# FY24 Budget Guidelines ATTACHMENT F
## BUDGET FLEXIBILITY FOR HOUSING AUTHORITIES WITH RETAINED REVENUE

**Definition of an Eligible LHA:** An Eligible LHA is one whose:

- operating reserve is above the maximum reserve level, (total operating expenses x 50%), **and**
- does not owe EOHLC money (i.e., operating subsidy or payment on debt service, where applicable) or is in the process of negotiating with EOHLC whether an amount is owed, **and**
- had retained revenue at the end of the previous fiscal year.

Please note that currently, LHA ratings are not criteria for retained revenue status. EOHLC may in the future issue guidance regarding management ratings affecting retained revenue status based on results of an LHA's Performance Management Review (PMR) and AUP.

LHAs that have had Capital awards in which EOHLC has taken or assigned operating reserve monies to pay for part or all of a work plan will not have to comply with the above full reserve rule, but LHA reserves will need to be at 50% of the operating reserve level in year 2, 70% in year 3, 90% in year 4 and 100% at year 5 to qualify for budget flexibility. Any additional taking of reserves starts the process again.

**Definition of Budget Flexibility:** The ability of an eligible LHA to exceed the ANUEL by spending a portion of the surplus earned in the current year and/or operating reserve funds, for other operating expenses, including but not limited to, additional staff positions such as service coordinators and Family Self Sufficiency coordinators.

**Conditions for Budget Flexibility:** In order to be eligible for budget flexibility EOHLC must find that an LHA:

1) meets the above definition of an Eligible LHA;

2) has submitted a Capital Improvement Plan (CIP) approved by EOHLC's modernization and housing management staffs;

3) has certified that it is, and will remain, in compliance with all state procurement laws;

4) operates a preventive maintenance plan acceptable to the Bureau of Housing Management;

5) has and strictly follows an annual unit and property inspection program;

6) complies with EOHLC's policy limiting the use of state funds for out of state travel;

7) has set up a restricted maintenance reserve account at year's end for any excess cash generated by state program budgets. Spending from this account will be allowed if it is consistent with the EOHLC-approved Capital Improvement Plan;

8) limits Executive Director salary increases in compliance with EOHLC Executive Director Salary Schedule and EOHLC budget guidelines;

9) follows EOHLC hiring guidelines for all staff hires;

10) limits maintenance salaries on state budgets to Department of Labor and Workforce Development (DLWD) rules or as allowed by the Budget Guidelines or existing salaries as approved in existing collective bargaining agreements; and

11) files accurate budgets and operating statements within the required time frame.

EOHLC reserves the right to withdraw budget flexibility authority if any of the above conditions are not met.

LHAs are reminded that they are responsible for any non-utility cost budgeted above the ANUEL level. If an LHA fails to achieve its budgeted retained earnings it cannot turn to EOHLC for additional assistance until its income drops below the total of the ANUEL plus actual utility costs. In such an event it will be eligible for subsidy funds equal to the shortfall between its income and the ANUEL plus utilities, but non-utility costs in excess of the ANUEL are not eligible for subsidy, and must be absorbed by the LHA.