

PROGRAM INCOME POLICY:
For Program Income Related to the Expenditure of ARPA/CSLFRF

I. PURPOSE AND SCOPE

The City of Winston-Salem enacts the following procedures for its use of program income earned from the expenditure of CSLFRF funds to ensure compliance with the Uniform Guidance, including, but not limited to, 2 C.F.R. § 200.307, the ARP/CSLFRF award, and all applicable Federal regulations governing the use of program income. The City of Winston-Salem agrees to administer program income according to the requirements set forth in this policy and as required by the Federal regulations and State law.

The responsibility for following this policy lies with the City Manager or his/her designee(s), who are charged with the administration and financial oversight of the ARP/CSLFRF award. Questions on the use and/or reporting of program income should be directed to the City Manager or his/her designee(s).

II. DEFINITIONS

- a. *ARPA/CSLFRF award* means the Federal program governing the use of Coronavirus State and Local Fiscal Recovery Funds as provided in the Assistance Listing and as administered by the U.S. Department of Treasury pursuant to the American Rescue Plan Act of 2021 (“ARPA”), Pub. L. No. 117-2 (Mar. 11, 2021).
- b. *CSLFRF funds* means the portion of Federal financial assistance from the Coronavirus State Fiscal Recovery Funds and Coronavirus Local Fiscal Recovery Funds (collectively “CSLFRF”) awarded to the City of Winston-Salem pursuant with ARPA.
- c. *Federal award* means the Federal financial assistance that a recipient receives directly from a Federal awarding agency or indirectly from a pass-through entity, as described in § 200.101. The Federal award is the instrument setting forth the terms and conditions of the grant agreement, cooperative agreement, or other agreement for assistance.
- d. *Federal awarding agency* means the Federal agency that provides a Federal award directly to a non-Federal entity.
- e. *Federal financial assistance* means the assistance that non-Federal entities receive or administer in the form of grants, cooperative agreements, non-cash contributions, direct appropriations, food commodities, or other financial assistance, including loans.
- f. *Federal program* means all Federal awards which are assigned a single Assistance Listings Number.

- g. *Non-Federal entity* means a State, local government, Indian tribe, Institution of Higher Education (IHE), or nonprofit organization that carries out a Federal award as a recipient or subrecipient.
- h. *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. The period of performance for the ARPA/CSLFRF award ends December 31, 2026.
- i. *Program income* means gross income earned by the non-Federal entity that is directly generated by a supported activity or earned as a result of the Federal award during the period of performance except as provided in § 200.307(f).

III. PROGRAM INCOME OVERVIEW

For purposes of this policy, program income is the gross income earned by the City of Winston-Salem that is directly generated by a supported activity or earned as a result of the ARPA/CSLFRF award during the period of performance, which closes December 31, 2026. 2 CFR 200.1.

Program income includes, but is not limited to, the following sources of income:

- The collection of fees for services performed.
- Payments for the use or rental of real or personal property.
- The sale of commodities or items fabricated under the Federal award.
- The payment of principal and interest on loans made under the Federal award.

Program income does not include fees or revenue from the following:

- The use of rebates, credits, discounts, and interest earned on any of them.
- Governmental revenues, such as taxes, special assessments, levies, or fines.
- Proceeds from the sale of real property, equipment, or supplies.

IV. USE OF PROGRAM INCOME

2 C.F.R. § 200.307(e) sets forth three methods for how program income may be used: the deduction method, the addition method, and the cost sharing/matching method. Treasury has indicated that program income earned pursuant to expenditures of CSLFRF shall be accounted for pursuant to **the addition method** in 2 C.F.R. § 200.307(e). The City of Winston-Salem agrees to add program income to the total award amount and expend it on eligible projects during the period of performance.

V. REPAYMENT OF PRINCIPAL AND INTEREST ON LOANS MADE WITH ARP/CSLFRF FUNDS

Treasury has imposed different requirements on loans of CSLFRF funds under the revenue loss category and loans of CSLFRF under other expenditure categories. The City of Winston-Salem agrees to appropriately account for the repayment of loaned CSLFRF funds according to the ARP/CSLFRF award terms, as follows:

- (1) **Loans made under the revenue loss eligibility category.** Loans of CSLFRF funds under the revenue loss eligibility category may be considered to be expended at the point of disbursement to the borrower, and repayments on such loans are not subject to program income requirements. Accordingly, the City of Winston-Salem shall not separately account for the repayment of principal and interest on loans of CSLFRF under the revenue loss eligibility category.
- (2) **Non-revenue loss loans (i.e., loans made under the public health emergency/negative economic impacts category and/or the necessary water, sewer, and broadband infrastructure category)**
 - a. **Loans that mature or are forgiven on or before December 31, 2026:** The City of Winston-Salem shall add the repayment of principal and interest (program income) to the ARP/CSLFRF award pursuant to 2 C.F.R. 200.317(e)(2). When the loan is made, the City of Winston-Salem shall report the principal of the loan as an expense. The City of Winston-Salem shall expend the repayment of principal only on eligible uses and is subject to restrictions on the timing of the use of ARP/CSLFRF funds pursuant to the ARP/CSLFRF award.
 - b. **Loans with maturities longer than December 31, 2026:** The City of Winston-Salem is not required to separately account for the repayment of principal and interest on loans of CSLFRF with maturities after the ARP/CSLFRF award's period of performance. The City of Winston-Salem shall expend ARP/CSLFRF funds for only the projected cost of the loan. The City of Winston-Salem shall project the cost of the loan by estimating the subsidy cost according to one of the calculation methods outlined in Treasury's Final Rule FAQs, question 4.9.
- (3) **Contributions to revolving loan funds:** The City of Winston-Salem may contribute funds to a revolving loan fund if the loaned CSLFRF funds are restricted to financing eligible uses. The amount of CSLFRF funds contributed to a revolving loan fund must be limited to the projected cost of loans made over the life of the revolving loan fund, following the approach described above for loans with maturities longer than December 31, 2026.
 - a. Any contribution of CSLFRF revenue loss funds to a revolving loan fund shall follow the approach of loans funded under the revenue loss eligible use category outlined in Section V, paragraph 1.

VI. ALLOCATION OF PROGRAM INCOME

The City of Winston-Salem shall only expend program income on costs that are reasonable, allocable, and allowable under the terms of the ARPA/CSLFRF award. To adhere to these requirements, the City of Winston-Salem shall comply with the cost principles included in 2 C.F.R. § 200, as outlined in City of Winston-Salem's Allowable Costs and Costs Principles Policy as it relates to ARPA/CSLFRF. The City of Winston-Salem shall allocate program income to the ARPA/CSLFRF award in proportion to the pro rata share of the total funding (e.g., if CSLFRF funds cover half of a project's cost, with general revenue covering the other half, the unit shall allocate 50% of any program income earned to the ARPA/CSLFRF award and account for its use pursuant to § 200.307).

VII. ADDITIONAL PROGRAM INCOME REQUIREMENTS

- (a) **Identifying, Documenting, Reporting, and Tracking.** To ensure compliance with the requirements of program income as outlined by the Federal regulations, the terms and conditions of the ASP/CSLFRF award, and the requirements set forth herein, each department shall identify potential sources of program income and properly report the program income for the period in which it was earned and dispersed.

Program income shall be accounted for separately. The City of Winston-Salem shall not commingle program income earned from programs supported by ARPA/CSLFRF funds with the general award of ARPA/CSLFRF funds the City of Winston-Salem received from Treasury. Any costs associated with generating program income revenue shall be charged as expenditures to the ARPA/CSLFRF award.

- (b) **Program Income Earned After the Period of Performance.** The City of Winston-Salem shall have no obligation to report program income earned after the period of performance (December 31, 2026). However, the City of Winston-Salem shall report program income expended after the period of performance if that program income was earned on or before December 31, 2026.
- (c) **Subawards.** The City of Winston-Salem agrees to ensure that any subrecipient of ARPA/CSLFRF funds abides by the award of the terms and conditions of this policy and is aware that the subrecipient is responsible for accounting for and reporting program income to the City of Winston-Salem on a quarterly basis.
- (d) **Compliance with State law.** Program income shall not be expended for purposes prohibited under State law.

- (e) **Subject to Audit.** The City of Winston-Salem recognizes that its use of program income may be audited and reviewed for compliance with Federal laws and regulations, State law, and the terms of the ARPA/CSLFRF award.

VIII. IMPLEMENTATION OF POLICY

The City Manager or his/her designee(s) will adopt procedures to identify potential program income during the project eligibility and allowable cost review, document actual program income, and follow the requirements in this policy related to the treatment of program income.