



Charles D. Baker, Governor ♦ Chrystal Kornegay, Undersecretary

Department of Housing and Community Development

Public Housing Notice 2015-20



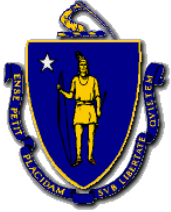
FY 2016 Local Housing Authority Budget Guidelines

July, 2015

Sarah Glassman, Deputy Associate Director

Division of Public Housing and Rental Assistance

Cover photo: c. 667, Stoughton Place, Gill, MA (Franklin County Regional Housing Authority)



Commonwealth of Massachusetts
DEPARTMENT OF HOUSING &
COMMUNITY DEVELOPMENT

Charles D. Baker, Governor ♦ Karyn E. Polito, Lt. Governor ♦ Chrystal Kornegay, Undersecretary

July 30, 2015

To our housing authority partners,

The Allowable Non-Utility Expense Level (ANUEL) will be level funded in FY2016. At a time when funding is scarce and we are all asked to work within budgetary constraints, we are pleased that great strides have been made to sustain and improve state-aided public housing in the Commonwealth of Massachusetts.

Chapter 235 of the Acts of 2014, "An Act Relative to Local Housing Authorities" has paved the way for the most significant reform to the state public housing system since it began decades ago. In part, the legislation increases transparency among Local Housing Authorities (LHAs), provides DHCD with the tools necessary to monitor LHAs' operations, and increases efficiencies and economies of scale for the delivery of services to tenants. Many programs and initiatives will be launched, as a result of the new legislation. With that in mind, LHAs will be given a budget exemption for the first year's Agreed Upon Procedures (AUP) financial review.

During this difficult financial time, it's imperative that LHAs plan to use their ANUEL to maintain and preserve the properties by re-directing funds to maintenance needs, including unit turnover, deferred, routine, preventive and extraordinary maintenance and increasing operating reserves. This will ensure that we continue to preserve this valuable asset, housing for low income individuals and families, across the Commonwealth.

We all have an exciting and challenging year ahead of us. Together we must ensure that changes made to the public housing program are sustainable and improve the way public housing is managed by and for all stakeholders. No one partner can do this alone, it takes everyone continuing to come to the table to share ideas and working to see that change does happen. I look forward to the year ahead of us as we work together to make our industry the best it can be.

Sincerely,

A handwritten signature in blue ink that reads "S Glassman".

Sarah Glassman, Deputy Associate Director

WHAT'S NEW *IN* 2016?

- **ANUEL will be level funded in FY2016**
- **Increases to all salaries must be reasonable and total administrative salaries may not exceed 3%**
 - **The total Administrative Salaries, Account No. 4110, is allowed an increase of not more than 3%; an exception may be granted due to PHN 2015-17.**
 - **A maximum increase of 3% is allowed for the executive director salary; an exception may be granted due to PHN 2015-17.**
- **Annual Agreed Upon Procedures (AUP) financial review to be performed by a DHCD pre-qualified Independent Public Accounting firm of the LHAs state-aided programs including MRVP and AHVP for the prior 12 month period as of the LHAs fiscal year end.**
 - **For the first year of implementation, LHAs will receive an exemption to their budget for the cost of the AUP.**
- **Only one schedule for the reporting of Tenant Accounts Receivables, the Accounts Receivables (LHA) Report. Removal of the Accounts Receivables (FA) Report.**
 - **LHAs must complete the Accounts Receivables (LHA) Report for each quarter, and include information regarding re-payment agreements, retroactive accounts and vacated accounts.**
 - **This information is needed to calculate the Tenant Accounts Receivable (TAR) for the performance-based monitoring program, which will be launched this upcoming year. Re-payment agreements, retroactive accounts, and vacated accounts will not be included in the calculation of the TAR percentage.**

**KEY HIGHLIGHTS AND
CHANGES IN FY 2016**

- 1. The Allowable Non-Utility Expense Level (ANUEL) will be level funded in FY2016.** Please do not submit a budget that exceeds the housing authority's approvable ANUEL. All budgets received that exceed the ANUEL will be reverted and must be modified.
- 2. Proration of administrative salaries and related benefits costs may be prorated based on number of units or BRU's per program.** Other costs such as travel, insurance, legal services and accounting services should be charged on the basis of actual cost to each program.
- 3. Increases to the Administrative Salaries Line (#4110) may not exceed 3%. An Executive Director salary is allowed a maximum increase of 3%.** Increases to all administrative staff salaries must be reasonable. The "Schedule of All Positions and Salaries" must list all positions and salaries and must reflect total compensation of all administrative positions in the LHA's operating budget submission. All positions must be shown whether or not there is a pro ration of any share of the salary charged to state programs.

LHAs have flexibility to propose salary changes for all administrative staff, provided that the total increase in overall salaries charged to state programs does not exceed 3% of last year's approved #4110 account; and the LHA can support the cost within the approvable ANUEL.

An executive director's salary that is not effected by the new Executive Director Salary and Qualifications Schedule (Schedule), effective July 1, 2015 (PHN 2015-17) is allowed a maximum increase of 3%. This increase must be absorbed within the allowable 3% increase to # 4110 account.

Exceptions to the above may occur if the executive director's salary is affected by the new Schedule and/or when the salary is affected by a step increase which results in a greater than 3% increase. DHCD is not allowing any funding exemptions due to this Schedule and any increase must be absorbed within the LHA's approvable ANUEL. However, LHAs may exceed the 3% increase to # 4110 account for the stated reasons. A memo outlining this must be submitted with the budget.

LHAs must determine whether or not an increase in the executive director's salary can be absorbed within the ANUEL and must also determine whether or not each of its programs can afford the applicable prorated share while ensuring decent, safe, and sanitary housing and operational services are being provided to the residents.

As programs, unit counts, or unit composition changes the allowable state share of salaries also changes. If new state units are added to the LHA stock, then the state share increases; if, however, the new units are federal units, then the state percentage and share

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decreases in proportion to the state-aided units. If an LHA loses federal or state units, the percentage and allowable state share of salaries must be re-determined.

Salary increases resulting from the Schedule require LHAs to determine when the increase becomes effective. The decision is whether to make it effective July 1, 2015 or at the start of the LHAs fiscal year.

LHAs that decide to increase the executive director's salary, in accordance with the Schedule, effective July 1, 2015 whose fiscal year begins October 1, 2015 January 1, 2016 or April 1, 2016 must approve the new salary through a board vote. The vote along with the salary amount must be submitted to DHCD. A budget(s) revision incorporating the new salary must be completed by the eleventh month of the LHAs fiscal year.

LHAs that decide to increase the executive director's salary, in accordance with the Schedule, effective the start of the LHAs fiscal year will incorporate the salary in the FY16 budget(s) and take the actions necessary to submit the budget(s).

Executive director salaries that are increased in accordance with the Schedule are not eligible for a 3% increase in FY 16 Budget Guidelines.

- 4. The Maintenance Labor (Account #4410), excluding seasonal help and over-time, will be allowed a 3% growth over the FY2015 approved account or the rate published by Department of Labor and Workforce Development (DLWD); whichever amount is higher will apply.** Salary increases granted during the authority's fiscal year will need to be considered part of the 3% increase and not part of the salary base.

LHAs with union contracts are reminded that DHCD is not a party to those contracts. It is an agreement between the authority and its union. DHCD merely is stating the Commonwealth's maximum contribution to any such agreement. LHA decisions on federal or private funds concerning programs not under DHCD control are not DHCD decisions.

LHAs are reminded that longevity payments cannot be charged to state programs.

- 5. Annually, LHAs will be required to enter into a contract with a DHCD pre-qualified Independent Public Accounting firm to conduct an Agreed Upon Procedures (AUP) financial review of the LHA's state-aided programs including MRVP and AHVP. The review will include:** rent collections/accounts receivable/ vacated accounts; payroll/travel/fringes; disbursements/accounts payable; inventory (fixed assets); procurement/public bidding; cash management & investment practices; and operating subsidy & reserves; annual rent calculation & compliance for **the prior 12 months as of the date of the LHA's fiscal year end.**

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For the first year of implementation, LHAs will receive an exemption to their budget for the cost of the AUP. Each year, thereafter, LHAs are required to absorb the cost of the AUP audit within the LHA's Allowable Non-Utility Expense Level (ANUEL).

The guidelines and requirements of the AUP Audit will be considered to be incorporated within these FY2016 Budget Guidelines upon issuance. A Public Housing Notice will be issued which will provide the names of the pre-qualified accounting firms, guidelines, requirements, and effective date.

6. **The "Schedule of Administrative Other" (Account #4190) and "Schedule of Contract Costs" (Account #4430) must be completed** The "Schedule of Administrative Other" records specific information about the cost of administrative items for which no specific amount is prescribed in the 4100 group of accounts, included but not limited to items such as: reports; publications; stationery and other office supplies; postage; telephone services; rental of office space; advertising; dues and fees for memberships, etc. (See FY2015 Budget Guidelines, Question K under Housing Authority Budget Q & A). LHAs should use the broad categories of K, 1-10, described to report anticipated administrative other costs. The "Schedule of Contract Costs" records specific information about cost of services for labor, materials, and supplies furnished by a firm or by persons other than LHA employees, operating services such as janitorial services, elevator service, extermination services, rubbish and garbage collection, snow removal, burner maintenance, etc. (See FY2015 Budget Guidelines, Question L under Housing Authority Budget Q & A). LHAs should list any anticipated contract cost individually on this schedule. Information has been provided regarding the bidding criteria as a guide in the FY2015 Budget Guidelines Q & A.
7. **One Schedule for reporting tenant accounts receivables, the Accounts Receivable (LHA) Report. Removal of the Accounts Receivable (FA) Report from Housing Applications.** There will be only one schedule for reporting tenant accounts receivable. With assistance from the fee accountant or finance person preparing the financial statements, the report identified as Accounts Receivable (LHA) must be completed by the LHA. This report contains information regarding repayment agreements, retroactive accounts and vacated accounts. This information is needed to calculate the TAR percentage for the performance-based monitoring program. Re-payment agreements, retroactive accounts, and vacated accounts will not be included in the calculation of the TAR percentage. A Public Housing Notice will be issued to provide instructions and use of this report.
8. **Quarterly Operating Statements must be submitted within thirty (30) days and Year End Operating Statements must be submitted within forty-five (45) days after quarter end.** DHCD will allow a 15 day extension, if requested by the LHA as a result of timing of the LHAs board meeting to obtain board's approval and the certification. Extension requests must be submitted to DHCD's Finance Manager. Operating subsidy will not be advanced to a housing authority that fails to meet this submission requirement until the requirement is met. Housing authorities will not be advanced operating subsidy for the second quarter of their current fiscal year if the prior year-end statement is not submitted within this time frame.

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9. **Public Housing Notice 2014-17 contains information regarding the availability of funds up to \$25,000 per unit for Vacant Unit Initiative.** To request vacant unit initiative funds in excess of \$3,500 an LHA must first contribute any operating reserve amount in excess of 70% and demonstrate that no other CIP project can be deferred. To request funds for vacant units with costs under \$3,500 per unit, when the LHA does not have sufficient operating reserves, contact your LHAs assigned Housing Management Specialist to request consideration of a budget exemption.

Housing authorities with a July 1, 2015 budget start date have forty-five (45) days after the issuance of these Budget Guidelines to submit their budget(s).

BUDGETING OVERVIEW

The Department continues to reduce the content of the Budget Guidelines. Our goal in reducing the length of the Guidelines is to make it easier for executive directors and board members to have a clear comprehension of current budget issues.

These Budget Guidelines apply to fiscal year 2016 which begins July 1, 2015, and includes LHA budget years of:

- July 1, 2015 - June 30, 2016,
- October 1, 2015 - September 30, 2016,
- January 1, 2016 - December 31, 2016, and
- April 1, 2016 - March 31, 2017.

Budgets are due thirty (30) days prior to the start of an LHA's fiscal year. However, LHAs with a July 1, 2015 budget start date have forty-five (45) days after the issuance of these budget guidelines to file their budget(s).

It is the responsibility of the local housing authority (LHA) to follow the Budget Guidelines and to implement them effectively and in accordance with applicable provisions of the Accounting Manual for State-Aided Public Housing. We encourage you to contact DHCD staff if any part of the Guidelines or the Accounting Manual is unclear to you.

The Guidelines highlight changes from the previous year and spotlight topics of special interest. The detailed descriptions of budget line items are located in the Accounting Manual and no longer repeated in the Guidelines. Requirements and initiatives of a continuing nature introduced in previous budget guidelines are still in effect unless specifically noted otherwise by the Department. Continuing items are chronicled in the Accounting Manual, and previously issued Local Housing Authority Guidelines. As the FY2007 Local Housing Authority Budget Guidelines were the last comprehensive guidelines issued, DHCD plans to issue under separate cover, a Public Housing Notice (PHN), "How to Complete a Local Housing Authority State Program Budget," which will include updated information from the last comprehensive guidelines.