to Federal and State grant opportunities, there are also private funding opportunities that maybe utilized to assist the departments in meeting their identified priorities. Unlike public funding, private funding does not entail public funds and may include both grants and gifts, depending upon the organization's mission. These opportunities include grants from corporations, foundations, or private sources. It is important to pay close attention to the funding criteria and funding mission so that you can align the projects' goal with those stated missions.

B. Analyze the Grant

Analyze Capacity for Benefit

Make Certain you understand the grant requirements

Federal grants can be a solution to fill gaps left by budget shortfalls, but they are meant to supplement, not replace, local efforts that provide services and resources. While grants provide important opportunities, many agree that the process of securing grants is long and difficult. Furthermore, management of these funds is not an easy task with competing demands and regulations issued by Congress, the Office of Management and Budget, and various federal departments supplying grant funding. Thus, many municipalities miss out on grant opportunities due to lack of staffing or expertise, or unintentionally mismanage grants, which results in having to return funding. It is important that you understand all the aspects of the grants, and what requirements are expected as it relates to outcomes, spending, and reporting.

C. Apply for a Grant (Prepare & Submit)

Plan the Grant Application (Prepare & Submit)

Note the Deadline

Preparing a grant proposal can be extremely labor-intensive regardless of the funding source. Establishing a plan to complete the individual parts of the grant application package will keep the effort organized and ensure completion by the grant deadline date. Federal & State grant deadlines tend to be hard deadlines. In most cases, even an application submitted one minute after the deadline will not be considered. So please take great notice of any submission deadlines.

Download the Grant Application Packet

The Unified Government will apply for grants using Federal Standard Form 424, Application for Federal Assistance. This form has approximately 21 sections. Generally, federal agencies expect online submission of federal grant applications either through Grants.gov or through a separate application system accessible from the agency's website. Be sure to review all the guidelines in the grant funding opportunity to confirm how to submit the application, and that all steps have been taken. Federal Standard Form 424 can be found in the appendix.

Identify the Grant Project Administrator and Team

The individual department's Grant Specialist will serve as the lead for completing and submitting the grant application packet. The Grant Specialist will locate the key people providing information required for writing parts of the grant application packet. Establishing an initial team meeting to discuss roles and responsibilities will ensure organized and timely preparation of the grant application, while ensuring every requirement is met.

PREPARE GRANT DOCUMENTS

Each document in a federal grant application packet must be completed prior to submission. If you are applying for a grant in Grants.gov, please complete and submit your application using Grants.gov Workspace.

Most federal grant application packets contain some variation of the family of SF-424 forms listed on Grants.gov, as well as additional forms required by various federal agencies. These forms can be accessed online at the following link:

https://www.grants.gov/forms/sf-424-family.html

Here are details on the commonly used forms:

SF-424: Application for Federal Assistance

SF-424A: Budget Information for Non-construction Programs or SF424-C Budget Information for Construction Programs

SF-424B: Assurances for Non-construction Programs or SF-424D Assurances for Construction Programs

The SF-424, Application for Federal Assistance contains 21 sections requesting contact information, organization background, demographical project information, total project funding, authorized representative information, and an explanation of any federal debt delinquencies.

The SF-424A/C, Budget information for Non-construction/Construction programs, contains two parts requesting detailed budget information divided by these class categories: personnel, fringe benefits, travel, equipment, supplies, contractual, construction, other costs, and indirect charges. A discussion of budget categories and costs follows in [cross reference].

The SF-424B/D, Assurances for Non-construction/Construction programs requires the authorized representative to certify compliance with a variety of federal laws, such as Title VI of the Civil Rights Act, the Davis-Bacon Act, and the Clean Air Act.

The individual parts of the grant application packet should be accurate, well-written and informative. Federal compliance enforcers, such as auditors and grant monitors, will refer to the documents in the application packet during site visits to evaluate project performance and grant compliance.

Grants.gov includes many form instructions along with other guidance on planning/writing federal grants as well at https://www.grants.gov/forms.html.

FINALIZE GRANT APPLICATION PACKET

Internal Approval Process

Applications will be reviewed based on information provided in the grant packet and the Risk Assessment form found in the appendices of this document. The grant packet will proceed to the appropriate next step based on the Unified Government's *Grant Application and Acceptance*

Policy dated December 10, 2015 ***(Resolution R-103-15)***. A copy of this policy can be found on Grants – Unified Government of Wyandotte County and Kansas City (wycokck.org).

Authorized Signature Authority

The documents in the federal grant application packet will require the signature of an Authorized Organization Representative (AOR) who has the power to bind the organization to the terms and conditions of the federal award. This individual is typically a senior leader, such as an executive director, president, or senior government official.

Primary and secondary signatures are as outlined in the Unified Government's *Grant Application and Acceptance Policy*

KEY GRANT SIGNATORY AUTHORITY FOR GRANT APPLICATION

Approval to submit a grant application is granted after obtaining signatures from:

1. Department Head
2. County Administrator
3. County Commission

SUBMIT AND TRACK

Once the grant application has been completed and authorized offline, the Grant Specialist will then submit it online. If applying online at an agency website or through Grants.gov, the sections of the completed grant application packet can be cut and pasted into an online submission program.

Grants.gov features a tracking mechanism that will give status reports on the processing of the grant application packet. The Grants.gov tracking feature can be accessed online at the following link:

https://www.grants.gov/applicants/track-my-application.html.

D. NEGOTIATE & RECEIVE THE GRANT

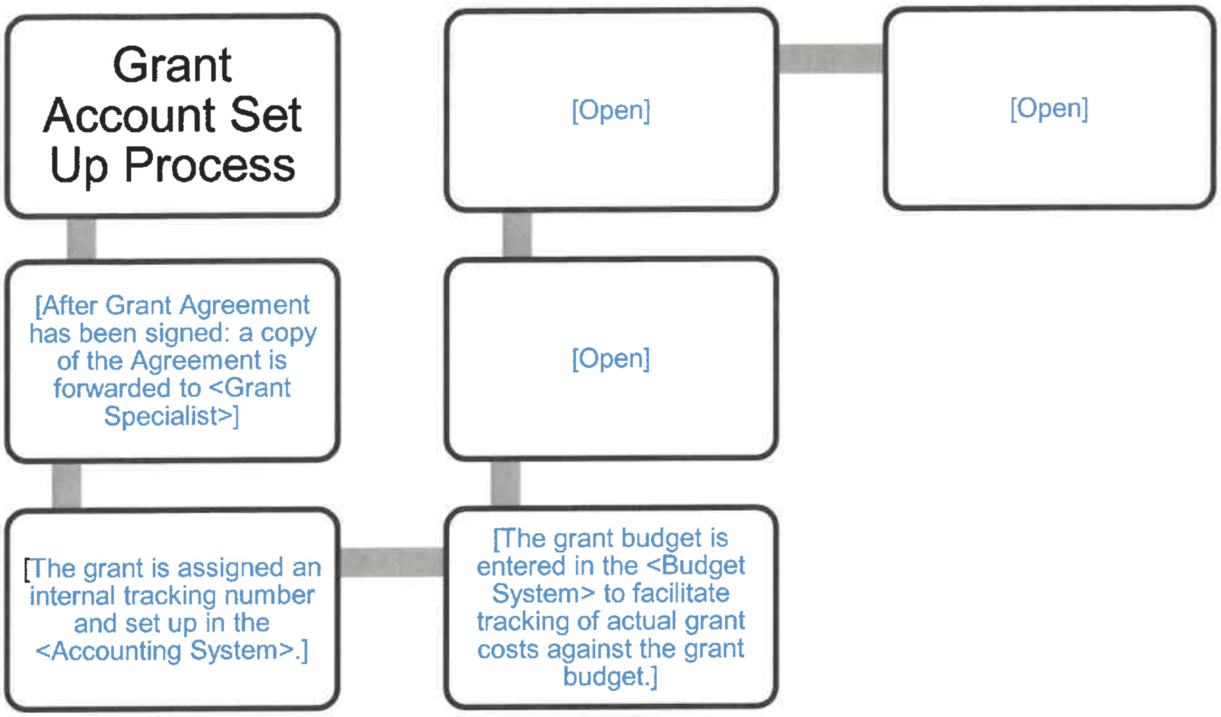
SIGN THE AGREEMENT

Upon an award of grant funds, an authorized key official in the Unified Government will need to sign the award document and return it to the federal awarding agency in order to receive the grant funds. The Federal awarding agency will not release any grant funds without receiving the grant award document back with an authorized signature in the format (electronic vs. physical signature) required by the awarding agency.

The authorized signer for the Unified Government is the Mayor or County Administrator.

Grant Account Set-Up

The Unified Government uses Cayenta to manage federal grant funding. Upon receipt of an award of federal grant funds, follow these instructions to set up a new account in the Cayenta system:



Receive Grant Funds

Grant recipients typically receive grant funds electronically or via check to an account from which they can draw down funds obligated under the grant.

Electronic Receipt: For funds received electronically, the Grant Specialist will forward notification to Treasury Department personnel via email indicating the expected amount and grant accounting for deposit processing. Documentation of the draw down transaction is added to the grant file.

Check Receipt: For funds received as a check, the Grant Specialist will document receipt and personally deliver directly to the Treasury Department for deposit processing. In either case, the Grant Specialist will verify completed deposits in the accounting system.

Federal Funds Draw Down Account

Many federal agencies deposit grant awards in an identified account and allow the grantee to withdraw the funds as costs become obligated. If the grant award distributes grant funds in this manner, be sure to take note of any procedures listed in the grant terms and conditions for activating the drawdown account and drawing down funds.

E. IMPLEMENTATION OF GRANTS

GRANT COSTS

The Unified Government must spend federal grant funds in accordance with the terms and conditions of the grant award. Therefore, prior to making an expenditure, program personnel must be aware of what costs and activities are allowable and unallowable under the grant, as well as what costs are considered direct and indirect costs. This section includes a brief description of characteristics of allowable and unallowable costs.

Allowable and Unallowable Costs

Allowable costs are those costs that fit the definition for authorized expenditures as stated in the applicable cost principles. Authorized expenditures comprise those expenditures that are:

- ✓ Allocable
- ✓ Reasonable and necessary
- ✓ Treated consistently as a direct or indirect cost
- ✓ Determined in accordance with Generally Accepted Accounting Principles (GAAP)
- ✓ Net of all applicable credits
- ✓ Not included as a cost or used to meet the matching requirement for another federal grant
- ✓ Incurred during the approved budget period
- ✓ Adequately-documented
- ✓ Conforms to limits or exclusions on types or amounts of costs as stated in cost principles, federal laws, and terms and conditions of the award
- ✓ Consistent with grantee policies, regulations, and procedures regarding federal awards
- ✓ Authorized or not prohibited by local laws

The Cost Principles governing the Unified Government explain these criteria in detail. A few key explanations, however, will be helpful here. The following are definitions to the most common terms associated with Grant cost determination and allocation.

Allocable

A cost is allocable to a particular federal award or another cost objective if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received.

Reasonable and Necessary

The cost must be incurred specifically for the ordinary and necessary for the operation of the non-Federal entity or the proper and efficient performance of the federal award.

Consistent Cost Treatment

Costs incurred for the same purpose and in like circumstances must all be treated the same. For example, an equipment cost cannot be treated as a direct cost in one instance and an indirect cost in another instance if it was incurred for the same reason and circumstances in both instances.

Net of Applicable Credits

A cost is "net of all applicable credits" if it takes into account any credits received toward the cost. For example, if program income was used toward a cost, that cost must be reduced by the amount of the program income in order to be allowable.

Selected Items of Cost

To view an itemized list of allowable costs, reference *Appendix Q: Selected Areas of Cost*.

Any cost that is not allowable is unallowable. If a federal award recipient uses federal grant funding for unallowable costs, the federal award recipient will need to repay those funds to the federal government from a non-federal source.

Direct and Indirect Costs

A direct cost is one that is specifically identified to the grant award. For example, the purchase of police equipment for a federal grant used to benefit local law enforcement is an example of a direct cost. Direct costs can be paid by the grant so long as they are allowable consistent with award terms and conditions and federal regulations, including §200.403 Factors affecting allowability of costs.

An indirect cost is one that is shared with another objective and that cannot be readily identified to the grant award. For example, the salary of accounting or procurement staff who support multiple programs would be considered an indirect cost. Likewise, electric service for the building housing administrative support departments would also be an indirect cost.

Indirect costs are paid by the grant based on the ratio of indirect costs to direct costs. This ratio is either the de minimis indirect cost rate or a rate negotiated by the cognizant federal agency.

The de minimis indirect cost rate is a standard 10% of modified total direct costs (MTDC). This rate requires no indirect cost proposal and is available to certain federal award recipients who do not have a current negotiated indirect cost rate in effect and elect to use the de minimis rate. The de minimis indirect cost rate can be used indefinitely or until such time as the federal award recipient decides to apply for a negotiated indirect cost rate.

The Unified Government's indirect cost rate is .10 or 10%.

BUDGETS

Unified Government uses Cayenta to track and reconcile grant budgets. For example, the SF-424A, Budget Information for Non-construction Programs, categorizes costs into eight categories:

- personnel
- fringe benefits
- travel
- equipment
- supplies
- contractual
- construction

- other

Cayenta should align with these categories for ease in tracking and reconciliation. Even though the federal government has noted these categories as comprising a grant award budget, the UG must still ensure that costs falling under these categories are allowable expenses per the applicable cost principles. For example, travel costs are an allowable expense and appear on the SF-424A Budget forms. However, costs for a first-class ticket when coach tickets were available may be disallowed as unreasonable. For construction programs, the form SF-424-C is Budget Information - Construction Programs is used with eleven categories related to the construction activities.

Cost Transfers

Proposed Cost Transfer Policy

Appropriate transfers include those that:

- ✓ Record a change in the use of goods or services under the grant award
- ✓ Correct an error
- ✓ Re-allocate bulk charges billed to a central department for individual projects.

To initiate a cost transfer, the Grant Specialist must prepare a transfer request for submission to appropriate accountin personnel. All cost transfers must be in the same amount as the original charge unless the transfer is being divided among different departments. If divided, an explanation of the division must accompany the transfer request. The department requesting the cost transfer must have incurred the item of cost and must identify the goods and services and their quantities in the transfer request. All cost transfers must be for allowable costs and must be made within 90 days of the end of the month in which the original charge posted to the ledger.

Program Income

In some instances, the UG must account for program income generated by grant activities according to the terms and conditions of the grant. Program income is gross income earned from grant activities that generates direct costs allocable to the grant award. For example, any fees earned from the sale of products or services under the grant would be considered program income since the creation of those products or services generate direct costs allocable to the grant. Any drawdowns of federal grant funds must take into account program income.

The SF-270 requires entry of any program income generated in the period of the request for advance or reimbursement. Not all program income requires reporting. Check the award terms and conditions as well as § 200.307 (program income) to determine the types of program income that must be reported against drawdowns of grant funds and the property treatment of that income as an addition, deduction, or match.

PROPERTY

The Property Standards section of 2 CFR Part 200 Subpart D governs the treatment of property acquired with federal grant funding. These rules govern treatment of all property purchased with grant funds.

The property standards can be accessed online at the following link:

[eCFR :: 2 CFR Part 200 Subpart D - Property Standards]

The types of property discussed in the administrative requirements include real property, personal property, which includes both equipment and supplies, and intellectual property. Detailed instructions regarding the acquisition, titling, and disposition of property appear in the applicable administrative requirements. General guidelines governing the treatment of federally funded property appear below.

Real Property

The Unified Government will receive title to property purchased with federal grant funding subject to the condition that the real property is used in accordance with the purpose of the grant and not encumbered without prior approval from the federal awarding agency.

When real property is no longer needed for its original purpose, the Unified Government must request disposition instructions from the federal awarding agency. The Unified Government may retain title to real property purchased with federal funds after compensating the federal awarding agency that percentage of the fair market value of the property attributable to federal participation in the project funded by the grant award. If directed to sell real property acquired with federal grant funds, the federal awarding agency will give instructions for the sale.

Equipment and Supplies

Equipment means tangible personal property having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established by the non-Federal entity for financial statement purposes, or $5,000. Supplies mean all tangible personal property other than those that meet the definition of equipment.

As with real property, the Unified Government may receive title to equipment or supplies purchased with federal grant funding so long as the property is used in accordance with the purpose of the grant and not encumbered without prior approval from the federal awarding agency. Individual awards and agency guidance may have further restrictions on the acquisition and use of equipment and supplies.

"Special Purpose" equipment is generally allowable as a direct cost to the federal award. Normally, the Unified Government must have the prior approval of the awarding agency to purchase equipment costing over $5,000. "General Purpose" equipment should not be charged as a direct cost to the federal award without prior approval of the awarding agency.

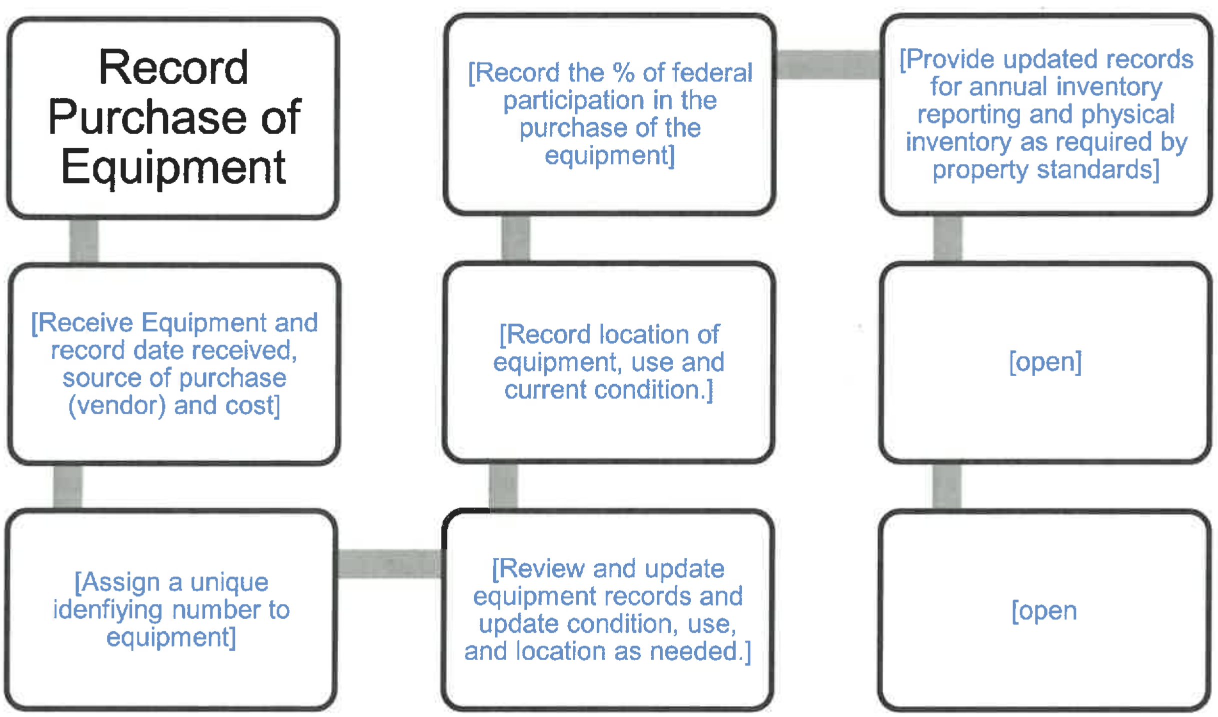
If the Unified Government needs to replace equipment, it may trade-in or sell the equipment and use the proceeds to offset the cost of the replacement equipment with prior approval from the federal awarding agency. For equipment valued at less than $5,000, the Unified Government may keep the equipment when it is no longer needed for its original purpose. For equipment valued at more than $5,000, the Unified Government must pay the federal awarding agency a portion of the market value or sale proceeds based on the percentage of the equipment funded by the federal awarding agency.

Equipment Records

The Unified Government must maintain equipment records for all grant-funded equipment.

Equipment records must indicate:

- A description of the equipment
- Manufacturer's serial number, model number, or other identification number.
- Source of the equipment, including the federal grant award number
- Owner of the property (federal government or grant recipient)
- Acquisition date or date received
- Cost of equipment
- Details indicating the percentage of federal participation in the cost of the equipment
- Location of equipment and date reported
- Condition of equipment and date reported
- Unit acquisition cost
- Date of disposal (if applicable)
- Disposal price (if applicable)
- Method used to determine fair market value for disposal price (if applicable)



Equipment Maintenance

The Unified Government must have procedures in place to ensure that equipment purchased with Federal funds is maintained to keep the equipment in good condition.

Property Controls

Property purchased with Federal funds must be held in trust for the beneficiaries of the Federal program or project. The Unified Government must implement effective control measures to ensure the protection of grant-funded equipment from loss, damage, and theft. Any loss, damage, or theft discovered during a site visit will be investigated and documented.

If equipment titled to the federal government suffers loss, damage, or theft, the Unified Government must notify the federal awarding agency immediately.

Inventory Reporting

The Unified Government must inventory equipment (including replacement equipment) and reconcile the results with the property records at least once every two years, whether the equipment acquired in whole or in part under a federal award, until disposition takes place. A control system must be developed and maintained to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft must be investigated.

Intellectual Property

The Unified Government may copyright any work that is subject to copyright and was developed, or for which ownership was acquired, under a federal award. The Federal awarding agency, however, retains a royalty-free, non-exclusive, and irrevocable right to reproduce, publish, or otherwise use the work for Federal purposes and to authorize others to do so.

Cost sharing

Generally, any contributions received under a grant-funded project, including cash and in-kind contributions, will be accepted as part of the Unified Government cost sharing or matching requirement so long as they:

- ✓ are verifiable from the federal award recipient's records
- ✓ do not count as contributions for other federally assisted projects
- ✓ are necessary and reasonable for the accomplishment of project or program objectives
- ✓ are allowable
- ✓ are not paid by the federal government under another award except were designated for cost sharing or matching
- ✓ are noted in the approved budget required by the federal awarding agency

Situations Requiring Prior Approval from the Federal Awarding Agency

Understanding those situations requiring prior approval from the federal awarding agency will prevent possible audit findings and questioned costs. Costs incurred that required but did not receive prior approval from the federal awarding agency may not be reimbursed. 2 CFR Part 200 Section §200.407 details prior written approval and contains references to a list of prior approval requirements where the organization may need to seek the prior written approval of the cognizant agency for indirect costs or the Federal awarding agency. 2 CFR Part 200 Section §200.308 covers prior approvals in detail for revision of budget and program plans. Generally, prior approval from the federal awarding agency is required in the following situations:

- ✓ Revision of the scope or objective of the project
- ✓ Changes in key personnel
- ✓ Disengagement of the project director or principal investigator from a project for more than three months or a reduction of time devoted to the project by more than 25%
- ✓ To incur certain types of costs
- ✓ Transfers among direct cost categories that exceed 10% of the total approved budget in instances where the agency's share exceeds the Simplified Acquisition Threshold (current set at $250,000 at the time of this writing)
- ✓ Unless described in the application and funded in the approved Federal awards, the sub awarding, transferring, or contracting out of any work under a federal award, including fixed amount subawards. This provision does not apply to the acquisition of supplies, material, equipment, or general support services.
- ✓ Changes in the amount of approved cost sharing or matching provided by the federal award recipient
- ✓ Budget revisions requiring the need for additional funds needed to complete the project
- ✓ Transfer of participant support costs to other categories of expense

The Federal policies can be accessed online at the following links:

eCFR :: 2 CFR 200.407 -- Prior written approval (prior approval).

Reporting

Award of federal grant funds requires a fair amount of reporting. Sections 200.328 and 200.329 under 2 CFR Part 200 give detailed guidance on federal reporting requirements for grant administration. Generally, the federal government requires two types of reports: performance reports and financial reports.

The Federal policies can be accessed online at the following links:

eCFR :: 2 CFR 200.329 -- Monitoring and reporting program performance.

eCFR :: 2 CFR 200.328 -- Financial reporting.

Performance Reports

Performance reports compare actual achievements with the goals stated for the reporting period, explain the reasons why goals may not have been met, and explain cost overruns or high unit costs, where necessary. Typically, performance reports can be submitted online.

Financial Status Reports

The SF-425 - Federal Financial Report serves as a financial status report. It reflects program spending and program income as well as cash transactions at least annually but no more than quarterly.

Federal Oversight in Grant Administration

Federal awarding agencies use two types of oversight to monitor grant compliance by federal award recipients: monitoring and audits.

Monitoring

The organization must monitor its activities under Federal grant awards to ensure compliance with applicable Federal requirements. This review also checks that performance expectations are being achieved. Monitoring must cover each program, function, or activity and can include subrecipient monitoring as appropriate.

The Federal policies can be accessed online at the following links:

eCFR :: 2 CFR 200.329 -- Monitoring and reporting program performance.

Some examples of monitoring include reviewing financial, personnel, procurement, property, and program activities. For instance, a grant monitor typically reviews records, interviews key personnel, views grant-funded purchases, and otherwise investigates how grant funds are managed. At the conclusion of monitoring activities, the grant monitor may prepare an in-depth report documenting the results. If the grant monitor discovers compliance issues, typically, they reach out to the organization to resolve them.

Audits

Audits differ from monitoring visits in that they provide a comprehensive review of financial records. Auditors typically have training in generally accepted accounting principles (GAAP) and other audit practices. Like grant monitors, auditors investigate financial records to ensure compliance with the terms and conditions of the grant award. In the event they discover a compliance issue, they work with the award recipient to resolve the issue.

Audits are governed by 2 CFR Part 200 Subpart F.

The Federal policies can be accessed online at the following links:

eCFR :: 2 CFR Part 200 Subpart F -- Audit Requirements

F. Drawdown of Grant Funds

Retrieving Grant Funds

Prior to drawing down funds, federal grantees are required to submit Form SF-270 Request for Advance or Reimbursement. This form indicates the amount of the drawdown request and confirms the amount of grant award funds remaining. A copy of SF-270 appears in Appendix G of this manual.

The Unified Government must minimize the time elapsing between the transfer of funds from the United States Treasury or the pass-through entity and the disbursement by the non-Federal entity. Generally, you want to only draw down funds in advance of expenditures that will take place within 72 hours.

In the absence of a drawdown policy by the federal awarding agency, the Unified Government draws down federal funds approximately once a month. The Grant Specialist has the authority to draw down funds in the amount they have been obligated under the grant. Prior to any drawdown of federal funding, the Grant Specialist will confirm the cash balance of each federal grant.

If a drawdown is made in error, the Grant Specialist will follow the policy of the federal awarding agency to correct the error.

PROCUREMENT PROCEDURES

Purchase Requisition Process

The purchase of goods typically starts with the receipt of an approved purchase requisition form.

General Standards

The Unified Government must use documented procurement procedures which conform to applicable State and Federal law. Federal procurement standards are covered in 2 CFR Part 200 Sections 200.317-200.327.

The UG's most current Procurement policy can be found at Purchasing - Policies (wycokck.org)

Unnecessary Purchases Prohibited

The Unified Government shall avoid purchasing unnecessary or duplicative items. Every grant-funded purchase must meet the definition of an "allowable cost" per the federal administrative requirements. For a discussion of allowable costs, reference § 200.403 Factors affecting allowability of costs.

The Federal policies can be accessed online at the following links:

eCFR :: 2 CFR 200.403 -- Factors affecting allowability of costs.

Non-Competitive Practices (Conflict of Interest)

The Unified Government and their subrecipients shall avoid actual, or the appearance of, conflicts of interest or non-competitive practices which may restrict or eliminate competition or otherwise restrain trade.

To support objective contractor performance and eliminate an unfair competitive advantage, contractors that develop or draft specifications, requirements, statements of work, invitations for bid, and/or Requests for Proposals (RFPs) for a proposed procurement must be excluded from competing for such procurements.

The Federal policies can be accessed online at the following links:

eCFR :: 2 CFR 200.112 -- Conflict of interest.

CONTRACTOR MANAGEMENT

The Unified Government must award contracts only to responsible contractors possessing the ability to perform successfully under the terms and conditions of a proposed procurement. Any contractor responding to bids involving Federal monies are required to be registered in Sam.gov. The Unified Government must also maintain oversight to ensure that contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders.

Affirmative Steps

The Unified Government takes all necessary affirmative steps to ensure that minority businesses, women's business enterprises (WBE), and labor surplus area firms are used when possible. The Unified Government also takes necessary affirmative steps to hire local firms when qualified and meets procurement standards.

Federally-Mandated Procurement Contract Provisions

All contracts awarded by the Unified Government to subcontractors and involving a grant-funded purchase of goods or services, including small purchases, must include certain federally mandated procurement contract provisions, including:

Provision	Citation
Recipient Termination	*41 U.S.C. 1908*
Equal Employment Opportunity	*41 CFR 60-1.4(b), in accordance with Executive Order 11246, "Equal Employment Opportunity" (30 FR 12319, 12935, 3 CFR Part, 1964-1965 Comp., p. 339), as amended by Executive Order 11375, "Amending Executive Order 11246 Relating to Equal Employment Opportunity," and implementing regulations at 41 CFR part 60, "Office of Federal Contract Compliance Programs, Equal Employment Opportunity, Department of Labor."*
Clean Air Act	*42 U.S.C. 7401-7671q*
Federal Water Pollution Control Act	*33 USC 1251-1387*
Copeland "Anti-Kickback" Act	*40 U.S.C. 3145 and 29 CFR Part 3*
Byrd Anti-Lobbying Amendment	*31 U.S.C. 1352*
Debarment and Suspension	*Executive Orders 12549 and 12689*
Procurement of Recovered Materials	*§ 200.323, Section 6002 of the Solid Waste Disposal Act, 40 CFR part 247*
Davis-Bacon Act	*40 U.S.C. 3141-3148*
Contract Work Hours and Safety Standards Act	*29 CFR Part 5, 40 U.S.C. 3701-3708, 40 U.S.C. 3702 and 3704*
Rights to Inventions Made Under a Contract or Agreement	*37 CFR part 401*
Remedies for Breach	*41 USC 1908*
Prohibition on Certain Telecommunications and Video Surveillance Services or Equipment	*§ 200.216, Public Law 115-232, section 889*
Domestic Preferences for Procurements	*V-33-34*

In addition to the contract provision listed in 2 CFR Part 200 Appendix II, contracts may also need to address additional contract clauses such as:

- Statutory and national policy requirements

- Federal agency-specific requirements for contractors
- § 200.215 Never contract with the enemy, as applicable
- Provisions for bid guarantees, performance bonds, and payment bonds
- Provisions allowing access to contractor records Federal awarding agency, Comptroller General of the United States, and any other duly authorized representative

The Federal policies can be accessed online at the following links:

eCFR :: 2 CFR Chapter II -- Office of Management and Budget Guidance

LABOR REPORTING

The Unified Government must comply with labor reporting requirements when labor is charged to a federal award for salaries and wages-whether as part of direct costs or as part of an indirect cost pool consistent with §200.430 Compensation—personal services.

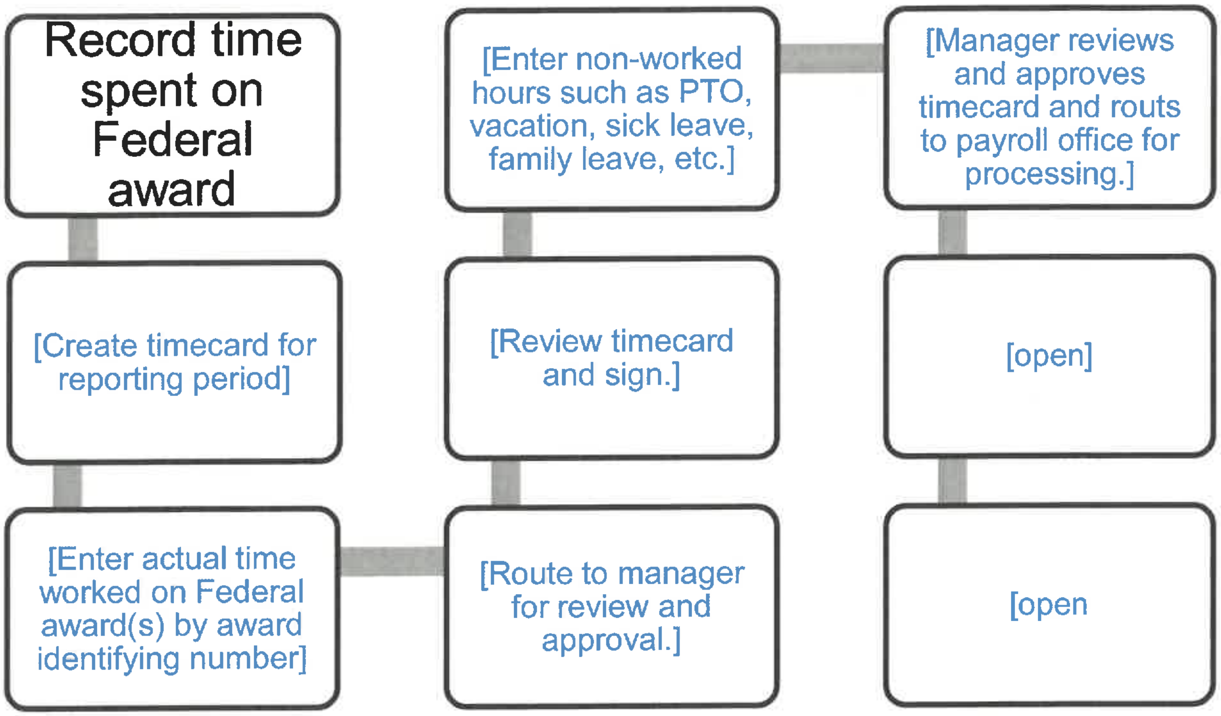
For labor costs to be allowable to charge a federal award, they must follow §200.430 (i) Standards for Documentation of Personnel Expenses which includes charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed.

The Federal policies can be accessed online at the following links:

eCFR :: 2 CFR 200.430 -- Compensation - personal services.

Labor records must be:

- Supported by a system of internal control that provides reasonable assurance that the charges are accurate, allowable, and properly allocated
- Incorporated into the official records of the non-Federal entity
- Reasonably reflect the total activity for which the employee is compensated
- Encompass federally assisted and all other activities compensated by the non-Federal entity on an integrated basis but may include the use of subsidiary records as defined in the non-Federal entity's written policy
- Comply with the established accounting policies and practices of the non-Federal entity
- Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity



See Appendix Q: Selected Areas of Cost Compensation for §200.430 (i) Standards for Documentation of Personnel Expenses for further information on the labor reporting requirements.

G. Closeout Grant

Final Phase

The final stage in the grant lifecycle is grant closeout. This phase begins when either the grant award period has expired, or the Unified Government draws down its entire grant award. Federal & State awarding agencies will notify the Unified Government as it nears the end of its grant term to request final reports. If the Unified Government is nearing the end of its grant term but has not yet completed the objectives of the award and has not expended the entire award, a one-time extension of the period of performance by up to 12 months may be requested of the federal awarding agency if allowed.

Generally, the final performance report submitted by the non-Federal entity and/or pass-through entity is due no later than 120 calendar days after the period of performance end date, this may change depending on funder. A subrecipient must submit to the pass-through entity no later than 90 calendar days after the period of performance end date or as required by the terms and conditions of the federal award. The federal awarding agency will request and review various items such as:

- ✓ Work plan and progress reports
- ✓ SF-269 Financial Status Reports

- ✓ Requests for payments
- ✓ Compliance with matching requirements
- ✓ Federally-owned property records

As the federal awarding agency conducts its review, it can still discover and collect payments for disallowed costs and other deficits in the administration of the grant.

The Federal policies can be accessed online at the following links:

eCFR :: 2 CFR 200.344 -- Closeout.

eCFR :: 2 CFR 200.346 -- Collection of amounts due.

Record Retention

Record retention requirements for federal award recipients appear in the Record Retention and Access section of 2 CFR Part 200 Sections 200.334 thru 200.338. The general rule for record retention is that the records must be retained for three years from the date of submission of the final expenditure report.

Exceptions:

For records related to litigation, claims or audits started before the three-year period expires; the federal award recipient must retain records until all actions have been resolved and final action related to the litigation, claims, or audits has been taken

- When notified in writing by the Federal awarding agency, cognizant agency for audit, oversight agency for audit, cognizant agency for indirect costs, or pass-through entity to extend the retention period
- For real property and equipment, records must be retained for three years from the date of final disposition of the property
- When the federal awarding agency maintains the records, the three-year retention requirement does not apply to the federal award recipient
- In some cases, program income must be reported after the period of performance. Where there is such a requirement, the retention period for the records pertaining to the earning of the program income starts from the end of the non-Federal entity's fiscal year in which the program income is earned.

The Federal policies can be accessed online at the following links:

eCFR :: 2 CFR 200.334 -- Retention requirements for records.

eCFR :: 2 CFR 200.335 -- Requests for transfer of records.

eCFR :: 2 CFR 200.336 -- Methods for collection, transmission, and storage of information.

eCFR :: 2 CFR 200.337 -- Access to records.

eCFR :: 2 CFR 200.338 -- Restrictions on public access to records.

VI. APPENDICES

APPENDIX A: FEDERAL FINANCIAL REPORT (SF-425)

View Burden Statement

Federal Financial Report
(Follow form Instructions)

OMB Number: 4040-0014
Expiration Date: 02/28/2022

1. Federal Agency and Organizational Element to Which Report is Submitted

2. Federal Grant or Other Identifying Number Assigned by Federal Agency (To report multiple grants, use FFR Attachment)

3. Recipient Organization (Name and complete address including Zip code)

Recipient Organization Name:

Street1:

Street2:

City: County:

State: Province:

Country: USA: UNITED STATES ZIP / Postal Code:

4a. UEI

4b. EIN

5. Recipient Account Number or Identifying Number (To report multiple grants, use FFR Attachment)

6. Report Type
- Quarterly
- Semi-Annual
- Annual
- Final

7. Basis of Accounting
- Cash
- Accrual

8. Project/Grant Period
From: To:

9. Reporting Period End Date

10. Transactions	Cumulative
(Use lines a-c for single or multiple grant reporting)	
Federal Cash (To report multiple grants, also use FFR attachment):	
a. Cash Receipts	0.00
b. Cash Disbursements	0.00
c. Cash on Hand (line a minus b)	0.00
(Use lines d-o for single grant reporting)	
Federal Expenditures and Unobligated Balance:	
d. Total Federal funds authorized	0.00
e. Federal share of expenditures	0.00
f. Federal share of unliquidated obligations	0.00
g. Total Federal share (sum of lines e and f)	0.00
h. Unobligated balance of Federal Funds (line d minus g)	0.00
Recipient Share:	
i. Total recipient share required	0.00
j. Recipient share of expenditures	0.00
k. Remaining recipient share to be provided (line i minus j)	0.00
Program Income:	
l. Total Federal program income earned	0.00
m. Program income expended in accordance with the deduction alternative	0.00
n. Program income expended in accordance with the addition alternative	0.00
o. Unexpended program income (line l minus line m and line n)	0.00

APPENDIX B: REQUEST FOR ADVANCE OR REIMBURSEMENT (SF-270)

11. COMPUTATION OF AMOUNT OF REIMBURSEMENTS/ADVANCES REQUESTED

PROGRAMS/FUNCTIONS/ ACTIVITIES		(a)	(b)	(c)	TOTAL
a. Total program outlays to date	(As of date)	$	$	$	$
b. *Less:* Cumulative program income					
c. Net program outlays *(Line a minus line b)*					
d. Estimated net cash outlays for advance period					
e. Total *(Sum of lines c & d)*					
f. Non-Federal share of amount on line e					
g. Federal share of amount on line e					
h. Federal payments previously requested					
i. Federal share now requested *(Line g minus line h)*					
j. Advances required by month, when requested by Federal grantor agency for use in making prescheduled advances	1st month				
	2nd month				
	3rd month				

12. ALTERNATE COMPUTATION FOR ADVANCES ONLY

a. Estimated Federal cash outlays that will be made during period covered by the advance	$
b. *Less:* Estimated balance of Federal cash on hand as of beginning of advance period	
c. Amount requested *(Line a minus line b)*	$

13. CERTIFICATION

I certify that to the best of my knowledge and belief the data on the reverse are correct and that all outlays were made in accordance with the grant conditions or other agreement and that payment is due and has not been previously requested.

SIGNATURE OR AUTHORIZED CERTIFYING OFFICIAL	DATE REQUEST SUBMITTED

TYPED OR PRINTED NAME AND TITLE

Prefix: First Name: Middle Name:

Last Name: Suffix:

Title:

TELEPHONE (AREA CODE, NUMBER, EXTENSION)

This space for agency use

Public reporting burden for this collection of information is estimated to average 60 minutes per response, including time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding the burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the Office of Management and Budget, Paperwork Reduction Project (4040-0012), Washington, DC 20503.

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STANDARD FORM 270 (REV. 1/2016)

APPENDIX C: OUTLAY REPORT AND REQUEST FOR REIMBURSEMENT FOR CONSTRUCTION PROGRAMS (SF-271)

11.	STATUS OF FUNDS			
CLASSIFICATION	PROGRAMS (a)	FUNCTIONS (b)	ACTIVITIES (c)	TOTAL
a. Administrative expense	$	$	$	$
b. Preliminary expense				
c. Land, structures, right-of-way				
d. Architectural engineering basic fees				
e. Other architectural engineering fees				
f. Project inspection fees				
g. Land development				
h. Relocation expense				
i. Relocation payments to individuals and businesses				
j. Demolition and removal				
k. Construction and project improvement cost				
l. Equipment				
m. Miscellaneous cost				
n. Total cumulative to date *(sum of lines a thru m)*				
o. Deductions for program income				
p. Net cumulative to date *(line n minus line o)*				
q. Federal share to date				
r. Rehabilitation grants (100% reimbursement)				
s. Total Federal share *(sum of lines q and r)*				
t. Federal payments previously requested				
u. Amount requested for reimbursement	$	$	$	$
v. Percentage of physical completion of project	%	%	%	%

Appendix D: SF-PPR Performance Progress Report

PERFORMANCE PROGRESS REPORT
SF-PPR

Page | of Pages

1. Federal Agency and Organization Element to Which Report is Submitted

2. Federal Grant or Other Identifying Number Assigned by Federal Agency

3a. DUNS

3b. EIN

4. Recipient Organization (Name and complete address including zip code)

5. Recipient Identifying Number or Account Number

8. Final Report? ☐ Yes ☐ No

6. Project/Grant Period

Start Date:

End Date:

7. Reporting Period End Date

9. Report Frequency

☐ annual ☐ semi-annual

☐ quarterly ☐ other

If other, describe:

10. Performance Narrative (Attach performance narrative as instructed by the awarding Federal Agency)

11. Other Attachments *(Attach other documents as needed or as instructed by the awarding Federal Agency)*

12. Certification: I certify to the best of my knowledge and belief that this report is correct and complete for performance of activities for the purposes set forth in the award documents.

12a. Typed or Printed Name and Title of Authorized Certifying Official

12b. Signature of Authorized Certifying Official

12c. Telephone *(area code-number-extension)*

12d. Email Address

12e. Date Report Submitted

13. Agency use only

OMB Approval Number: 0970-0334
Expiration Date: 10/31/2012

APPENDIX E: TANGIBLE PERSONAL PROPERTY REPORT (SF-428)

TANGIBLE PERSONAL PROPERTY REPORT
SF-428

OMB Number: 4040-0018
Expiration Date: 6/30/2020

1. Federal Agency and Organizational Element to Which Report is Submitted

2. Federal Grant or Other Identifying Number Assigned by Federal Agency

3a. UEI

3b. EIN

4. Recipient Organization *(Name and complete address including zip code)*

Recipient Organization Name:

Street1:

Street2:

City:

County:

State:

Province:

Country: USA: UNITED STATES

ZIP / Postal Code:

5. Recipient Account or Identifying Number

6. Attachment *(Check applicable)*

- Annual Report (SF-428-A)
- Final (Award Closeout) Report (SF-428-B)
- Disposition Report/Request (SF-428-C)

7. Supplemental Sheet

- Yes
- No

8. Comments

Add Attachment | Delete Attachment | View Attachment

9a. Typed or Printed Name and Title of Authorized Certifying Official

Prefix:

First Name:

Middle Name:

Last Name:

Suffix:

Title:

9b. Signature of Authorized Certifying Official

9c. Telephone *(area code, number, extension)*

9d. E-Mail Address

9e. Date report submitted *(MM/DD/YYYY)*

10. Agency use only

APPENDIX F: PROPOSED REAL PROPERTY STATUS REPORT (SF-429)

REAL PROPERTY STATUS REPORT SF-429
(COVER PAGE)

OMB Number: 4040-0016
Expiration Date: 02/28/2022

1. Federal Agency and Organizational Element to Which Report is Submitted:

2. Federal Grant(s) or Other Identifying Number(s) Assigned by Federal Agency(ies):

3. Recipient Organization (name and complete address including zip code):

Recipient Organization Name:

Street1:

Street2:

City: County:

State: Province:

Country: USA: UNITED STATES ZIP / Postal Code:

4a. UEI: 4b. EIN: 5. Recipient Account or Identifying Number:

6. Contact Person for this Report:

Prefix: First Name: Middle Name:

Last Name: Suffix:

Email:

Phone: Fax:

7. Report End Date: *(MM/DD/YYYY)*

8. Real Property Status Report – Attachments: [*check the applicable block(s)*]:

- : Attachment A (General Reporting) *attached*
- : Attachment B (Request to Acquire, Improve or Furnish) *attached*
- : Attachment C (Disposition Request) *attached*

9. Comments:

Add Attachment | Delete Attachment | View Attachment

10. Certification: I certify to the best of my knowledge and belief that all information presented in this report is true, correct and complete and constitutes a material representation of fact upon which the Federal government may rely.

11a. Typed or Printed Name and Title of Authorized Certifying Official:

Prefix: First Name: Middle Name:

Last Name: Suffix:

Title:

11b. Signature of Authorized Certifying Official:

11c. Telephone *(area code, number, extension)*:

11d. Email Address:

11e. Date Report Submitted *(MM/DD/YYYY)*:

12. Agency use only

Procurement Records Checklist

Items to include in the Procurement Records:

- ❑ **Description of Goods and Services**
  - ❑ **A clear, accurate description that includes technical requirements**
  - ❑ **Don't unduly restrict competition**
- ❑ **Requirements**
  - ❑ **Technical requirements in terms of the "functions to be performed"**
  - ❑ **What requirements is the bidder expected to fulfill?**
  - ❑ **What factors will be used to evaluate the bids?**
- ❑ **Selection basis for contractor**
- ❑ **Cost or price basis for goods and services**
- ❑ **Cost or price analysis**
- ❑ **Review for parties listed in exclusions**

If applicable, include:

- ❑ **Lease vs. buy decision**
  - ❑ Which option is the most economical and practical?
- ❑ **Written justification for lack of competition, such as sole source**
- ❑ **Contract provisions**
- ❑ **Other Compliance Documentation**
- ❑ **Other** ____
- ❑ **Other** ____

APPENDIX H: PROPERTY RECORDS CHECKLIST

Asset Number	
Ownership (Feds or Grantee)	
Original Award Number	
Follow-on Award Number (If applicable)	
Description	
Source/Vendor	
Financial Transaction Number (if available)	
ID#	
Date Acquired	
Cost per Unit	
% of Federal Ownership	
Last Reported Location	
Last Reported Condition	
Last Reported Use	
Date of Last Report	
Disposed (Y/N)	
If Y, Date of Disposal	
Disposal Sales Price	

Grant Closeout Checklist

Items to review for Grant Closeout:

Award # ______________________ Period of Performance ____________________

- ❑ **All Allowable Costs Reimbursed?**
- ❑ **Final Drawdown of Grant Funds Received?**
- ❑ **Final Financial Status Report (FSR) Submitted**
- ❑ **Final Review of Grant**
  - ❑ **All Closeout Requirements Completed?**
- ❑ **Required Documentation Completed**
  - ❑ **Financial records, Including Budget vs. Actual Reports**
  - ❑ **Cost sharing or "Matching" or Documentation**
  - ❑ **Reconciliation of Cash Draw-downs with the Financial Status Reports**
  - ❑ **Program Records Demonstrating Full Implementation of the Grant Objectives**
- ❑ **Record Retention Requirements**
  - ❑ **Financial Records and Supporting Documentation**
  - ❑ **Property and Equipment Records**
  - ❑ **Indirect Cost Proposals**
  - ❑ **Subrecipient Monitoring Documentation**
  - ❑ **Suspension and Debarment Compliance Documentation**
- ❑ **On-going Responsibilities:**
  - ❑ **Property Reporting**
  - ❑ **Indirect Cost Rates Finalized**
- ❑ **Other ____**

Audit Checklist

Various Items which may be requested for Audit:

- ❑ Contracts
    - ❑ Purchase Orders/Authorizations
    - ❑ List of Bidders and Individual Bid Packages
    - ❑ Bid Recommendations by Reviewer
    - ❑ Awarding of Bids Authorizations/Resolutions
    - ❑ Contracts/Agreements/Change Orders
    - ❑ Contractor Bonds
    - ❑ Suspension and Debarment Review
    - ❑ Payment Records
- ❑ Labor Records
    - ❑ Work Authorization Identifying Award
    - ❑ Time Sheets Signed by Employee and Supervisor
    - ❑ Hourly Rate Support (Payroll Registers/Salary Schedules)
    - ❑ Fringe Benefits (Provide Schedule)
- ❑ Property Records
    - ❑ Cost Records
    - ❑ Location, Condition, Use, and Disposal Records
- ❑ Other Records
    - ❑ Board Minutes
    - ❑ Indirect Cost Allocation Plans
    - ❑ Subawards

Appendix K: Selected Items of Cost

2 CFR Part 200 Sections 200.420 thru 200.476 titled General Provisions for Selected Items of Cost provide principles to be applied in establishing the allowability of certain items of cost. These principles apply whether a cost is treated as direct or indirect. Failure to mention a particular item of cost is not intended to imply that it is unallowable; rather, determination of allowability in each case should be based on the treatment standards provided for similar or related items of cost.

General Provisions for Selected Items of Cost

200.420 Considerations for selected items of cost.
200.421 Advertising and public relations.
200.422 Advisory Councils.
200.423 Alcoholic beverages.
200.424 Alumni/ae activities.
200.425 Audit services.
200.426 Bad debts.
200.427 Bonding costs.
200.428 Collections of improper payments.
200.429 Commencement and convocation costs.
200.430 Compensation—personal services.
200.431 Compensation—fringe benefits.
200.432 Conferences.
200.433 Contingency provisions.
200.434 Contributions and donations.
200.435 Defense and prosecution of criminal and civil proceedings and claims, appeals and patent infringements.
200.436 Depreciation.
200.437 Employee health and welfare costs.
200.438 Entertainment costs.
200.439 Equipment and other capital expenditures.
200.440 Exchange rates.
200.441 Fines, penalties, damages, and other settlements.
200.442 Fundraising and investment management costs.
200.443 Gains and losses on disposition of depreciable assets.
200.444 General costs of government.
200.445 Goods or services for personal use.
200.446 Idle facilities and idle capacity.
200.447 Insurance and indemnification.
200.448 Intellectual property.
200.449 Interest.
200.450 Lobbying.
200.451 Losses on other awards or contracts.
200.452 Maintenance and repair costs.
200.453 Materials and supplies costs, including costs of computing devices.
200.454 Memberships, subscriptions, and professional activity costs.
200.455 Organization costs.
200.456 Participant support costs.
200.457 Plant and security costs.
200.458 Pre-award costs.
200.459 Professional service costs.
200.460 Proposal costs.
200.461 Publication and printing costs.
200.462 Rearrangement and reconversion costs.
200.463 Recruiting costs.
200.464 Relocation costs of employees.
200.465 Rental costs of real property and equipment.
200.466 Scholarships and student aid costs.
200.467 Selling and marketing costs.
200.468 Specialized service facilities.
200.469 Student activity costs.
200.470 Taxes (including Value Added Tax).
200.470 Taxes (including Value Added Tax).
200.471 Telecommunication costs and video surveillance costs.
200.472 Termination costs.
200.473 Training and education costs.
200.474 Transportation costs.
200.475 Travel costs.
200.476 Trustees.

§200.420 Considerations for selected items of cost.

This section provides principles to be applied in establishing the allowability of certain items involved in determining cost, in addition to the requirements of Subtitle II. Basic Considerations of this subpart. These principles apply whether or not a particular item of cost is properly treated as direct cost or indirect (F&A) cost. Failure to mention a particular item of cost is not intended to imply that it is either allowable or unallowable; rather, determination as to allowability in each case should be based on the treatment provided for similar or related items of cost, and based on the principles described in §§200.402 Composition of costs through 200.411 Adjustment of previously negotiated indirect (F&A) cost rates containing unallowable costs. In case of a discrepancy between the provisions of a specific Federal award and the provisions below, the Federal award governs. Criteria outlined in §200.403 Factors affecting allowability of *costs* must be applied in determining allowability. See also §200.102 Exceptions.

§200.421 Advertising and public relations.

(a) The term advertising costs mean the costs of advertising media and corollary administrative costs. Advertising media include magazines, newspapers, radio and television, direct mail, exhibits, electronic or computer transmittals, and the like.

(b) The only allowable advertising costs are those which are solely for:

(1) The recruitment of personnel required by the non-Federal entity for performance of a Federal award (See also §200.463 Recruiting costs);

(2) The procurement of goods and services for the performance of a Federal award;

(3) The disposal of scrap or surplus materials acquired in the performance of a Federal award except when non-Federal entities are reimbursed for disposal costs at a predetermined amount; or

(4) Program outreach and other specific purposes necessary to meet the requirements of the Federal award.

(c) The term "public relations" includes community relations and means those activities dedicated to maintaining the image of the non-Federal entity or maintaining or promoting understanding and favorable relations with the community or public at large or any segment of the public.

(d) The only allowable public relations costs are:

(1) Costs specifically required by the Federal award;

(2) Costs of communicating with the public and press pertaining to specific activities or accomplishments which result from performance of the Federal award (these costs are considered necessary as part of the outreach effort for the Federal award); or

(3) Costs of conducting general liaison with news media and government public relations officers, to the extent that such activities are limited to communication and liaison necessary to keep the public informed on matters of public concern, such as notices of funding opportunities, financial matters, etc.

(e) Unallowable advertising and public relations costs include the following:

(1) All advertising and public relations costs other than as specified in paragraphs (b) and (d) of this section;

(2) Costs of meetings, conventions, convocations, or other events related to other activities of the entity (see also §200.432 Conferences), including:

(i) Costs of displays, demonstrations, and exhibits;

(ii) Costs of meeting rooms, hospitality suites, and other special facilities used in conjunction with shows and other special events; and

(iii) Salaries and wages of employees engaged in setting up and displaying exhibits, making demonstrations, and providing briefings;

(3) Costs of promotional items and memorabilia, including models, gifts, and souvenirs;

(4) Costs of advertising and public relations designed solely to promote the non-Federal entity.

§200.422 Advisory Councils.

Costs incurred by advisory councils or committees are unallowable unless authorized by statute, the Federal awarding agency or as an indirect cost where allocable to Federal awards. See §200.444 General costs of government, applicable to states, local governments and Indian tribes.

§200.423 Alcoholic beverages.

Costs of alcoholic beverages are unallowable.

§200.424 Alumni/ae activities.

Costs incurred by IHEs for, or in support of, alumni/ae activities are unallowable.

§200.425 Audit services.

(a) A reasonably proportionate share of the costs of audits required by, and performed in accordance with, the Single Audit Act Amendments of 1996 (31 U.S.C. 7501-7507), as implemented by requirements of this part, are allowable. However, the following audit costs are unallowable:

(1) Any costs when audits required by the Single Audit Act and Subpart F—Audit Requirements of this part have not been conducted or have been conducted but not in accordance therewith; and

(2) Any costs of auditing a non-Federal entity that is exempted from having an audit conducted under the Single Audit Act and Subpart F—Audit Requirements of this part because its expenditures under Federal awards are less than $750,000 during the non-Federal entity's fiscal year.

(b) The costs of a financial statement audit of a non-Federal entity that does not currently have a Federal award may be included in the indirect cost pool for a cost allocation plan or indirect cost proposal.

(c) Pass-through entities may charge Federal awards for the cost of agreed-upon-procedures engagements to monitor subrecipients (in accordance with Subpart D—Post Federal Award Requirements of this part, §§200.330 Subrecipient and contractor determinations through 200.332 Fixed Amount Subawards) who are exempted from the requirements of the Single Audit Act and Subpart F—Audit Requirements of this part. This cost is allowable only if the agreed-upon-procedures engagements are:

(1) Conducted in accordance with GAGAS attestation standards;

(2) Paid for and arranged by the pass-through entity; and

(3) Limited in scope to one or more of the following types of compliance requirements: activities allowed or unallowed; allowable costs/cost principles; eligibility; and reporting.

§200.426 Bad debts.

Bad debts (debts which have been determined to be uncollectible), including losses (whether actual or estimated) arising from uncollectible accounts and other claims, are unallowable. Related collection costs, and related legal costs, arising from such debts after they have been determined to be uncollectible are also unallowable. See also §200.428 Collections of improper payments.

§200.427 Bonding costs.

(a) Bonding costs arise when the Federal awarding agency requires assurance against financial loss to itself or others by reason of the act or default of the non-Federal entity. They also arise in instances where the non-Federal entity requires similar assurance, including bonds as bid, performance, payment, advance payment, infringement, and fidelity bonds for employees and officials.

(b) Costs of bonding required pursuant to the terms and conditions of the Federal award are allowable.

(c) Costs of bonding required by the non-Federal entity in the general conduct of its operations are allowable as an indirect cost to the extent that such bonding is in accordance with sound business practice and the rates and premiums are reasonable under the circumstances.

§200.428 Collections of improper payments.

The costs incurred by a non-Federal entity to recover improper payments are allowable as either direct or indirect cost, as appropriate. Amounts collected may be used by the non-Federal entity in accordance with cash management standards set forth in §200.305 *Payment.*

§200.429 Commencement and convocation costs.

For IHEs, costs incurred for commencements and convocations are unallowable, except as provided for in Appendix III to Part 200—Indirect (F&A) Costs Identification and Assignment, and Rate Determination for Institutions of Higher Education (IHEs), paragraph (B)(9) Student Administration and Services, as student activity costs.

§200.430 Compensation—personal services.

(a) *General.* Compensation for personal services includes all remuneration, paid currently or accrued, for services of employees rendered during the period of performance under the Federal award, including but not necessarily limited to wages and salaries. Compensation for personal services may also include fringe benefits which are addressed in §200.431 Compensation—fringe benefits. Costs of compensation are allowable to the extent that they satisfy the specific requirements of this part, and that the total compensation for individual employees:

(1) Is reasonable for the services rendered and conforms to the established written policy of the non-Federal entity consistently applied to both Federal and non-Federal activities;

(2) Follows an appointment made in accordance with a non-Federal entity's laws and/or rules or written policies and meets the requirements of Federal statute, where applicable; and

(3) Is determined and supported as provided in paragraph (i) of this section, Standards for Documentation of Personnel Expenses, when applicable.

(b) *Reasonableness.* Compensation for employees engaged in work on Federal awards will be considered reasonable to the extent that it is consistent with that paid for similar work in other activities of the non-Federal entity. In cases where the kinds of employees required for Federal awards are not found in the other activities of the non-Federal entity, compensation will be considered reasonable to the extent that it is comparable to that paid for similar work in the labor market in which the non-Federal entity competes for the kind of employees involved.

(c) *Professional activities outside the non-Federal entity.* Unless an arrangement is specifically authorized by a Federal awarding agency, a non-Federal entity must follow its written non-Federal entity-wide policies and practices concerning the permissible extent of professional services that can be provided outside the non-Federal entity for non-organizational compensation. Where such non-Federal entity-wide written policies do not exist, or do not adequately define the permissible extent of consulting or other non-organizational activities undertaken for extra outside pay, the Federal government may require that the effort of professional staff working on Federal awards be allocated between:

(1) Non-Federal entity activities, and

(2) Non-organizational professional activities. If the Federal awarding agency considers the extent of non-organizational professional effort excessive or inconsistent with the conflicts-of-interest terms and conditions of the Federal award, appropriate arrangements governing compensation will be negotiated on a case-by-case basis.

(d) *Unallowable costs.* (1) Costs which are unallowable under other sections of these principles must not be allowable under this section solely on the basis that they constitute personnel compensation.

(2) The allowable compensation for certain employees is subject to a ceiling in accordance with statute. For the amount of the ceiling for cost-reimbursement contracts, the covered compensation subject to the ceiling, the covered employees, and other relevant provisions, see 10 U.S.C. 2324(e)(1)(P), and 41 U.S.C. 1127 and 4304(a) (16). For other types of Federal awards, other statutory ceilings may apply.

(e) *Special considerations.* Special considerations in determining allowability of compensation will be given to any change in a non-Federal entity's compensation policy resulting in a substantial increase in its employees' level of compensation (particularly when the change was concurrent with an increase in the ratio of Federal awards to other activities) or any change in the treatment of allowability of specific types of compensation due to changes in Federal policy.

(f) *Incentive compensation.* Incentive compensation to employees based on cost reduction, or efficient performance, suggestion awards, safety awards, etc., is allowable to the extent that the overall compensation is determined to be reasonable and such costs are paid or accrued pursuant to an agreement entered into in good faith between the non-Federal entity and the employees before the services were rendered, or pursuant to an established plan followed by the non-Federal entity so consistently as to imply, in effect, an agreement to make such payment.

(g) *Nonprofit organizations.* For compensation to members of nonprofit organizations, trustees, directors, associates, officers, or the immediate families thereof, determination should be made that such compensation is reasonable for the actual personal services rendered rather than a distribution of earnings in excess of costs. This may include directors and executive committee member's fees, incentive awards, allowances for off-site pay, incentive pay, location allowances, hardship pay, and cost-of-living differentials.

(h) *Institutions of higher education (IHEs).* (1) Certain conditions require special consideration and possible limitations in determining allowable personnel compensation costs under Federal awards. Among such conditions are the following:

(i) Allowable activities. Charges to Federal awards may include reasonable amounts for activities contributing and directly related to work under an agreement, such as delivering special lectures about specific aspects of the ongoing activity, writing reports and articles, developing and maintaining protocols (human, animals, etc.), managing substances/chemicals, managing and securing project-specific data, coordinating research subjects, participating in appropriate seminars, consulting with colleagues and graduate students, and attending meetings and conferences.

(ii) Incidental activities. Incidental activities for which supplemental compensation is allowable under written institutional policy (at a rate not to exceed institutional base salary) need not be included in the records described in paragraph (h)(9) of this section to directly charge payments of incidental activities, such activities must either be specifically provided for in the Federal award budget or receive prior written approval by the Federal awarding agency.

(2) *Salary basis.* Charges for work performed on Federal awards by faculty members during the academic year are allowable at the IBS rate. Except as noted in paragraph (h)(1)(ii) of this section, in no event will charges to Federal awards, irrespective of the basis of computation, exceed the proportionate share of the IBS for that period. This principle applies to all members of faculty at an institution. IBS is defined as the annual compensation paid by an IHE for an individual's appointment, whether that individual's time is spent on research, instruction, administration, or other activities. IBS excludes any income that an individual earns outside of duties performed for the IHE. Unless there is prior approval by the Federal awarding agency,

charges of a faculty member's salary to a Federal award must not exceed the proportionate share of the IBS for the period during which the faculty member worked on the award.

(3) *Intra-Institution of Higher Education (IHE) consulting.* Intra-IHE consulting by faculty is assumed to be undertaken as an IHE obligation requiring no compensation in addition to IBS. However, in unusual cases where consultation is across departmental lines or involves a separate or remote operation, and the work performed by the faculty member is in addition to his or her regular responsibilities, any charges for such work representing additional compensation above IBS are allowable provided that such consulting arrangements are specifically provided for in the Federal award or approved in writing by the Federal awarding agency.

(4) Extra Service Pay normally represents overload compensation, subject to institutional compensation policies for services above and beyond IBS. Where extra service pay is a result of Intra-IHE consulting, it is subject to the same requirements of paragraph (b) above. It is allowable if all of the following conditions are met:

(i) The non-Federal entity establishes consistent written policies which apply uniformly to all faculty members, not just those working on Federal awards.

(ii) The non-Federal entity establishes a consistent written definition of work covered by IBS which is specific enough to determine conclusively when work beyond that level has occurred. This may be described in appointment letters or other documentation.

(iii) The supplementation amount paid is commensurate with the IBS rate of pay and the amount of additional work performed. See paragraph (h)(2) of this section.

(iv) The salaries, as supplemented, fall within the salary structure and pay ranges established by and documented in writing or otherwise applicable to the non-Federal entity.

(v) The total salaries charged to Federal awards including extra service pay are subject to the Standards of Documentation as described in paragraph (i) of this section.

(5) *Periods outside the academic year.* (i) Except as specified for teaching activity in paragraph (h)(5)(ii) of this section, charges for work performed by faculty members on Federal awards during periods not included in the base salary period will be at a rate not in excess of the IBS.

(ii) Charges for teaching activities performed by faculty members on Federal awards during periods not included in IBS period will be based on the normal written policy of the IHE governing compensation to faculty members for teaching assignments during such periods.

(6) *Part-time faculty.* Charges for work performed on Federal awards by faculty members having only part-time appointments will be determined at a rate not in excess of that regularly paid for part-time assignments.

(7) *Sabbatical leave costs.* Rules for sabbatical leave are as follow:

(i) Costs of leaves of absence by employees for performance of graduate work or sabbatical study, travel, or research are allowable provided the IHE has a uniform written policy on sabbatical leave for persons engaged in instruction and persons engaged in research. Such costs will be allocated on an equitable basis among all related activities of the IHE.

(ii) Where sabbatical leave is included in fringe benefits for which a cost is determined for assessment as a direct charge, the aggregate amount of such assessments applicable to all work of the institution during the base period must be reasonable in relation to the IHE's actual experience under its sabbatical leave policy.

(8) *Salary rates for non-faculty members.* Non-faculty full-time professional personnel may also earn "extra service pay" in accordance with the non-Federal entity's written policy and consistent with paragraph (h)(1)(i) of this section.

(i) *Standards for Documentation of Personnel Expenses* (1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

(i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;

(ii) Be incorporated into the official records of the non-Federal entity;

(iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities (for IHE, this per the IHE's definition of IBS);

(iv) Encompass both federally assisted and all other activities compensated by the non-Federal entity on an integrated basis, but may include the use of subsidiary records as defined in the non-Federal entity's written policy;

(v) Comply with the established accounting policies and practices of the non-Federal entity (See paragraph (h)(1)(ii) above for treatment of incidental work for IHEs.); and

(vi) [Reserved]

(vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.

(viii) Budget estimates (i.e., estimates determined before the services are performed) alone do not qualify as support for charges to Federal awards, but may be used for interim accounting purposes, provided that:

(A) The system for establishing the estimates produces reasonable approximations of the activity actually performed;

(B) Significant changes in the corresponding work activity (as defined by the non-Federal entity's written policies) are identified and entered into the records in a timely manner. Short term (such as one or two months) fluctuation between workload categories need not be considered as long as the distribution of salaries and wages is reasonable over the longer term; and

(C) The non-Federal entity's system of internal controls includes processes to review after-the-fact interim charges made to Federal awards based on budget estimates. All necessary adjustment must be made such that the final amount charged to the Federal award is accurate, allowable, and properly allocated.

(ix) Because practices vary as to the activity constituting a full workload (for IHEs, IBS), records may reflect categories of activities expressed as a percentage distribution of total activities.

(x) It is recognized that teaching, research, service, and administration are often inextricably intermingled in an academic setting. When recording salaries and wages charged to Federal awards for IHEs, a precise assessment of factors that contribute to costs is therefore not always feasible, nor is it expected.

(2) For records which meet the standards required in paragraph (i)(1) of this section, the non-Federal entity will not be required to provide additional support or documentation for the work performed, other than that referenced in paragraph (i)(3) of this section.

(3) In accordance with Department of Labor regulations implementing the Fair Labor Standards Act (FLSA) (29 CFR part 516), charges for the salaries and wages of nonexempt employees, in addition to the supporting documentation described in this section, must also be supported by records indicating the total number of hours worked each day.

(4) Salaries and wages of employees used in meeting cost sharing or matching requirements on Federal awards must be supported in the same manner as salaries and wages claimed for reimbursement from Federal awards.

(5) For states, local governments and Indian tribes, substitute processes or systems for allocating salaries and wages to Federal awards may be used in place of or in addition to the records described in paragraph (1) if approved by the cognizant agency for indirect cost. Such systems may include, but are not limited to, random moment sampling, "rolling" time studies, case counts, or other quantifiable measures of work performed.

(i) Substitute systems which use sampling methods (primarily for Temporary Assistance for Needy Families (TANF), the Supplemental Nutrition Assistance Program (SNAP), Medicaid, and other public assistance programs) must meet acceptable statistical sampling standards including:

(A) The sampling universe must include all of the employees whose salaries and wages are to be allocated based on sample results except as provided in paragraph (i)(5)(iii) of this section;

(B) The entire time period involved must be covered by the sample; and

(C) The results must be statistically valid and applied to the period being sampled.

(ii) Allocating charges for the sampled employees' supervisors, clerical and support staffs, based on the results of the sampled employees, will be acceptable.

(iii) Less than full compliance with the statistical sampling standards noted in subsection (5)(i) may be accepted by the cognizant agency for indirect costs if it concludes that the amounts to be allocated to Federal awards will be minimal, or if it concludes that the system proposed by the non-Federal entity will result in lower costs to Federal awards than a system which complies with the standards.

(6) Cognizant agencies for indirect costs are encouraged to approve alternative proposals based on outcomes and milestones for program performance where these are clearly

documented. Where approved by the Federal cognizant agency for indirect costs, these plans are acceptable as an alternative to the requirements of paragraph (i)(1) of this section.

(7) For Federal awards of similar purpose activity or instances of approved blended funding, a non-Federal entity may submit performance plans that incorporate funds from multiple Federal awards and account for their combined use based on performance-oriented metrics, provided that such plans are approved in advance by all involved Federal awarding agencies. In these instances, the non-Federal entity must submit a request for waiver of the requirements based on documentation that describes the method of charging costs, relates the charging of costs to the specific activity that is applicable to all fund sources, and is based on quantifiable measures of the activity in relation to time charged.

(8) For a non-Federal entity where the records do not meet the standards described in this section, the Federal government may require personnel activity reports, including prescribed certifications, or equivalent documentation that support the records as required in this section.

§200.431 Compensation—fringe benefits.

(a) Fringe benefits are allowances and services provided by employers to their employees as compensation in addition to regular salaries and wages. Fringe benefits include, but are not limited to, the costs of leave (vacation, family-related, sick or military), employee insurance, pensions, and unemployment benefit plans. Except as provided elsewhere in these principles, the costs of fringe benefits are allowable provided that the benefits are reasonable and are required by law, non-Federal entity-employee agreement, or an established policy of the non-Federal entity.

(b) *Leave*. The cost of fringe benefits in the form of regular compensation paid to employees during periods of authorized absences from the job, such as for annual leave, family-related leave, sick leave, holidays, court leave, military leave, administrative leave, and other similar benefits, are allowable if all of the following criteria are met:

(1) They are provided under established written leave policies;

(2) The costs are equitably allocated to all related activities, including Federal awards; and,

(3) The accounting basis (cash or accrual) selected for costing each type of leave is consistently followed by the non-Federal entity or specified grouping of employees.

(i) When a non-Federal entity uses the cash basis of accounting, the cost of leave is recognized in the period that the leave is taken and paid for. Payments for unused leave when an employee retires or terminates employment are allowable as indirect costs in the year of payment.

(ii) The accrual basis may be only used for those types of leave for which a liability as defined by GAAP exists when the leave is earned. When a non-Federal entity uses the accrual basis of accounting, allowable leave costs are the lesser of the amount accrued or funded.

(c) The cost of fringe benefits in the form of employer contributions or expenses for social security; employee life, health, unemployment, and worker's compensation insurance (except as indicated in §200.447 Insurance and indemnification); pension plan costs (see paragraph (i) of this section); and other similar benefits are allowable, provided such benefits are granted under established written policies. Such benefits, must be allocated to Federal awards and all other activities in a manner consistent with the pattern of benefits attributable to the individuals or group(s) of employees whose salaries and wages are chargeable to such Federal awards and other activities, and charged as direct or indirect costs in accordance with the non-Federal entity's accounting practices.

(d) Fringe benefits may be assigned to cost objectives by identifying specific benefits to specific individual employees or by allocating on the basis of entity-wide salaries and wages of the employees receiving the benefits. When the allocation method is used, separate allocations must be made to selective groupings of employees, unless the non-Federal entity demonstrates that costs in relationship to salaries and wages do not differ significantly for different groups of employees.

(e) *Insurance.* See also §200.447 Insurance and indemnification, paragraphs (d)(1) and (2).

(1) Provisions for a reserve under a self-insurance program for unemployment compensation or workers' compensation are allowable to the extent that the provisions represent reasonable estimates of the liabilities for such compensation, and the types of coverage, extent of coverage, and rates and premiums would have been allowable had insurance been purchased to cover the risks. However, provisions for self-insured liabilities which do not become payable for more than one year after the provision is made must not exceed the present value of the liability.

(2) Costs of insurance on the lives of trustees, officers, or other employees holding positions of similar responsibility are allowable only to the extent that the insurance represents additional compensation. The costs of such insurance when the non-Federal entity is named as beneficiary are unallowable.

(3) Actual claims paid to or on behalf of employees or former employees for workers' compensation, unemployment compensation, severance pay, and similar employee benefits (e.g., post-retirement health benefits), are allowable in the year of payment provided that the non-Federal entity follows a consistent costing policy and they are allocated as indirect costs.

(f) *Automobiles.* That portion of automobile costs furnished by the entity that relates to personal use by employees (including transportation to and from work) is unallowable as fringe benefit or indirect (F&A) costs regardless of whether the cost is reported as taxable income to the employees.

(g) *Pension Plan Costs.* Pension plan costs which are incurred in accordance with the established policies of the non-Federal entity are allowable, provided that:

(1) Such policies meet the test of reasonableness.

(2) The methods of cost allocation are not discriminatory.

(3) For entities using accrual-based accounting, the cost assigned to each fiscal year is determined in accordance with GAAP.

(4) The costs assigned to a given fiscal year are funded for all plan participants within six months after the end of that year. However, increases to normal and past service pension costs caused by a delay in funding the actuarial liability beyond 30 calendar days after each quarter of the

year to which such costs are assignable are unallowable. Non-Federal entity may elect to follow the "Cost Accounting Standard for Composition and Measurement of Pension Costs" (48 CFR 9904.412).

(5) Pension plan termination insurance premiums paid pursuant to the Employee Retirement Income Security Act (ERISA) of 1974 (29 U.S.C. 1301-1461) are allowable. Late payment charges on such premiums are unallowable. Excise taxes on accumulated funding deficiencies and other penalties imposed under ERISA are unallowable.

(6) Pension plan costs may be computed using a pay-as-you-go method or an acceptable actuarial cost method in accordance with established written policies of the non-Federal entity.

(i) For pension plans financed on a pay-as-you-go method, allowable costs will be limited to those representing actual payments to retirees or their beneficiaries.

(ii) Pension costs calculated using an actuarial cost-based method recognized by GAAP are allowable for a given fiscal year if they are funded for that year within six months after the end of that year. Costs funded after the six-month period (or a later period agreed to by the cognizant agency for indirect costs) are allowable in the year funded. The cognizant agency for indirect costs may agree to an extension of the six-month period if an appropriate adjustment is made to compensate for the timing of the charges to the Federal government and related Federal reimbursement and the non-Federal entity's contribution to the pension fund. Adjustments may be made by cash refund or other equitable procedures to compensate the Federal government for the time value of Federal reimbursements in excess of contributions to the pension fund.

(iii) Amounts funded by the non-Federal entity in excess of the actuarially determined amount for a fiscal year may be used as the non-Federal entity's contribution in future periods.

(iv) When a non-Federal entity converts to an acceptable actuarial cost method, as defined by GAAP, and funds pension costs in accordance with this method, the unfunded liability at the time of conversion is allowable if amortized over a period of years in accordance with GAAP.

(v) The Federal government must receive an equitable share of any previously allowed pension costs (including earnings thereon) which revert or inure to the non-Federal entity in the form of a refund, withdrawal, or other credit.

(h) *Post-Retirement Health.* Post-retirement health plans (PRHP) refers to costs of health insurance or health services not included in a pension plan covered by paragraph (g) of this section for retirees and their spouses, dependents, and survivors. PRHP costs may be computed using a pay-as-you-go method or an acceptable actuarial cost method in accordance with established written policies of the non-Federal entity.

(1) For PRHP financed on a pay-as-you-go method, allowable costs will be limited to those representing actual payments to retirees or their beneficiaries.

(2) PRHP costs calculated using an actuarial cost method recognized by GAAP are allowable if they are funded for that year within six months after the end of that year. Costs funded after the six-month period (or a later period agreed to by the cognizant agency) are allowable in the year funded. The Federal cognizant agency for indirect costs may agree to an extension of the

six-month period if an appropriate adjustment is made to compensate for the timing of the charges to the Federal government and related Federal reimbursements and the non-Federal entity's contributions to the PRHP fund. Adjustments may be made by cash refund, reduction in current year's PRHP costs, or other equitable procedures to compensate the Federal government for the time value of Federal reimbursements in excess of contributions to the PRHP fund.

(3) Amounts funded in excess of the actuarially determined amount for a fiscal year may be used as the Federal government's contribution in a future period.

(4) When a non-Federal entity converts to an acceptable actuarial cost method and funds PRHP costs in accordance with this method, the initial unfunded liability attributable to prior years is allowable if amortized over a period of years in accordance with GAAP, or, if no such GAAP period exists, over a period negotiated with the cognizant agency for indirect costs.

(5) To be allowable in the current year, the PRHP costs must be paid either to:

(i) An insurer or other benefit provider as current year costs or premiums, or

(ii) An insurer or trustee to maintain a trust fund or reserve for the sole purpose of providing post-retirement benefits to retirees and other beneficiaries.

(6) The Federal government must receive an equitable share of any amounts of previously allowed post-retirement benefit costs (including earnings thereon) which revert or inure to the entity in the form of a refund, withdrawal, or other credit.

(i) *Severance Pay.* (1) Severance pay, also commonly referred to as dismissal wages, is a payment in addition to regular salaries and wages, by non-Federal entities to workers whose employment is being terminated. Costs of severance pay are allowable only to the extent that in each case, it is required by (a) law, (b) employer-employee agreement, (c) established policy that constitutes, in effect, an implied agreement on the non-Federal entity's part, or (d) circumstances of the particular employment.

(2) Costs of severance payments are divided into two categories as follows:

(i) Actual normal turnover severance payments must be allocated to all activities; or, where the non-Federal entity provides for a reserve for normal severances, such method will be acceptable if the charge to current operations is reasonable in light of payments actually made for normal severances over a representative past period, and if amounts charged are allocated to all activities of the non-Federal entity.

(ii) Measurement of costs of abnormal or mass severance pay by means of an accrual will not achieve equity to both parties. Thus, accruals for this purpose are not allowable. However, the Federal government recognizes its obligation to participate, to the extent of its fair share, in any specific payment. Prior approval by the Federal awarding agency or cognizant agency for indirect cost, as appropriate, is required.

(3) Costs incurred in certain severance pay packages which are in an amount in excess of the normal severance pay paid by the non-Federal entity to an employee upon termination of employment and are paid to the employee contingent upon a change in management control over, or ownership of, the non-Federal entity's assets, are unallowable.

(4) Severance payments to foreign nationals employed by the non-Federal entity outside the United States, to the extent that the amount exceeds the customary or prevailing practices for the non-Federal entity in the United States, are unallowable, unless they are necessary for the performance of Federal programs and approved by the Federal awarding agency.

(5) Severance payments to foreign nationals employed by the non-Federal entity outside the United States due to the termination of the foreign national as a result of the closing of, or curtailment of activities by, the non-Federal entity in that country, are unallowable, unless they are necessary for the performance of Federal programs and approved by the Federal awarding agency.

(j)(1) *For IHEs only.* Fringe benefits in the form of tuition or remission of tuition for individual employees are allowable, provided such benefits are granted in accordance with established non-Federal entity policies, and are distributed to all non-Federal entity activities on an equitable basis. Tuition benefits for family members other than the employee are unallowable.

(2) Fringe benefits in the form of tuition or remission of tuition for individual employees not employed by IHEs are limited to the tax-free amount allowed per section 127 of the Internal Revenue Code as amended.

(3) IHEs may offer employees tuition waivers or tuition reductions for undergraduate education under IRC Section 117(d) as amended, provided that the benefit does not discriminate in favor of highly compensated employees. Federal reimbursement of tuition or remission of tuition is also limited to the institution for which the employee works. See §200.466 Scholarships and student aid costs, for treatment of tuition remission provided to students.

(k) For IHEs whose costs are paid by state or local governments, fringe benefit programs (such as pension costs and FICA) and any other benefits costs specifically incurred on behalf of, and in direct benefit to, the non-Federal entity, are allowable costs of such non-Federal entities whether or not these costs are recorded in the accounting records of the non-Federal entities, subject to the following:

(1) The costs meet the requirements of Basic Considerations in §§200.402 Composition of costs through 200.411 Adjustment of previously negotiated indirect (F&A) cost rates containing unallowable costs of this subpart;

(2) The costs are properly supported by approved cost allocation plans in accordance with applicable Federal cost accounting principles; and

(3) The costs are not otherwise borne directly or indirectly by the Federal government.

§200.432 Conferences.

A conference is defined as a meeting, retreat, seminar, symposium, workshop or event whose primary purpose is the dissemination of technical information beyond the non-Federal entity and is necessary and reasonable for successful performance under the Federal award. Allowable conference costs paid by the non-Federal entity as a sponsor or host of the conference may include rental of facilities, speakers' fees, costs of meals and refreshments, local transportation, and other items incidental to such conferences unless further restricted by the terms and conditions of the Federal award. As needed, the costs of identifying, but not providing, locally available dependent-care resources are allowable. Conference hosts/sponsors must exercise discretion and judgment in ensuring that conference costs are appropriate, necessary and managed in a manner that minimizes costs to the Federal award. The Federal awarding agency may authorize exceptions where appropriate for programs including Indian tribes, children, and the elderly. See also §§200.438 Entertainment costs, 200.456 Participant support costs, 200.474 Travel costs, and 200.475 Trustees.

§200.433 Contingency provisions.

(a) Contingency is that part of a budget estimate of future costs (typically of large construction projects, IT systems, or other items as approved by the Federal awarding agency) which is associated with possible events or conditions arising from causes the precise outcome of which is indeterminable at the time of estimate, and that experience shows will likely result, in aggregate, in additional costs for the approved activity or project. Amounts for major project scope changes, unforeseen risks, or extraordinary events may not be included.

(b) It is permissible for contingency amounts other than those excluded in paragraph (b)(1) of this section to be explicitly included in budget estimates, to the extent they are necessary to improve the precision of those estimates. Amounts must be estimated using broadly-accepted cost estimating methodologies, specified in the budget documentation of the Federal award, and accepted by the Federal awarding agency. As such, contingency amounts are to be included in the Federal award. In order for actual costs incurred to be allowable, they must comply with the cost principles and other requirements in this part (see also §§200.300 Statutory and national policy requirements through 200.309 Period of performance of Subpart D of this part and 200.403 Factors affecting allowability of costs); be necessary and reasonable for proper and efficient accomplishment of project or program objectives, and be verifiable from the non-Federal entity's records.

(c) Payments made by the Federal awarding agency to the non-Federal entity's "contingency reserve" or any similar payment made for events the occurrence of which cannot be foretold with certainty as to the time or intensity, or with an assurance of their happening, are unallowable, except as noted in §§200.431 Compensation—fringe benefits regarding self-insurance, pensions, severance and post-retirement health costs and 200.447 Insurance and indemnification.

§200.434 Contributions and donations.

(a) Costs of contributions and donations, including cash, property, and services, from the non-Federal entity to other entities, are unallowable.

(b) The value of services and property donated to the non-Federal entity may not be charged to the Federal award either as a direct or indirect (F&A) cost. The value of donated services and property may be used to meet cost sharing or matching requirements (see §200.306 Cost sharing or matching). Depreciation on donated assets is permitted in accordance with §200.436 Depreciation, as long as the donated property is not counted towards cost sharing or matching requirements.

(c) Services donated or volunteered to the non-Federal entity may be furnished to a non-Federal entity by professional and technical personnel, consultants, and other skilled and unskilled labor. The value of these services is not allowable either as a direct or indirect cost. However, the value of donated services may be used to meet cost sharing or matching requirements in accordance with the provisions of §200.306 Cost sharing or matching.

(d) To the extent feasible, services donated to the non-Federal entity will be supported by the same methods used to support the allocability of regular personnel services.

(e) The following provisions apply to nonprofit organizations. The value of services donated to the nonprofit organization utilized in the performance of a direct cost activity must be considered in the determination of the non-Federal entity's indirect cost rate(s) and, accordingly, must be allocated a proportionate share of applicable indirect costs when the following circumstances exist:

(1) The aggregate value of the services is material;

(2) The services are supported by a significant amount of the indirect costs incurred by the non-Federal entity;

(i) In those instances where there is no basis for determining the fair market value of the services rendered, the non-Federal entity and the cognizant agency for indirect costs must negotiate an appropriate allocation of indirect cost to the services.

(ii) Where donated services directly benefit a project supported by the Federal award, the indirect costs allocated to the services will be considered as a part of the total costs of the project. Such indirect costs may be reimbursed under the Federal award or used to meet cost sharing or matching requirements.

(f) Fair market value of donated services must be computed as described in §200.306 Cost sharing or matching.

(g) Personal Property and Use of Space.

(1) Donated personal property and use of space may be furnished to a non-Federal entity. The value of the personal property and space is not reimbursable either as a direct or indirect cost.

(2) The value of the donations may be used to meet cost sharing or matching share requirements under the conditions described in §§200.300 Statutory and national policy requirements through 200.309 Period of performance of subpart D of this part. The value of the donations must be determined in accordance with §§200.300 Statutory and national policy requirements through 200.309 Period of performance. Where donations are treated as indirect costs, indirect cost rates will separate the value of the donations so that reimbursement will not be made.

§200.435 Defense and prosecution of criminal and civil proceedings, claims, appeals and patent infringements.

(a) Definitions for the purposes of this section.

(1) *Conviction* means a judgment or conviction of a criminal offense by any court of competent jurisdiction, whether entered upon verdict or a plea, including a conviction due to a plea of nolo contendere.

(2) *Costs* include the services of in-house or private counsel, accountants, consultants, or others engaged to assist the non-Federal entity before, during, and after commencement of a judicial or administrative proceeding, that bear a direct relationship to the proceeding.

(3) *Fraud* means:

(i) Acts of fraud or corruption or attempts to defraud the Federal government or to corrupt its agents,

(ii) Acts that constitute a cause for debarment or suspension (as specified in agency regulations), and

(iii) Acts which violate the False Claims Act (31 U.S.C. 3729-3732) or the Anti-Kickback Act (41 U.S.C. 1320a-7b(b)).

(4) *Penalty* does not include restitution, reimbursement, or compensatory damages.

(5) *Proceeding* includes an investigation.

(b) *Costs.* (1) Except as otherwise described herein, costs incurred in connection with any criminal, civil or administrative proceeding (including filing of a false certification) commenced by the Federal government, a state, local government, or foreign government, or joined by the Federal government (including a proceeding under the False Claims Act), against the non-Federal entity, (or commenced by third parties or a current or former employee of the non-Federal entity who submits a whistleblower complaint of reprisal in accordance with 10 U.S.C. 2409 or 41 U.S.C. 4712), are not allowable if the proceeding:

(i) Relates to a violation of, or failure to comply with, a Federal, state, local or foreign statute, regulation or the terms and conditions of the Federal award, by the non-Federal entity (including its agents and employees); and

(ii) Results in any of the following dispositions:

(A) In a criminal proceeding, a conviction.

(B) In a civil or administrative proceeding involving an allegation of fraud or similar misconduct, a determination of non-Federal entity liability.

(C) In the case of any civil or administrative proceeding, the disallowance of costs or the imposition of a monetary penalty, or an order issued by the Federal awarding agency head or delegate to the non-Federal entity to take corrective action under 10 U.S.C. 2409 or 41 U.S.C. 4712.

(D) A final decision by an appropriate Federal official to debar or suspend the non-Federal entity, to rescind or void a Federal award, or to terminate a Federal award for default by reason of a violation or failure to comply with a statute, regulation, or the terms and conditions of the Federal award.

(E) A disposition by consent or compromise, if the action could have resulted in any of the dispositions described in paragraphs (b)(1)(ii)(A) through (D) of this section.

(2) If more than one proceeding involves the same alleged misconduct, the costs of all such proceedings are unallowable if any results in one of the dispositions shown in paragraph (b) of this section.

(c) If a proceeding referred to in paragraph (b) of this section is commenced by the Federal government and is resolved by consent or compromise pursuant to an agreement by the non-Federal entity and the Federal government, then the costs incurred may be allowed to the extent specifically provided in such agreement.

(d) If a proceeding referred to in paragraph (b) of this section is commenced by a state, local or foreign government, the authorized Federal official may allow the costs incurred if such authorized official determines that the costs were incurred as a result of:

(1) A specific term or condition of the Federal award, or

(2) Specific written direction of an authorized official of the Federal awarding agency.

(e) Costs incurred in connection with proceedings described in paragraph (b) of this section, which are not made unallowable by that subsection, may be allowed but only to the extent that:

(1) The costs are reasonable and necessary in relation to the administration of the Federal award and activities required to deal with the proceeding and the underlying cause of action;

(2) Payment of the reasonable, necessary, allocable and otherwise allowable costs incurred is not prohibited by any other provision(s) of the Federal award;

(3) The costs are not recovered from the Federal Government or a third party, either directly as a result of the proceeding or otherwise; and,

(4) An authorized Federal official must determine the percentage of costs allowed considering the complexity of litigation, generally accepted principles governing the award of legal fees in civil actions involving the United States, and such other factors as may be appropriate. Such percentage must not exceed 80 percent. However, if an agreement reached under paragraph (c) of this section has explicitly considered this 80 percent limitation and permitted a higher percentage, then the full amount of costs resulting from that agreement are allowable.

(f) Costs incurred by the non-Federal entity in connection with the defense of suits brought by its employees or ex-employees under section 2 of the Major Fraud Act of 1988 (18 U.S.C. 1031), including the cost of all relief necessary to make such employee whole, where the non-Federal entity was found liable or settled, are unallowable.

(g) Costs of prosecution of claims against the Federal government, including appeals of final Federal agency decisions, are unallowable.

(h) Costs of legal, accounting, and consultant services, and related costs, incurred in connection with patent infringement litigation, are unallowable unless otherwise provided for in the Federal award.

(i) Costs which may be unallowable under this section, including directly associated costs, must be segregated and accounted for separately. During the pendency of any proceeding covered by paragraphs (b) and (f) of this section, the Federal government must generally withhold payment of such costs. However, if in its best interests, the Federal government may provide for conditional payment upon provision of adequate security, or other adequate assurance, and agreement to repay all unallowable costs, plus interest, if the costs are subsequently determined to be unallowable.

§200.436 Depreciation.

(a) Depreciation is the method for allocating the cost of fixed assets to periods benefitting from asset use. The non-Federal entity may be compensated for the use of its buildings, capital improvements, equipment, and software projects capitalized in accordance with GAAP, provided that they are used, needed in the non-Federal entity's activities, and properly allocated to Federal awards. Such compensation must be made by computing depreciation.

(b) The allocation for depreciation must be made in accordance with Appendices IV through VIII.

(c) Depreciation is computed applying the following rules. The computation of depreciation must be based on the acquisition cost of the assets involved. For an asset donated to the non-Federal entity by a third party, its fair market value at the time of the donation must be considered as the acquisition cost. Such assets may be depreciated or claimed as matching but not both. For this purpose, the acquisition cost will exclude:

(1) The cost of land;

(2) Any portion of the cost of buildings and equipment borne by or donated by the Federal government, irrespective of where title was originally vested or where it is presently located;

(3) Any portion of the cost of buildings and equipment contributed by or for the non-Federal entity, or where law or agreement prohibits recovery; and

(4) Any asset acquired solely for the performance of a non-Federal award.

(d) When computing depreciation charges, the following must be observed:

(1) The period of useful service or useful life established in each case for usable capital assets must take into consideration such factors as type of construction, nature of the equipment, technological developments in the particular area, historical data, and the renewal and replacement policies followed for the individual items or classes of assets involved.

(2) The depreciation method used to charge the cost of an asset (or group of assets) to accounting periods must reflect the pattern of consumption of the asset during its useful life. In the absence of clear evidence indicating that the expected consumption of the asset will be significantly greater in the early portions than in the later portions of its useful life, the straight-line method must be presumed to be the appropriate method. Depreciation methods once used may not be changed unless approved in advance by the cognizant agency. The depreciation methods used to calculate the depreciation amounts for indirect (F&A) rate purposes must be the same methods used by the non-Federal entity for its financial statements.

(3) The entire building, including the shell and all components, may be treated as a single asset and depreciated over a single useful life. A building may also be divided into multiple components. Each component item may then be depreciated over its estimated useful life. The

building components must be grouped into three general components of a building: building shell (including construction and design costs), building services systems (e.g., elevators, HVAC, plumbing system and heating and air-conditioning system) and fixed equipment (e.g., sterilizers, casework, fume hoods, cold rooms and glassware/washers). In exceptional cases, a cognizant agency may authorize a non-Federal entity to use more than these three groupings. When a non-Federal entity elects to depreciate its buildings by its components, the same depreciation methods must be used for indirect (F&A) purposes and financial statements purposes, as described in paragraphs (d)(1) and (2) of this section.

(4) No depreciation may be allowed on any assets that have outlived their depreciable lives.

(5) Where the depreciation method is introduced to replace the use allowance method, depreciation must be computed as if the asset had been depreciated over its entire life (i.e., from the date the asset was acquired and ready for use to the date of disposal or withdrawal from service). The total amount of use allowance and depreciation for an asset (including imputed depreciation applicable to periods prior to the conversion from the use allowance method as well as depreciation after the conversion) may not exceed the total acquisition cost of the asset.

(e) Charges for depreciation must be supported by adequate property records, and physical inventories must be taken at least once every two years to ensure that the assets exist and are usable, used, and needed. Statistical sampling techniques may be used in taking these inventories. In addition, adequate depreciation records showing the amount of depreciation taken each period must also be maintained.

§200.437 Employee health and welfare costs.

(a) Costs incurred in accordance with the non-Federal entity's documented policies for the improvement of working conditions, employer-employee relations, employee health, and employee performance are allowable.

(b) Such costs will be equitably apportioned to all activities of the non-Federal entity. Income generated from any of these activities will be credited to the cost thereof unless such income has been irrevocably sent to employee welfare organizations.

(c) Losses resulting from operating food services are allowable only if the non-Federal entity's objective is to operate such services on a break-even basis. Losses sustained because of operating objectives other than the above are allowable only:

(1) Where the non-Federal entity can demonstrate unusual circumstances; and

(2) With the approval of the cognizant agency for indirect costs.

§200.438 Entertainment costs.

Costs of entertainment, including amusement, diversion, and social activities and any associated costs are unallowable, except where specific costs that might otherwise be considered entertainment have a programmatic purpose and are authorized either in the approved budget for the Federal award or with the prior written approval of the Federal awarding agency.

§200.439 Equipment and other capital expenditures.

(a) See §§200.13 Capital expenditures, 200.33 Equipment, 200.89 Special purpose equipment, 200.48 General purpose equipment, 200.2 Acquisition cost, and 200.12 Capital assets.

(b) The following rules of allowability must apply to equipment and other capital expenditures:

(1) Capital expenditures for general purpose equipment, buildings, and land are unallowable as direct charges, except with the prior written approval of the Federal awarding agency or pass-through entity.

(2) Capital expenditures for special purpose equipment are allowable as direct costs, provided that items with a unit cost of $5,000 or more have the prior written approval of the Federal awarding agency or pass-through entity.

(3) Capital expenditures for improvements to land, buildings, or equipment which materially increase their value or useful life are unallowable as a direct cost except with the prior written approval of the Federal awarding agency, or pass-through entity. See §200.436 Depreciation, for rules on the allowability of depreciation on buildings, capital improvements, and equipment. See also §200.465 Rental costs of real property and equipment.

(4) When approved as a direct charge pursuant to paragraphs (b)(1) through (3) of this section, capital expenditures will be charged in the period in which the expenditure is incurred, or as otherwise determined appropriate and negotiated with the Federal awarding agency.

(5) The unamortized portion of any equipment written off as a result of a change in capitalization levels may be recovered by continuing to claim the otherwise allowable depreciation on the equipment, or by amortizing the amount to be written off over a period of years negotiated with the Federal cognizant agency for indirect cost.

(6) Cost of equipment disposal. If the non-Federal entity is instructed by the Federal awarding agency to otherwise dispose of or transfer the equipment the costs of such disposal or transfer are allowable.

§200.440 Exchange rates.

(a) Cost increases for fluctuations in exchange rates are allowable costs subject to the availability of funding, and prior approval by the Federal awarding agency. The Federal awarding agency must, however, ensure that adequate funds are available to cover currency fluctuations in order to avoid a violation of the Anti-Deficiency Act.

(b) The non-Federal entity is required to make reviews of local currency gains to determine the need for additional federal funding before the expiration date of the Federal award. Subsequent adjustments for currency increases may be allowable only when the non-Federal entity provides the Federal awarding agency with adequate source documentation from a commonly used source in effect at the time the expense was made, and to the extent that sufficient Federal funds are available.

§200.441 Fines, penalties, damages and other settlements.

Costs resulting from non-Federal entity violations of, alleged violations of, or failure to comply with, Federal, state, tribal, local or foreign laws and regulations are unallowable, except when incurred as a result of compliance with specific provisions of the Federal award, or with the prior written approval of the Federal awarding agency. See also §200.435 Defense and prosecution of criminal and civil proceedings, claims, appeals and patent infringements.

§200.442 Fund raising and investment management costs.

(a) Costs of organized fund raising, including financial campaigns, endowment drives, solicitation of gifts and bequests, and similar expenses incurred to raise capital or obtain contributions are unallowable. Fund raising costs for the purposes of meeting the Federal program objectives are allowable with prior written approval from the Federal awarding agency. Proposal costs are covered in §200.460 Proposal costs.

(b) Costs of investment counsel and staff and similar expenses incurred to enhance income from investments are unallowable except when associated with investments covering pension, self-insurance, or other funds which include Federal participation allowed by this part.

(c) Costs related to the physical custody and control of monies and securities are allowable.

(d) Both allowable and unallowable fund raising and investment activities must be allocated as an appropriate share of indirect costs under the conditions described in §200.413 Direct costs.

§200.443 Gains and losses on disposition of depreciable assets.

(a) Gains and losses on the sale, retirement, or other disposition of depreciable property must be included in the year in which they occur as credits or charges to the asset cost grouping(s) in which the property was included. The amount of the gain or loss to be included as a credit or charge to the appropriate asset cost grouping(s) is the difference between the amount realized on the property and the undepreciated basis of the property.

(b) Gains and losses from the disposition of depreciable property must not be recognized as a separate credit or charge under the following conditions:

(1) The gain or loss is processed through a depreciation account and is reflected in the depreciation allowable under §§200.436 Depreciation and 200.439 Equipment and other capital expenditures.

(2) The property is given in exchange as part of the purchase price of a similar item, and the gain or loss is taken into account in determining the depreciation cost basis of the new item.

(3) A loss results from the failure to maintain permissible insurance, except as otherwise provided in §46*200.447 Insurance and indemnification.

(4) Compensation for the use of the property was provided through use allowances in lieu of depreciation.

(5) Gains and losses arising from mass or extraordinary sales, retirements, or other dispositions must be considered on a case-by-case basis.

(c) Gains or losses of any nature arising from the sale or exchange of property other than the property covered in paragraph (a) of this section, e.g., land, must be excluded in computing Federal award costs.

(d) When assets acquired with Federal funds, in part or wholly, are disposed of, the distribution of the proceeds must be made in accordance with §§200.310 Insurance Coverage through 200.316 Property trust relationship.

§200.444 General costs of government.

(a) For states, local governments, and Indian Tribes, the general costs of government are unallowable (except as provided in §200.474 Travel costs). Unallowable costs include:

(1) Salaries and expenses of the Office of the Governor of a state or the chief executive of a local government or the chief executive of an Indian tribe;

(2) Salaries and other expenses of a state legislature, tribal council, or similar local governmental body, such as a county supervisor, city council, school board, etc., whether incurred for purposes of legislation or executive direction;

(3) Costs of the judicial branch of a government;

(4) Costs of prosecutorial activities unless treated as a direct cost to a specific program if authorized by statute or regulation (however, this does not preclude the allowability of other legal activities of the Attorney General as described in §200.435 Defense and prosecution of criminal and civil proceedings, claims, appeals and patent infringements); and

(5) Costs of other general types of government services normally provided to the general public, such as fire and police, unless provided for as a direct cost under a program statute or regulation.

(b) For Indian tribes and Councils of Governments (COGs) (see §200.64 Local government), the portion of salaries and expenses directly attributable to managing and operating Federal programs by the chief executive and his or her staff is allowable. Up to 50% of these costs can be included in the indirect cost calculation without documentation.

§200.445 Goods or services for personal use.

(a) Costs of goods or services for personal use of the non-Federal entity's employees are unallowable regardless of whether the cost is reported as taxable income to the employees.

(b) Costs of housing (e.g., depreciation, maintenance, utilities, furnishings, rent), housing allowances and personal living expenses are only allowable as direct costs regardless of whether reported as taxable income to the employees. In addition, to be allowable direct costs must be approved in advance by a Federal awarding agency.

§200.446 Idle facilities and idle capacity.

(a) As used in this section the following terms have the meanings set forth in this section:

(1) Facilities means land and buildings or any portion thereof, equipment individually or collectively, or any other tangible capital asset, wherever located, and whether owned or leased by the non-Federal entity.

(2) Idle facilities mean completely unused facilities that are excess to the non-Federal entity's current needs.

(3) Idle capacity means the unused capacity of partially used facilities. It is the difference between:

(i) That which a facility could achieve under 100 percent operating time on a one-shift basis less operating interruptions resulting from time lost for repairs, setups, unsatisfactory materials, and other normal delays and;

(ii) The extent to which the facility was actually used to meet demands during the accounting period. A multi-shift basis should be used if it can be shown that this amount of usage would normally be expected for the type of facility involved.

(4) Cost of idle facilities or idle capacity means costs such as maintenance, repair, housing, rent, and other related costs, e.g., insurance, interest, and depreciation. These costs could include the costs of idle public safety emergency facilities, telecommunications, or information technology system capacity that is built to withstand major fluctuations in load, e.g., consolidated data centers.

(b) The costs of idle facilities are unallowable except to the extent that:

(1) They are necessary to meet workload requirements which may fluctuate and are allocated appropriately to all benefiting programs; or

(2) Although not necessary to meet fluctuations in workload, they were necessary when acquired and are now idle because of changes in program requirements, efforts to achieve more economical operations, reorganization, termination, or other causes which could not have been reasonably foreseen. Under the exception stated in this subsection, costs of idle facilities are allowable for a reasonable period of time, ordinarily not to exceed one year, depending on the initiative taken to use, lease, or dispose of such facilities.

(c) The costs of idle capacity are normal costs of doing business and are a factor in the normal fluctuations of usage or indirect cost rates from period to period. Such costs are allowable, provided that the capacity is reasonably anticipated to be necessary to carry out the purpose of the Federal award or was originally reasonable and is not subject to reduction or elimination by use on other Federal awards, subletting, renting, or sale, in accordance with sound business, economic, or security practices. Widespread idle capacity throughout an entire facility or among a group of assets having substantially the same function may be considered idle facilities.

§200.447 Insurance and indemnification.

(a) Costs of insurance required or approved and maintained, pursuant to the Federal award, are allowable.

(b) Costs of other insurance in connection with the general conduct of activities are allowable subject to the following limitations:

(1) Types and extent and cost of coverage are in accordance with the non-Federal entity's policy and sound business practice.

(2) Costs of insurance or of contributions to any reserve covering the risk of loss of, or damage to, Federal government property are unallowable except to the extent that the Federal awarding agency has specifically required or approved such costs.

(3) Costs allowed for business interruption or other similar insurance must exclude coverage of management fees.

(4) Costs of insurance on the lives of trustees, officers, or other employees holding positions of similar responsibilities are allowable only to the extent that the insurance represents additional compensation (see §200.431 Compensation—fringe benefits). The cost of such insurance when the non-Federal entity is identified as the beneficiary is unallowable.

(5) Insurance against defects. Costs of insurance with respect to any costs incurred to correct defects in the non-Federal entity's materials or workmanship are unallowable.

(6) Medical liability (malpractice) insurance. Medical liability insurance is an allowable cost of Federal research programs only to the extent that the Federal research programs involve human subjects or training of participants in research techniques. Medical liability insurance costs must be treated as a direct cost and must be assigned to individual projects based on the manner in which the insurer allocates the risk to the population covered by the insurance.

(c) Actual losses which could have been covered by permissible insurance (through a self-insurance program or otherwise) are unallowable, unless expressly provided for in the Federal award. However, costs incurred because of losses not covered under nominal deductible insurance coverage provided in keeping with sound management practice, and minor losses not covered by insurance, such as spoilage, breakage, and disappearance of small hand tools, which occur in the ordinary course of operations, are allowable.

(d) Contributions to a reserve for certain self-insurance programs including workers' compensation, unemployment compensation, and severance pay are allowable subject to the following provisions:

(1) The type of coverage and the extent of coverage and the rates and premiums would have been allowed had insurance (including reinsurance) been purchased to cover the risks. However, provision for known or reasonably estimated self-insured liabilities, which do not become payable for more than one year after the provision is made, must not exceed the discounted present value of the liability. The rate used for discounting the liability must be determined by giving consideration to such factors as the non-Federal entity's settlement rate for those liabilities and its investment rate of return.

(2) Earnings or investment income on reserves must be credited to those reserves.

(3)(i) Contributions to reserves must be based on sound actuarial principles using historical experience and reasonable assumptions. Reserve levels must be analyzed and updated at least biennially for each major risk being insured and take into account any reinsurance, coinsurance, etc. Reserve levels related to employee-related coverages will normally be limited to the value of claims:

(A) Submitted and adjudicated but not paid;

(B) Submitted but not adjudicated; and

(C) Incurred but not submitted.

(ii) Reserve levels in excess of the amounts based on the above must be identified and justified in the cost allocation plan or indirect cost rate proposal.

(4) Accounting records, actuarial studies, and cost allocations (or billings) must recognize any significant differences due to types of insured risk and losses generated by the various insured activities or agencies of the non-Federal entity. If individual departments or agencies of the non-Federal entity experience significantly different levels of claims for a particular risk, those differences are to be recognized by the use of separate allocations or other techniques resulting in an equitable allocation.

(5) Whenever funds are transferred from a self-insurance reserve to other accounts (e.g., general fund or unrestricted account), refunds must be made to the Federal government for its share of funds transferred, including earned or imputed interest from the date of transfer and debt interest, if applicable, chargeable in accordance with applicable Federal cognizant agency for indirect cost, claims collection regulations.

(e) Insurance refunds must be credited against insurance costs in the year the refund is received.

(f) Indemnification includes securing the non-Federal entity against liabilities to third persons and other losses not compensated by insurance or otherwise. The Federal government is obligated to indemnify the non-Federal entity only to the extent expressly provided for in the Federal award, except as provided in paragraph (c) of this section.

§200.448 Intellectual property.

(a) *Patent costs.* (1) The following costs related to securing patents and copyrights are allowable:

(i) Costs of preparing disclosures, reports, and other documents required by the Federal award, and of searching the art to the extent necessary to make such disclosures;

(ii) Costs of preparing documents and any other patent costs in connection with the filing and prosecution of a United States patent application where title or royalty-free license is required by the Federal government to be conveyed to the Federal government; and

(iii) General counseling services relating to patent and copyright matters, such as advice on patent and copyright laws, regulations, clauses, and employee intellectual property agreements (See also §200.459 Professional service costs).

(2) The following costs related to securing patents and copyrights are unallowable:

(i) Costs of preparing disclosures, reports, and other documents, and of searching the art to make disclosures not required by the Federal award;

(ii) Costs in connection with filing and prosecuting any foreign patent application, or any United States patent application, where the Federal award does not require conveying title or a royalty-free license to the Federal government.

(b) *Royalties and other costs for use of patents and copyrights.* (1) Royalties on a patent or copyright or amortization of the cost of acquiring by purchase a copyright, patent, or rights thereto, necessary for the proper performance of the Federal award are allowable unless:

(i) The Federal government already has a license or the right to free use of the patent or copyright.

(ii) The patent or copyright has been adjudicated to be invalid, or has been administratively determined to be invalid.

(iii) The patent or copyright is considered to be unenforceable.

(iv) The patent or copyright is expired.

(2) Special care should be exercised in determining reasonableness where the royalties may have been arrived at as a result of less-than-arm's-length bargaining, such as:

(i) Royalties paid to persons, including corporations, affiliated with the non-Federal entity.

(ii) Royalties paid to unaffiliated parties, including corporations, under an agreement entered into in contemplation that a Federal award would be made.

(iii) Royalties paid under an agreement entered into after a Federal award is made to a non-Federal entity.

(3) In any case involving a patent or copyright formerly owned by the non-Federal entity, the amount of royalty allowed should not exceed the cost which would have been allowed had the non-Federal entity retained title thereto.

§200.449 Interest.

(a) *General.* Costs incurred for interest on borrowed capital, temporary use of endowment funds, or the use of the non-Federal entity's own funds, however represented, are unallowable. Financing costs (including interest) to acquire, construct, or replace capital assets are allowable, subject to the conditions in this section.

(b)(1) Capital assets is defined as noted in §200.12 Capital assets. An asset cost includes (as applicable) acquisition costs, construction costs, and other costs capitalized in accordance with GAAP.

(2) For non-Federal entity fiscal years beginning on or after January 1, 2016, intangible assets include patents and computer software. For software development projects, only interest attributable to the portion of the project costs capitalized in accordance with GAAP is allowable.

(c) *Conditions for all non-Federal entities.* (1) The non-Federal entity uses the capital assets in support of Federal awards;

(2) The allowable asset costs to acquire facilities and equipment are limited to a fair market value available to the non-Federal entity from an unrelated (arm's length) third party.

(3) The non-Federal entity obtains the financing via an arm's-length transaction (that is, a transaction with an unrelated third party); or claims reimbursement of actual interest cost at a rate available via such a transaction.

(4) The non-Federal entity limits claims for Federal reimbursement of interest costs to the least expensive alternative. For example, a capital lease may be determined less costly than purchasing through debt financing, in which case reimbursement must be limited to the amount of interest determined if leasing had been used.

(5) The non-Federal entity expenses or capitalizes allowable interest cost in accordance with GAAP.

(6) Earnings generated by the investment of borrowed funds pending their disbursement for the asset costs are used to offset the current period's allowable interest cost, whether that cost is expensed or capitalized. Earnings subject to being reported to the Federal Internal Revenue Service under arbitrage requirements are excludable.

(7) The following conditions must apply to debt arrangements over $1 million to purchase or construct facilities, unless the non-Federal entity makes an initial equity contribution to the purchase of 25 percent or more. For this purpose, "initial equity contribution" means the amount or value of contributions made by the non-Federal entity for the acquisition of facilities prior to occupancy.

(i) The non-Federal entity must reduce claims for reimbursement of interest cost by an amount equal to imputed interest earnings on excess cash flow attributable to the portion of the facility used for Federal awards.

(ii) The non-Federal entity must impute interest on excess cash flow as follows:

(A) Annually, the non-Federal entity must prepare a cumulative (from the inception of the project) report of monthly cash inflows and outflows, regardless of the funding source. For this purpose, inflows consist of Federal reimbursement for depreciation, amortization of capitalized construction interest, and annual interest cost. Outflows consist of initial equity contributions, debt principal payments (less the pro-rata share attributable to the cost of land), and interest payments.

(B) To compute monthly cash inflows and outflows, the non-Federal entity must divide the annual amounts determined in step (i) by the number of months in the year (usually 12) that the building is in service.

(C) For any month in which cumulative cash inflows exceed cumulative outflows, interest must be calculated on the excess inflows for that month and be treated as a reduction to allowable interest cost. The rate of interest to be used must be the three-month Treasury bill closing rate as of the last business day of that month.

(8) Interest attributable to a fully depreciated asset is unallowable.

(d) Additional conditions for states, local governments and Indian tribes. For costs to be allowable, the non-Federal entity must have incurred the interest costs for buildings after October 1, 1980, or for land and equipment after September 1, 1995.

(1) The requirement to offset interest earned on borrowed funds against current allowable interest cost (paragraph (c)(5), above) also applies to earnings on debt service reserve funds.

(2) The non-Federal entity will negotiate the amount of allowable interest cost related to the acquisition of facilities with asset costs of $1 million or more, as outlined in paragraph (c)(7) of this section. For this purpose, a non-Federal entity must consider only cash inflows and outflows attributable to that portion of the real property used for Federal awards.

(e) Additional conditions for IHEs. For costs to be allowable, the IHE must have incurred the interest costs after September 23, 1982, in connection with acquisitions of capital assets that occurred after that date.

(f) Additional condition for nonprofit organizations. For costs to be allowable, the nonprofit organization incurred the interest costs after September 29, 1995, in connection with acquisitions of capital assets that occurred after that date.

(g) The interest allowability provisions of this section do not apply to a nonprofit organization subject to "full coverage" under the Cost Accounting Standards (CAS), as defined at 48 CFR 9903.201-2(a). The non-Federal entity's Federal awards are instead subject to CAS 414 (48 CFR 9904.414), "Cost of Money as an Element of the Cost of Facilities Capital", and CAS 417 (48 CFR 9904.417), "Cost of Money as an Element of the Cost of Capital Assets Under Construction".

§200.450 Lobbying.

(a) The cost of certain influencing activities associated with obtaining grants, contracts, cooperative agreements, or loans is an unallowable cost. Lobbying with respect to certain grants, contracts, cooperative agreements, and loans is governed by relevant statutes, including among others, the provisions of 31 U.S.C. 1352, as well as the common rule, "New Restrictions on Lobbying" published at 55 FR 6736 (February 26, 1990), including definitions, and the Office of Management and Budget "Governmentwide Guidance for New Restrictions on Lobbying" and notices published at 54 FR 52306 (December 20, 1989), 55 FR 24540 (June 15, 1990), 57 FR 1772 (January 15, 1992), and 61 FR 1412 (January 19, 1996).

(b) Executive lobbying costs. Costs incurred in attempting to improperly influence either directly or indirectly, an employee or officer of the executive branch of the Federal government to give consideration or to act regarding a Federal award or a regulatory matter are unallowable. Improper influence means any influence that induces or tends to induce a Federal employee or officer to give consideration or to act regarding a Federal award or regulatory matter on any basis other than the merits of the matter.

(c) In addition to the above, the following restrictions are applicable to nonprofit organizations and IHEs:

(1) Costs associated with the following activities are unallowable:

(i) Attempts to influence the outcomes of any Federal, state, or local election, referendum, initiative, or similar procedure, through in-kind or cash contributions, endorsements, publicity, or similar activity;

(ii) Establishing, administering, contributing to, or paying the expenses of a political party, campaign, political action committee, or other organization established for the purpose of influencing the outcomes of elections in the United States;

(iii) Any attempt to influence:

(A)The introduction of Federal or state legislation;

(B) The enactment or modification of any pending Federal or state legislation through communication with any member or employee of the Congress or state legislature (including efforts to influence state or local officials to engage in similar lobbying activity);

(C) The enactment or modification of any pending Federal or state legislation by preparing, distributing, or using publicity or propaganda, or by urging members of the general public, or any segment thereof, to contribute to or participate in any mass demonstration, march, rally, fund raising drive, lobbying campaign or letter writing or telephone campaign; or

(D) Any government official or employee in connection with a decision to sign or veto enrolled legislation;

(iv) Legislative liaison activities, including attendance at legislative sessions or committee hearings, gathering information regarding legislation and analyzing the effect of legislation when such activities are carried on in support of or in knowing preparation for an effort to engage in unallowable lobbying.

(2) The following activities are excepted from the coverage of paragraph (c)(1) of this section:

(i) Technical and factual presentations on topics directly related to the performance of a grant, contract, or other agreement (through hearing testimony, statements, or letters to the Congress or a state legislature, or subdivision, member, or cognizant staff member thereof), in response to a documented request (including a Congressional Record notice requesting testimony or statements for the record at a regularly scheduled hearing) made by the non-Federal entity's member of Congress, legislative body or a subdivision, or a cognizant staff member thereof, provided such information is readily obtainable and can be readily put in deliverable form, and further provided that costs under this section for travel, lodging or meals are unallowable unless incurred to offer testimony at a regularly scheduled Congressional hearing pursuant to a written request for such presentation made by the Chairman or Ranking Minority Member of the Committee or Subcommittee conducting such hearings;

(ii) Any lobbying made unallowable by paragraph (c)(1)(iii) of this section to influence state legislation in order to directly reduce the cost, or to avoid material impairment of the non-Federal entity's authority to perform the grant, contract, or other agreement; or

(iii) Any activity specifically authorized by statute to be undertaken with funds from the Federal award.

(iv) Any activity excepted from the definitions of "lobbying" or "influencing legislation" by the Internal Revenue Code provisions that require nonprofit organizations to limit their participation in direct and "grass roots" lobbying activities in order to retain their charitable deduction status and avoid punitive excise taxes, I.R.C. §§501(c)(3), 501(h), 4911(a), including:

(A) Nonpartisan analysis, study, or research reports;

(B) Examinations and discussions of broad social, economic, and similar problems; and

(C) Information provided upon request by a legislator for technical advice and assistance, as defined by I.R.C. §4911(d)(2) and 26 CFR 56.4911-2(c)(1) -(c)(3).

(v) When a non-Federal entity seeks reimbursement for indirect (F&A) costs, total lobbying costs must be separately identified in the indirect (F&A) cost rate proposal, and thereafter treated as other unallowable activity costs in accordance with the procedures of §200.413 Direct costs.

(vi) The non-Federal entity must submit as part of its annual indirect (F&A) cost rate proposal a certification that the requirements and standards of this section have been complied with. (See also §200.415 Required certifications.)

(vii)(A) Time logs, calendars, or similar records are not required to be created for purposes of complying with the recordkeeping requirements in §200.302 Financial management with respect to lobbying costs during any particular calendar month when:

(*1*) The employee engages in lobbying (as defined in paragraphs (c)(1) and (c)(2) of this section) 25 percent or less of the employee's compensated hours of employment during that calendar month; and

(2) Within the preceding five-year period, the non-Federal entity has not materially misstated allowable or unallowable costs of any nature, including legislative lobbying costs.

(B) When conditions in paragraph (c)(2)(vii)(A)(*1*) and (2) of this section are met, non-Federal entities are not required to establish records to support the allowability of claimed costs in addition to records already required or maintained. Also, when conditions in paragraphs (c)(2)(vii)(A)(*1*) and (2) of this section are met, the absence of time logs, calendars, or similar records will not serve as a basis for disallowing costs by contesting estimates of lobbying time spent by employees during a calendar month.

(viii) The Federal awarding agency must establish procedures for resolving in advance, in consultation with OMB, any significant questions or disagreements concerning the interpretation or application of this section. Any such advance resolutions must be binding in any subsequent settlements, audits, or investigations with respect to that grant or contract for purposes of interpretation of this part, provided, however, that this must not be construed to prevent a contractor or non-Federal entity from contesting the lawfulness of such a determination.

§200.451 Losses on other awards or contracts.

Any excess of costs over income under any other award or contract of any nature is unallowable. This includes, but is not limited to, the non-Federal entity's contributed portion by reason of cost-sharing agreements or any under-recoveries through negotiation of flat amounts for indirect (F&A) costs. Also, any excess of costs over authorized funding levels transferred from any award or contract to another award or contract is unallowable. All losses are not allowable indirect (F&A) costs and are required to be included in the appropriate indirect cost rate base for allocation of indirect costs.

§200.452 Maintenance and repair costs.

Costs incurred for utilities, insurance, security, necessary maintenance, janitorial services, repair, or upkeep of buildings and equipment (including Federal property unless otherwise provided for) which neither add to the permanent value of the property nor appreciably prolong its intended life, but keep it in an efficient operating condition, are allowable. Costs incurred for improvements which add to the permanent value of the buildings and equipment or appreciably prolong their intended life must be treated as capital expenditures (see §200.439 Equipment and other capital expenditures). These costs are only allowable to the extent not paid through rental or other agreements.

§200.453 Materials and supplies costs, including costs of computing devices.

(a) Costs incurred for materials, supplies, and fabricated parts necessary to carry out a Federal award are allowable.

(b) Purchased materials and supplies must be charged at their actual prices, net of applicable credits. Withdrawals from general stores or stockrooms should be charged at their actual net cost under any recognized method of pricing inventory withdrawals, consistently applied. Incoming transportation charges are a proper part of materials and supplies costs.

(c) Materials and supplies used for the performance of a Federal award may be charged as direct costs. In the specific case of computing devices, charging as direct costs is allowable for devices that are essential and allocable, but not solely dedicated, to the performance of a Federal award.

(d) Where federally-donated or furnished materials are used in performing the Federal award, such materials will be used without charge.

§200.454 Memberships, subscriptions, and professional activity costs.

(a) Costs of the non-Federal entity's membership in business, technical, and professional organizations are allowable.

(b) Costs of the non-Federal entity's subscriptions to business, professional, and technical periodicals are allowable.

(c) Costs of membership in any civic or community organization are allowable with prior approval by the Federal awarding agency or pass-through entity.

(d) Costs of membership in any country club or social or dining club or organization are unallowable.

(e) Costs of membership in organizations whose primary purpose is lobbying are unallowable. See also §200.450 Lobbying.

§200.455 Organization costs.

Costs such as incorporation fees, brokers' fees, fees to promoters, organizers or management consultants, attorneys, accountants, or investment counselor, whether or not employees of the non-Federal entity in connection with establishment or reorganization of an organization, are unallowable except with prior approval of the Federal awarding agency.

§200.456 Participant support costs.

Participant support costs as defined in §200.75 Participant support costs are allowable with the prior approval of the Federal awarding agency.

§200.457 Plant and security costs.

Necessary and reasonable expenses incurred for routine and security to protect facilities, personnel, and work products are allowable. Such costs include, but are not limited to, wages and uniforms of personnel engaged in security activities; equipment; barriers; protective (non-military) gear, devices, and equipment; contractual security services; and consultants. Capital expenditures for plant security purposes are subject to §200.439 Equipment and other capital expenditures.

§200.458 Pre-award costs.

Pre-award costs are those incurred prior to the effective date of the Federal award directly pursuant to the negotiation and in anticipation of the Federal award where such costs are necessary for the efficient and timely performance of the scope of work. Such costs are allowable only to the extent that they would have been allowable if incurred after the date of the Federal award and only with the written approval of the Federal awarding agency.

§200.459 Professional service costs.

(a) Costs of professional and consultant services rendered by persons who are members of a particular profession or possess a special skill, and who are not officers or employees of the non-Federal entity, are allowable, subject to paragraphs (b) and (c) when reasonable in relation to the services rendered and when not contingent upon recovery of the costs from the Federal government. In addition, legal and related services are limited under §200.435 Defense and prosecution of criminal and civil proceedings, claims, appeals and patent infringements.

(b) In determining the allowability of costs in a particular case, no single factor or any special combination of factors is necessarily determinative. However, the following factors are relevant:

(1) The nature and scope of the service rendered in relation to the service required.

(2) The necessity of contracting for the service, considering the non-Federal entity's capability in the particular area.

(3) The past pattern of such costs, particularly in the years prior to Federal awards.

(4) The impact of Federal awards on the non-Federal entity's business (i.e., what new problems have arisen).

(5) Whether the proportion of Federal work to the non-Federal entity's total business is such as to influence the non-Federal entity in favor of incurring the cost, particularly where the services rendered are not of a continuing nature and have little relationship to work under Federal awards.

(6) Whether the service can be performed more economically by direct employment rather than contracting.

(7) The qualifications of the individual or concern rendering the service and the customary fees charged, especially on non-federally funded activities.

(8) Adequacy of the contractual agreement for the service (e.g., description of the service, an estimate of the time required, the rate of compensation, and termination provisions).

(c) In addition to the factors in paragraph (b) of this section, to be allowable, retainer fees must be supported by evidence of bona fide services available or rendered.

§200.460 Proposal costs.

Proposal costs are the costs of preparing bids, proposals, or applications on potential Federal and non-Federal awards or projects, including the development of data necessary to support the non-Federal entity's bids or proposals. Proposal costs of the current accounting period of both successful and unsuccessful bids and proposals normally should be treated as indirect (F&A) costs and allocated currently to all activities of the non-Federal entity. No proposal costs of past accounting periods will be allocable to the current period.

§200.461 Publication and printing costs.

(a) Publication costs for electronic and print media, including distribution, promotion, and general handling are allowable. If these costs are not identifiable with a particular cost objective, they should be allocated as indirect costs to all benefiting activities of the non-Federal entity.

(b) Page charges for professional journal publications are allowable where:

(1) The publications report work supported by the Federal government; and

(2) The charges are levied impartially on all items published by the journal, whether or not under a Federal award.

(3) The non-Federal entity may charge the Federal award before closeout for the costs of publication or sharing of research results if the costs are not incurred during the period of performance of the Federal award.

§200.462 Rearrangement and reconversion costs.

(a) Costs incurred for ordinary and normal rearrangement and alteration of facilities are allowable as indirect costs. Special arrangements and alterations costs incurred specifically for a Federal award are allowable as a direct cost with the prior approval of the Federal awarding agency or pass-through entity.

(b) Costs incurred in the restoration or rehabilitation of the non-Federal entity's facilities to approximately the same condition existing immediately prior to the commencement of Federal awards, less costs related to normal wear and tear, are allowable.

§200.463 Recruiting costs.

(a) Subject to paragraphs (b) and (c) of this section, and provided that the size of the staff recruited and maintained is in keeping with workload requirements, costs of "help wanted" advertising, operating costs of an employment office necessary to secure and maintain an adequate staff, costs of operating an aptitude and educational testing program, travel costs of employees while engaged in recruiting personnel, travel costs of applicants for interviews for prospective employment, and relocation costs incurred incident to recruitment of new employees, are allowable to the extent that such costs are incurred pursuant to the non-Federal entity's standard recruitment program. Where the non-Federal entity uses employment agencies, costs not in excess of standard commercial rates for such services are allowable.

(b) Special emoluments, fringe benefits, and salary allowances incurred to attract professional personnel that does not meet the test of reasonableness or do not conform with the established practices of the non-Federal entity are unallowable.

(c) Where relocation costs incurred incident to recruitment of a new employee have been funded in whole or in part as a direct cost to a Federal award, and the newly hired employee resigns for reasons within the employee's control within 12 months after hire, the non-Federal entity will be required to refund or credit the Federal share of such relocation costs to the Federal government. See also §200.464 Relocation costs of employees.

(d) Short-term, travel visa costs (as opposed to longer-term, immigration visas) are generally allowable expenses that may be proposed as a direct cost. Since short-term visas are issued for a specific period and purpose, they can be clearly identified as directly connected to work performed on a Federal award. For these costs to be directly charged to a Federal award, they must:

(1) Be critical and necessary for the conduct of the project;

(2) Be allowable under the applicable cost principles;

(3) Be consistent with the non-Federal entity's cost accounting practices and non-Federal entity policy; and

(4) Meet the definition of "direct cost" as described in the applicable cost principles.

§200.464 Relocation costs of employees.

(a) Relocation costs are costs incident to the permanent change of duty assignment (for an indefinite period or for a stated period of not less than 12 months) of an existing employee or upon recruitment of a new employee. Relocation costs are allowable, subject to the limitations described in paragraphs (b), (c), and (d) of this section, provided that:

(1) The move is for the benefit of the employer.

(2) Reimbursement to the employee is in accordance with an established written policy consistently followed by the employer.

(3) The reimbursement does not exceed the employee's actual (or reasonably estimated) expenses.

(b) Allowable relocation costs for current employees are limited to the following:

(1) The costs of transportation of the employee, members of his or her immediate family and his household, and personal effects to the new location.

(2) The costs of finding a new home, such as advance trips by employees and spouses to locate living quarters and temporary lodging during the transition period, up to maximum period of 30 calendar days.

(3) Closing costs, such as brokerage, legal, and appraisal fees, incident to the disposition of the employee's former home. These costs, together with those described in (4), are limited to 8 percent of the sales price of the employee's former home.

(4) The continuing costs of ownership (for up to six months) of the vacant former home after the settlement or lease date of the employee's new permanent home, such as maintenance of buildings and grounds (exclusive of fixing-up expenses), utilities, taxes, and property insurance.

(5) Other necessary and reasonable expenses normally incident to relocation, such as the costs of canceling an unexpired lease, transportation of personal property, and purchasing insurance against loss of or damages to personal property. The cost of canceling an unexpired lease is limited to three times the monthly rental.

(c) Allowable relocation costs for new employees are limited to those described in paragraphs (b)(1) and (2) of this section. When relocation costs incurred incident to the recruitment of new employees have been allowed either as a direct or indirect cost and the employee resigns for reasons within the employee's control within 12 months after hire, the non-Federal entity must refund or credit the Federal government for its share of the cost. However, the costs of travel to an overseas location must be considered travel costs in accordance with §200.474 Travel costs, and not this §200.464 Relocation costs of employees, for the purpose of this paragraph if dependents are not permitted at the location for any reason and the costs do not include costs of transporting household goods.

(d) The following costs related to relocation are unallowable:

(1) Fees and other costs associated with acquiring a new home.

(2) A loss on the sale of a former home.

(3) Continuing mortgage principal and interest payments on a home being sold.

(4) Income taxes paid by an employee related to reimbursed relocation costs.

§200.465 Rental costs of real property and equipment.

(a) Subject to the limitations described in paragraphs (b) through (d) of this section, rental costs are allowable to the extent that the rates are reasonable in light of such factors as: rental costs of comparable property, if any; market conditions in the area; alternatives available; and the type, life expectancy, condition, and value of the property leased. Rental arrangements should be reviewed periodically to determine if circumstances have changed and other options are available.

(b) Rental costs under "sale and lease back" arrangements are allowable only up to the amount that would be allowed had the non-Federal entity continued to own the property. This amount would include expenses such as depreciation, maintenance, taxes, and insurance.

(c) Rental costs under "less-than-arm's-length" leases are allowable only up to the amount (as explained in paragraph (b) of this section). For this purpose, a less-than-arm's-length lease is one under which one party to the lease agreement is able to control or substantially influence the actions of the other. Such leases include, but are not limited to those between:

(1) Divisions of the non-Federal entity;

(2) The non-Federal entity under common control through common officers, directors, or members; and

(3) The non-Federal entity and a director, trustee, officer, or key employee of the non-Federal entity or an immediate family member, either directly or through corporations, trusts, or similar arrangements in which they hold a controlling interest. For example, the non-Federal entity may establish a separate corporation for the sole purpose of owning property and leasing it back to the non-Federal entity.

(4) Family members include one party with any of the following relationships to another party:

(i) Spouse, and parents thereof;

(ii) Children, and spouses thereof;

(iii) Parents, and spouses thereof;

(iv) Siblings, and spouses thereof;

(v) Grandparents and grandchildren, and spouses thereof;

(vi) Domestic partner and parents thereof, including domestic partners of any individual in 2 through 5 of this definition; and

(vii) Any individual related by blood or affinity whose close association with the employee is the equivalent of a family relationship.

(5) Rental costs under leases which are required to be treated as capital leases under GAAP are allowable only up to the amount (as explained in paragraph (b) of this section) that would be allowed had the non-Federal entity purchased the property on the date the lease agreement was executed. The provisions of GAAP must be used to determine whether a lease is a capital lease. Interest costs related to capital leases are allowable to the extent they meet the criteria in §200.449 Interest. Unallowable costs include amounts paid for profit, management fees, and taxes that would not have been incurred had the non-Federal entity purchased the property.

(6) The rental of any property owned by any individuals or entities affiliated with the non-Federal entity, to include commercial or residential real estate, for purposes such as the home office workspace is unallowable.

§200.466 Scholarships and student aid costs.

(a) Costs of scholarships, fellowships, and other programs of student aid at IHEs are allowable only when the purpose of the Federal award is to provide training to selected participants and the charge is approved by the Federal awarding agency. However, tuition remission and other forms of compensation paid as, or in lieu of, wages to students performing necessary work are allowable provided that:

(1) The individual is conducting activities necessary to the Federal award;

(2) Tuition remission and other support are provided in accordance with established policy of the IHE and consistently provided in a like manner to students in return for similar activities conducted under Federal awards as well as other activities; and

(3) During the academic period, the student is enrolled in an advanced degree program at a non-Federal entity or affiliated institution and the activities of the student in relation to the Federal award are related to the degree program;

(4) The tuition or other payments are reasonable compensation for the work performed and are conditioned explicitly upon the performance of necessary work; and

(5) It is the IHE's practice to similarly compensate students under Federal awards as well as other activities.

(b) Charges for tuition remission and other forms of compensation paid to students as, or in lieu of, salaries and wages must be subject to the reporting requirements in §200.430 Compensation—personal services, and must be treated as direct or indirect cost in accordance with the actual work being performed. Tuition remission may be charged on an average rate basis. See also §200.431 Compensation—fringe benefits.

§200.467 Selling and marketing costs.

Costs of selling and marketing any products or services of the non-Federal entity (unless allowed under §200.421 Advertising and public relations.) are unallowable, except as direct costs, with prior approval by the Federal awarding agency when necessary for the performance of the Federal award.

§200.468 Specialized service facilities.

(a) The costs of services provided by highly complex or specialized facilities operated by the non-Federal entity, such as computing facilities, wind tunnels, and reactors are allowable, provided the charges for the services meet the conditions of either paragraphs (b) or (c) of this section, and, in addition, take into account any items of income or Federal financing that qualify as applicable credits under §200.406 Applicable credits.

(b) The costs of such services, when material, must be charged directly to applicable awards based on actual usage of the services on the basis of a schedule of rates or established methodology that:

(1) Does not discriminate between activities under Federal awards and other activities of the non-Federal entity, including usage by the non-Federal entity for internal purposes, and

(2) Is designed to recover only the aggregate costs of the services. The costs of each service must consist normally of both its direct costs and its allocable share of all indirect (F&A) costs. Rates must be adjusted at least biennially and must take into consideration over/under applied costs of the previous period(s).

(c) Where the costs incurred for a service are not material, they may be allocated as indirect (F&A) costs.

(d) Under some extraordinary circumstances, where it is in the best interest of the Federal government and the non-Federal entity to establish alternative costing arrangements, such arrangements may be worked out with the Federal cognizant agency for indirect costs.

§200.469 Student activity costs.

Costs incurred for intramural activities, student publications, student clubs, and other student activities, are unallowable unless specifically provided for in the Federal award.

§200.470 Taxes (including Value Added Tax).

(a) For states, local governments, and Indian tribes:

(1) Taxes that a governmental unit is legally required to pay are allowable, except for self-assessed taxes that disproportionately affect Federal programs or changes in tax policies that disproportionately affect Federal programs.

(2) Gasoline taxes, motor vehicle fees, and other taxes that are in effect user fees for benefits provided to the Federal government are allowable.

(3) This provision does not restrict the authority of the Federal awarding agency to identify taxes where Federal participation is inappropriate. Where the identification of the amount of unallowable taxes would require an inordinate amount of effort, the cognizant agency for indirect costs may accept a reasonable approximation thereof.

(b) For nonprofit organizations and IHEs:

(1) In general, taxes which the non-Federal entity is required to pay and which are paid or accrued in accordance with GAAP, and payments made to local governments in lieu of taxes which are commensurate with the local government services received are allowable, except for:

(i) Taxes from which exemptions are available to the non-Federal entity directly or which are available to the non-Federal entity based on an exemption afforded the Federal government and, in the latter case, when the Federal awarding agency makes available the necessary exemption certificates,

(ii) Special assessments on land which represent capital improvements, and

(iii) Federal income taxes.

(2) Any refund of taxes, and any payment to the non-Federal entity of interest thereon, which were allowed as Federal award costs, will be credited either as a cost reduction or cash refund, as appropriate, to the Federal government. However, any interest actually paid or credited to a non-Federal entity incident to a refund of tax, interest, and penalty will be paid or credited to the Federal government only to the extent that such interest accrued over the period during which the non-Federal entity has been reimbursed by the Federal government for the taxes, interest, and penalties.

(c) Value Added Tax (VAT) Foreign taxes charged for the purchase of goods or services that a non-Federal entity is legally required to pay in country is an allowable expense under Federal awards. Foreign tax refunds or applicable credits under Federal awards refer to receipts, or reduction of expenditures, which operate to offset or reduce expense items that are allocable to Federal awards as direct or indirect costs. To the extent that such credits accrued or received by the non-Federal entity relate to allowable cost, these costs must be credited to the Federal awarding agency either as costs or cash refunds. If the costs are credited back to the Federal award, the non-Federal entity may reduce the Federal share of costs by the amount of the foreign tax reimbursement, or where the Federal award has not expired, use the foreign government tax refund for approved activities under the Federal award with prior approval of the Federal awarding agency.

§200.471 Termination costs.

Termination of a Federal award generally gives rise to the incurrence of costs, or the need for special treatment of costs, which would not have arisen had the Federal award not been terminated. Cost principles covering these items are set forth in this section. They are to be used in conjunction with the other provisions of this part in termination situations.

(a) The cost of items reasonably usable on the non-Federal entity's other work must not be allowable unless the non-Federal entity submits evidence that it would not retain such items at cost without sustaining a loss. In deciding whether such items are reasonably usable on other work of the non-Federal entity, the Federal awarding agency should consider the non-Federal entity's plans and orders for current and scheduled activity. Contemporaneous purchases of common items by the non-Federal entity must be regarded as evidence that such items are reasonably usable on the non-Federal entity's other work. Any acceptance of common items as allocable to the terminated portion of the Federal award must be limited to the extent that the quantities of such items on hand, in transit, and on order are in excess of the reasonable quantitative requirements of other work.

(b) If in a particular case, despite all reasonable efforts by the non-Federal entity, certain costs cannot be discontinued immediately after the effective date of termination, such costs are generally allowable within the limitations set forth in this part, except that any such costs continuing after termination due to the negligent or willful failure of the non-Federal entity to discontinue such costs must be unallowable.

(c) Loss of useful value of special tooling, machinery, and equipment is generally allowable if:

(1) Such special tooling, special machinery, or equipment is not reasonably capable of use in the other work of the non-Federal entity,

(2) The interest of the Federal government is protected by transfer of title or by other means deemed appropriate by the Federal awarding agency (see also §200.313 Equipment, paragraph (d), and

(3) The loss of useful value for any one terminated Federal award is limited to that portion of the acquisition cost which bears the same ratio to the total acquisition cost as the terminated portion of the Federal award bears to the entire terminated Federal award and other Federal awards for which the special tooling, machinery, or equipment was acquired.

(d) Rental costs under unexpired leases are generally allowable where clearly shown to have been reasonably necessary for the performance of the terminated Federal award less the residual value of such leases, if:

(1) The amount of such rental claimed does not exceed the reasonable use value of the property leased for the period of the Federal award and such further period as may be reasonable, and

(2) The non-Federal entity makes all reasonable efforts to terminate, assign, settle, or otherwise reduce the cost of such lease. There also may be included the cost of alterations of such leased property, provided such alterations were necessary for the performance of the Federal award, and of reasonable restoration required by the provisions of the lease.

(e) Settlement expenses including the following are generally allowable:

(1) Accounting, legal, clerical, and similar costs reasonably necessary for:

(i) The preparation and presentation to the Federal awarding agency of settlement claims and supporting data with respect to the terminated portion of the Federal award, unless the termination is for cause (see Subpart D—Post Federal Award Requirements of this part, §§200.338 Remedies for Noncompliance through 200.342 Effects of Suspension and termination); and

(ii) The termination and settlement of subawards.

(2) Reasonable costs for the storage, transportation, protection, and disposition of property provided by the Federal government or acquired or produced for the Federal award.

(f) Claims under subawards, including the allocable portion of claims which are common to the Federal award and to other work of the non-Federal entity, are generally allowable. An appropriate share of the non-Federal entity's indirect costs may be allocated to the amount of settlements with contractors and/or subrecipients, provided that the amount allocated is otherwise consistent with the basic guidelines contained in §200.414 Indirect (F&A) costs. The indirect costs so allocated must exclude the same and similar costs claimed directly or indirectly as settlement expenses.

§200.472 Training and education costs.

The cost of training and education provided for employee development is allowable.

§200.473 Transportation costs.

Costs incurred for freight, express, cartage, postage, and other transportation services relating either to goods purchased, in process, or delivered, are allowable. When such costs can readily be identified with the items involved, they may be charged directly as transportation costs or added to the cost of such items. Where identification with the materials received cannot readily be made, inbound transportation cost may be charged to the appropriate indirect (F&A) cost accounts if the non-Federal entity follows a consistent, equitable procedure in this respect. Outbound freight, if reimbursable under the terms and conditions of the Federal award, should be treated as a direct cost.

§200.474 Travel costs.

(a) *General.* Travel costs are the expenses for transportation, lodging, subsistence, and related items incurred by employees who are in travel status on official business of the non-Federal entity. Such costs may be charged on an actual cost basis, on a per diem or mileage basis in lieu of actual costs incurred, or on a combination of the two, provided the method used is applied to an entire trip and not to selected days of the trip, and results in charges consistent with those normally allowed in like circumstances in the non-Federal entity's non-federally-funded activities and in accordance with non-Federal entity's written travel reimbursement policies. Notwithstanding the provisions of §200.444 General costs of government, travel costs of officials covered by that section are allowable with the prior written approval of the Federal awarding agency or pass-through entity when they are specifically related to the Federal award.

(b) *Lodging and subsistence.* Costs incurred by employees and officers for travel, including costs of lodging, other subsistence, and incidental expenses, must be considered reasonable and otherwise allowable only to the extent such costs do not exceed charges normally allowed by the non-Federal entity in its regular operations as the result of the non-Federal entity's written travel policy. In addition, if these costs are charged directly to the Federal award documentation must justify that:

(1) Participation of the individual is necessary to the Federal award; and

(2) The costs are reasonable and consistent with non-Federal entity's established travel policy.

(c)(1) Temporary dependent care costs (as a dependent is defined in 26 U.S.C. 152) above and beyond the regular dependent care that directly results from travel to conferences is allowable provided that:

(i) The costs are a direct result of the individual's travel for the Federal award;

(ii) The costs are consistent with the non-Federal entity's documented travel policy for all entity travel; and

(iii) Are only temporary during the travel period.

(2) Travel costs for dependents are unallowable, except for travel of duration of six months or more with prior approval of the Federal awarding agency. See also §200.432 Conferences.

(3) In the absence of an acceptable, written non-Federal entity policy regarding travel costs, the rates and amounts established under 5 U.S.C. 5701-11, ("Travel and Subsistence Expenses; Mileage Allowances"), or by the Administrator of General Services, or by the President (or his or her designee) pursuant to any provisions of such subchapter must apply to travel under Federal awards (48 CFR 31.205-46(a)).

(d) *Commercial air travel.* (1) Airfare costs in excess of the basic least expensive unrestricted accommodations class offered by commercial airlines are unallowable except when such accommodations would:

(i) Require circuitous routing;

(ii) Require travel during unreasonable hours;

(iii) Excessively prolong travel;

(iv) Result in additional costs that would offset the transportation savings; or

(v) Offer accommodations not reasonably adequate for the traveler's medical needs. The non-Federal entity must justify and document these conditions on a case-by-case basis in order for the use of first-class or business-class airfare to be allowable in such cases.

(2) Unless a pattern of avoidance is detected, the Federal government will generally not question a non-Federal entity's determinations that customary standard airfare or other discount airfare is unavailable for specific trips if the non-Federal entity can demonstrate that such airfare was not available in the specific case.

(e) *Air travel by other than commercial carrier.* Costs of travel by non-Federal entity-owned, -leased, or -chartered aircraft include the cost of the lease, charter, operation (including personnel costs), maintenance, depreciation, insurance, and other related costs. The portion of such costs that exceeds the cost of airfare as provided for in paragraph (d) of this section is unallowable.

§200.475 Trustees.

Travel and subsistence costs of trustees (or directors) at IHEs and nonprofit organizations are allowable. See also §200.474 Travel costs.

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APPENDIX L: GLOSSARY OF TERMS

Term	Definition
Administrative Requirements	Administrative requirements mean matters common to grants in general, such as financial management, types, and frequency of reports, procurement, and property management and retention of records.
Advance Payment	Advance payment means a payment that a federal awarding agency or pass-through entity makes by any appropriate payment mechanism, including a predetermined payment schedule before the non-Federal entity disburses the funds for program purposes.
Award	Award means financial assistance that provides support to accomplish a public purpose. Awards include grants and other agreements in the form of money or property instead of money, by the Federal government to an eligible recipient. The term does not include technical assistance, which provides services instead of money; other assistance in the form of loans, loan guarantees, interest subsidies, or insurance; direct payments of any kind to individuals; and, contracts which are required to be entered into and administered under procurement laws and regulations.
Budget Period	Budget Period means the time interval from the start date of a funded portion of an award to the end date of that funded portion during which recipients are authorized to expend the funds awarded, including any funds carried forward or other revisions pursuant to § 200.308.
Closeout	Closeout means the process by which a federal awarding agency determines that all applicable administrative actions and all required work of the award was completed by the recipient and federal awarding agency. Closeout includes many actions including final reporting for the award, disposition of property and record retention requirements.
Computing Devices	Computing devices means machines used to acquire, store, analyze, process, and publish data and other information electronically, including accessories (or "peripherals") for printing, transmitting, and receiving, or storing electronic information. See also the definitions of supplies and information technology systems 2 CFR Part 200.1

Term	Definition
Contract	Contract means, for the purpose of federal financial assistance, a legal instrument by which a recipient or subrecipient purchases property or services needed to carry out the project or program under a federal award.
Cost sharing	Cost sharing or "matching" means the value of the third party in-kind contributions and the portion of the costs of a federally assisted project or program not borne by the federal government.
Discretionary Awards	Discretionary award means an award in which the Federal awarding agency, in keeping with specific statutory authority that enables the agency to exercise discretion in selecting the recipient and/or the amount of Federal funding awarded through a competitive process, or based on the merit of proposals. A discretionary award may be selected on a non-competitive basis, as appropriate.
Equipment	Tangible, nonexpendable, personal property having a useful life of more than one year and an acquisition cost which equals or exceeds the lesser of the capitalization level established by the non-Federal entity for financial statement purposes, or $5,000.
Expenditures	Expenditures mean charges made by a non-Federal entity to a project or program for which a federal award was received, reported on a cash or accrual basis, as long as the methodology is disclosed and is consistently applied. For reports prepared on a cash basis, expenditures are the sum of cash disbursements for direct charges for property and services, the amount of indirect expense charged, the value of third-party in-kind contributions applied, and the amount of cash advance payments and payments made to subrecipients. For reports prepared on an accrual basis, expenditures are the sum of cash disbursements for direct charges for property and services, the amount of indirect expense incurred, the value of third-party in-kind contributions applied, and the net increase or decrease in the amounts owed by the non-Federal entity for goods and other property received, services performed by employees, contractors, subrecipients, and other payees and programs for which no current services or performance are required such as benefit payments.

Term	Definition
Fixed Amount Award	Fixed amount awards mean a type of grant or cooperative agreement under which the Federal awarding agency or pass-through entity provides a specific level of support without regard to actual costs incurred under the Federal award. Accountability is based primarily on performance and results. See § 200.333
Funding Opportunity	An announcement of open awards. Funding opportunities typically describe the award including the deadline date, funding amounts, award description, and other pertinent information.
Grant	An award of financial assistance, including cooperative agreements, in the form of money, or property in lieu of money, by the federal government to an eligible recipient. Grants do not require repayment.
Grant Life Cycle	Grant life cycle means the entire process of grant administration: applying for a grant, receiving a grant, managing a grant, and closing out a grant.
Indirect costs	Costs incurred by a grantee organization for common or joint objectives and which therefore cannot be identified specifically with a particular project or program.
Intellectual Property	Personal property is lacking a physical presence and deriving from creations of the mind, such as patents or copyrights.
Internal Controls	Internal controls mean the processes implemented by the organization to provide reasonable assurance about the effectiveness and efficiency of operations, reliability of reporting for internal and external use and compliance with applicable laws and regulations so that grant resources are protected from fraud and waste.
Local Government	A county, borough, municipality, city, town, township, parish, local public authority (including public housing agencies), school district, special district, intrastate district, council of governments (whether or not incorporated as a nonprofit corporation under state law), any other agency or instrumentality of a multi-, regional, or intra-state or local government.
Non-Discretionary Awards	Non-discretionary award means an award made by the Federal awarding agency to specific recipients in accordance with statutory, eligibility, and compliance requirements where the agency has no ability to exercise discretion. The award amount could be determined specifically or by formula.

Term	Definition
Non-Federal Entity	Non-Federal entity means a state, local government, Indian tribe, institution of higher education or nonprofit organization that administers a Federal award as a recipient or subrecipient.
Obligations	Obligations, now called financial obligations, when referencing a recipient's or subrecipient's use of funds under a federal award, means orders placed for property and services, contracts and subawards made, and similar transactions that require payment during the same or a future period.
Pass-through Entity	Pass-through entity (PTE) means a non-Federal entity that provides a subaward to a subrecipient to carry out part of a federal program.
Period of Performance	Period of performance means the total estimated time interval between the start of an initial Federal award and the planned end date, which may include one or more funded portions or budget periods. Identification of the period of performance in the Federal award does not commit the awarding agency to fund the award beyond the currently approved budget period.
Personal Property	Property of any kind except real property. It may be tangible, having physical existence, or intangible, having no physical existence, such as copyrights, patents, or securities.
Programmatic Requirements	Matters relevant on a program-by-program or grant-by-grant basis, such as kinds of activities that can be supported by grants under a particular program.
Protected Personally Identifiable Information (Protected PII)	A person's first name or first initial and last name combined with one or more types of information, including, but not limited to, social security number, passport number, credit card numbers, clearances, bank numbers, biometrics, date and place of birth, mother's maiden name, and criminal, medical and financial records, educational transcripts. This does not include PII that is required by law to be disclosed.
Real Property	Land, including land improvements, structures, and appurtenances thereto, but excludes movable machinery and equipment.
Recipient	Recipient means a non-federal entity awarded a federal grant and held accountable for the use of the funds provided. The recipient is the entire legal entity even if only a particular component of the entity is designated in the award document.

Term	Definition
Selected Items of Cost	Selected items of cost mean an itemized list of allowable costs contained 2 CFR Part 200 Subsections §200.420-200.476.
State	Any of the 50 states of the United States, the District of Columbia, the Commonwealth of Puerto Rico, any territory or possession of the United States, or any agency or instrumentality of a state exclusive of local governments.
Subrecipient	Subrecipients are usually but not limited to non-Federal entities that receive a subaward from a pass-through entity to carry out part of a federal award but do not include an individual that is a beneficiary of such award.
Supplies	Supplies mean all tangible personal property other than those described in the definition of equipment. A computing device is a supply if the acquisition cost is less than the lesser of the capitalization level established by the non-Federal entity for financial statement purposes or $5,000, regardless of the length of its useful life.
Suspension	(1) Temporary withdrawal of the authority to obligate grant funds pending corrective action by the recipient or subrecipient or a decision to terminate the grant (2) An action taken by a suspending official in accordance with agency regulations implementing E.O. 12549 to immediately exclude a person from participating in grant transactions for a period, pending completion of an investigation and such legal or debarment proceedings as may ensue. (3) An action by a federal awarding agency that temporarily withdraws federal sponsorship under an award, pending corrective action by the recipient or pending a decision to terminate the award by the federal awarding agency.
Tribal Government	The governing body or a governmental agency of any Indian tribe, band, nation, or other organized group or community (including any native village as defined in Section 3 of the Alaska Native Claims Settlement Act, 85 Stat. 688) certified by the Secretary of the Interior as eligible for the special programs and services provided through the Bureau of Indian Affairs.

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