



Commonwealth of Massachusetts  
DEPARTMENT OF HOUSING &  
COMMUNITY DEVELOPMENT

Charles D. Baker, Governor ♦ Karyn E. Polito, Lt. Governor ♦ Janelle Chan, Undersecretary

**Public Housing Notice 2019 – 30**

To: All Local Housing Authorities  
Fee Accountants

Fr: Ben Stone, Associate Director, Division of Public Housing

Re: Release of Updated Top 5 Compensation Form

Date: December 18, 2019

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With this notice DHCD is informing Local Housing Authorities (LHAs) and their Fee Accountants that an updated Top 5 Compensation Form and User Guide is now live in Housing Apps. LHAs with a Fiscal Year End 12/31/2019 will be the first LHA cohort required to use the updated form.

**What is the Top 5 Compensation Form?**

The Top 5 Compensation Form (“Top 5”) identifies the top five highest compensated employees at each LHA based on the actual total compensation received by that employee for the LHA’s fiscal year. The Top 5 identifies the highest compensated based on the employee and not the position. The Top 5 also identifies the funding source type, and compares budgeted salary for that employee to the actual salary received as of fiscal year end. The Top 5 is due to DHCD 60 days after an LHA’s fiscal year end. LHAs that do not submit the form are prevented from submitting their year-end operating statements.

**What has changed?**

1. The Top 5 now separates “State,” “Federal,” and “Other” sources of actual salary taken from management fees earned through both Management Services Agreement and other management contracts. Previously, the Top 5 only allocated out “Other” and “State/Federal” sources, and did not breakout salary by management contract type. This change better aligns with the *Schedule of All Positions and Salaries* on the budget side in the Housing Authority Financial Information System (HAFIS) application.
2. Removes the variance calculation between: a) the budgeted composite salary, (which is comprised of base salary and salary from all management fees) and b) the actual total compensation (which is comprised of base salary, plus salary from management fees, *plus* overtime and other compensation). DHCD recognizes that total compensation can vary from budgeted salary especially for sources of compensation that are difficult to accurately forecast (e.g., overtime).

**NOTE:** The Top 5 continues to calculate the variance between actual composite salary and budgeted composite salary from the *Schedule of All Positions and Salaries*. This calculation remains part of the Agreed Upon Procedures (AUP) Payroll/Fringe Benefits analysis.

3. Adds an optional comment box to enable the user to input additional explanation, if needed.
4. Clarifies that any salary sourced from Regional Capital Assistance Team (RCAT) administrative fees be categorized under the “Other Management Contracts – State” column.
5. Includes an “Other Employee” option in the Position drop-down field. By default, the Top 5 pulls the five highest budgeted salaries from the *Schedule of All Positions and Salaries*. However, there may be instances when an employee with a budgeted salary below the top five ends up as one of the top-five highest compensated employees at the end of the year. This “Other Employee” option allows the user to select that employee for inclusion on the Top 5 and manually input their compensation.
6. Updated User Guide to reflect these changes. The User Guide can be accessed in Housing Apps.

**Examples of Top 5 Compensation Form Calculations**

1. In the example below, the employee’s composite salary from the budget is \$12,000. The actual salary – as input in the Top 5 – is also \$12,000 (Base Salary *plus* Management Services Agreements and Other Management Contracts). The percent change from the budget composite amount is 0%, since the employee’s budgeted salary is the same as their actual salary. In addition to salary, the employee also earned \$5,000 in Other Compensation that year. Therefore, the employee’s total compensation is \$17,000 (Base Salary *plus* Management Services Agreements and Other Management Contracts *plus* Overtime *plus* Other Compensation).

Position	Base Salary			Management Services Agreements and Other Management Contracts			Overtime			Other Compensation			Total Compensation	Composite Amount from Budget	% Change from Budget Composite Amount *
	State	Federal	Other	State	Federal	Other	State	Federal	Other	State	Federal	Other			
1 Executive Director	0	5000	5000	2000	0	0	0	0	0	0	2500	2500	17000	12000	0%
				0	0	0									

2. In the example below, the employee’s composite salary from the budget is \$12,000. However, the actual salary – as input in the Top 5 – is \$10,000 (Base Salary *plus* Management Services Agreements and Other Management Contracts). Accordingly, the actual salary is 16.7% less than the budgeted amount ( $(\$10,000 - \$12,000) / \$12,000$ ). In addition to salary, the employee also earned \$5,000 in actual Other Compensation. The form identifies the employee’s total compensation, which in this case is \$15,000 (Base Salary *plus* Management Services Agreements and Other Management Contracts *plus* Overtime *plus* Other Compensation).

Position	Base Salary			Management Services Agreements and Other Management Contracts			Overtime			Other Compensation			Total Compensation	Composite Amount from Budget	% Change from Budget Composite Amount *
	State	Federal	Other	State	Federal	Other	State	Federal	Other	State	Federal	Other			
1 Executive Director	0	5000	5000	0	0	0	0	0	0	0	3000	2000	15000	12000	-16.7%

3. In the example below, the employee’s composite salary from the budget is \$12,000. However, the actual salary – as input in the Top 5 – is \$12,360 (Base Salary *plus* Management Services Agreements and Other Management Contracts). Accordingly, the actual salary is 3% greater than the budgeted amount ( $(\$12,360 - \$12,000) / \$12,000$ ). The employee did not earn any other compensation that fiscal year. The Top 5 also identifies the employee’s total compensation, which in this case is \$12,360 (Base Salary *plus* Management Services Agreements and Other Management Contracts *plus* Overtime *plus* Other Compensation).

Position	Base Salary			Management Services Agreements and Other Management Contracts			Overtime			Other Compensation			Total Compensation	Composite Amount from Budget	% Change from Budget Composite Amount *
	State	Federal	Other	State	Federal	Other	State	Federal	Other	State	Federal	Other			
1 Executive Director	12000	360	0	0	0	0	0	0	0	0	0	0	12360	12000	3%

### “Other Employee” Selection

By default, the Top 5 pulls the five highest salaried employees from the budget. The Position column can now be manipulated to select another employee if their budgeted salary was below the threshold, but their actual compensation is within the five highest compensated employees.

**Example:** In the budget, the five highest salaried employees range from \$100,000 to \$75,000. The sixth highest salaried employee – a Maintenance Supervisor – is \$70,000. At the end of the fiscal year the Maintenance Supervisor earned an additional \$10,000 in overtime, thus becoming one of the five highest compensated employees. In the Top 5, the user can select “Other Employee” in the Position column and add the Maintenance Supervisor and input the amounts. This action also removes the previous employee.

Position	Base Salary			Management Services Agreements and Other Management Contracts			Overtime			Other Compensation			Total Compensation	Composite Amount from Budget
	State	Federal	Other	State	Federal	Other	State	Federal	Other	State	Federal	Other		
1 OTHER EMPLOYEE	25000	15000	15000	15000	0	0	10000	0	0	0	0	0	80000	70000
Maintenance Supervisor				0	0	0								

### Vacated and Re-Filled Positions

The intent of the Top 5 is to identify the total compensation of the employee and not the position. To avoid aggregating compensation of numerous employees that occupied the same position over a fiscal year, LHAs should include a new line number in the *Schedule of All Positions and Salaries* for each new employee that fills that vacated position in that fiscal year. LHAs are also advised to include an

explanation of the change in the comment box. This will enable the user to include the position based on the individual and not an aggregated budgeted salary on the Top 5.

**Example:** An executive director's budgeted salary is \$80,000. The executive director retires during the LHA's fiscal year. A new executive director is hired with a salary of \$60,000, prorated at \$50,000 for the remainder of the fiscal year. When the new director is hired the *Schedule of All Positions and Salaries* is revised to include a new line number, Position Title and the budgeted salary, prorated as necessary. As a result, the Top 5 will not report that the executive director budgeted salary as \$130,000. Instead, the user will evaluate both employees - budgeted at \$80,000 and \$50,000, respectively.

If you have any questions about this Public Housing Notice please contact your Housing Management Specialist (HMS).