Maura T. Healey, Governor ♦ Kimberley Driscoll, Lieutenant Governor
Edward M. Augustus Jr., Secretary

Executive Office of Housing & Livable Communities

Public Housing Notice 2023-14



Norwell Gardens Development- Septic Replacement Project, Norwell Housing Authority

FY24 Local Housing Authority Budget Guidelines
August 28, 2023
Ben Stone, Director, Division of Public Housing

Commonwealth of Massachusetts

EXECUTIVE OFFICE OF HOUSING & LIVABLE COMMUNITIES

Maura T. Healey, Governor ♦ Kimberly Driscoll, Lieutenant Governor ♦ Edward M Augustus, Jr., Secretary

August 28, 2023

To Our Housing Partners,

This past year has brought challenges, change, and opportunities for public housing in Massachusetts – though changes and challenges are constant for the Local Housing Authorities (LHAs) on the front lines of the housing crisis.

Fiscal year 2023 brought continued challenges in the form of inflation and a historically tight labor market that have pressured LHA budgets and made it difficult to replace staff, and opportunities in the form of $150M in ARPA funding appropriated by the legislature to address critical capital needs. EOHLC in partnership with housing authorities has obligated 100% of these funds, with millions already expended on construction projects.

In Fiscal Year 2024, we have a new administration strongly focused on housing, with DHCD elevated into a secretariat as the Executive Office of Housing and Livable Communities and a 10% increase in capital funding for public housing in the FY24 Commonwealth Capital Investment Plan. Additionally, EOHLC has acted to reduce administrative burden for LHAs and improve consistency and transparency for applicants through implementation of Centralized Priority Screening in Tenant Selection. Implemented in July for AHVP and upcoming in September for MRVP and Public Housing, we hope that this change will result in reduced administrative costs for LHAs. Finally – and most critically for these budget guidelines, the legislature passed and Governor Healey signed the FY24 General Appropriations Act which included $107 M for public housing operating subsidy – a $15M increase over FY23.

Thanks to the support of the legislature (and advocacy by Housing Authorities), moderating utility costs, and strong trends in rental income, these budget guidelines authorize an **increase** in Allowable Non-Utility Expense Levels (ANUEL) **of 7% above FY2023 levels**. This follows ANUEL increases of 10% in FY18, 4% in FY19, 10% in FY20, 0% in FY21, 4% in FY22, and 9% in FY23. Overall, EOHLC has increased per-unit budget caps by 53% since FY17, or 6.2%/year.

Furthermore, these budget guidelines provide for an additional 6% (13% in total) increase to ANUEL for c. 667 elderly/non-elderly disabled units. While family (c.200 & c.705) units are generally larger and have more maintenance needs, this change will help account for the fact that administrative costs are generally similar across the different unit types.

We hope that these funding increases will help LHAs deal with declining but still high inflation, retain staff in a competitive labor market, and continue to improve maintenance and resident services.

In addition to the overall funding increases, these budget guidelines include several policy initiatives and adjustments for FY24 that we believe offer Housing Authorities more flexibility in managing their operations:

- 2% increase to *maximum* unit-based Executive Director Salaries with board approval in accordance with PHN 2022-02 Executive Director Salary & Qualifications Schedule released January 26, 2022 and updated through the FY24 budget guidelines;
- Clarification on treatment for Executive Director salaries of redeveloped properties managed by other entities;
- 7% maximum increase to administrative salaries line item; increases above that threshold require submission of re-organization plan with budget;
- Cap on additional wages for serving as working maintenance supervisor raised from $3 to $8 per hour;
- Air Source Heat Pump budget exemption increased to $250 from $150 for each unit with a heat pump to support maintenance and encourage installation of Air Source Heat Pumps;
- LHAs to retain 100% of Net Metering Credit savings, rather than 50% (FY21-23 Budget Guidelines); and
- Clarification that LHAs retain all savings from onsite renewable energy generation contracts.

We at EOHLC recognize the hard work that all of you do day-to-day in providing affordable housing to low-income elderly households, young disabled individuals, and families throughout the state. On behalf of the Administration, EOHLC, and the entire staff of the Division of Public Housing, thank you all for your unwavering commitment to preserve and enhance public housing across the Commonwealth.

Sincerely,

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Ben Stone, Director, Division of Public Housing

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I. INTRODUCTION & KEY HIGHLIGHTS

These Budget Guidelines apply to state fiscal year 2024, which begins July 1, 2023 and includes local housing authorities (LHAs) with budget years of:

- July 1, 2023 – June 30, 2024,
- October 1, 2023 – September 30, 2024,
- January 1, 2024 – December 31, 2024, and
- April 1, 2024– March 31, 2025.

It is the responsibility of the LHA to understand the Budget Guidelines and implement them effectively and in accordance with applicable provisions of the Accounting Manual for State-Aided Housing Programs. We encourage you to contact Executive Office of Housing & Livable Communities (EOHLC) staff if any part of the Guidelines or the Accounting Manual is unclear to you.

There are several key points to highlight in the Guidelines this year, as noted below.

KEY HIGHLIGHTS:

1. Allowable Non-Utility Expense Level (ANUEL)

The Allowable Non-Utility Expense Level (ANUEL) **will increase by 7% above FY2023 levels for FY2024**. Chapter 667 units will receive an additional 6% increase for a **total c. 667 ANUEL increase of 13%**. Please do not submit a budget that exceeds the housing authority's approvable ANUEL. EOHLC will revert all budgets that exceed the ANUEL and EOHLC-approved budget exemptions, and will not approve until modified.

See below chart for estimated Per Unit/Per Month (PUM) budget caps for each program – note that individual LHA ANUEL may deviate from these figures for a variety of reasons:

Program	FY23 PUM	FY24 PUM
c.200*	$592.33	$633.80 (+7%)
c.667*	$325.70	$368.04 (+13%)
c.705*	$648.21	$693.59 (+7%)

*LHAs must complete and make modifications where necessary to ensure the Report of Total Units is accurate. This will ensure that the LHA calculated ANUEL is correct. The unit count by program should match the information in CPS. Should you discover it does not, please notify your Housing Management Specialist and correct CPS, HAFIS or both.

2. Increase to Salaries Line (#4110 and #4410)

A. Administrative Salaries:

LHAs have flexibility to propose salary changes for all administrative staff, except the Executive Director, provided that the total increase in overall salaries charged to state programs (excluding the Executive Director's salary), does not exceed 7% of last year's (FY2023) approved #4110 account.

LHAs may exceed this 7% cap if they present a staffing reorganization plan. LHAs should justify increases above 7% in this line item in the **Budget Dialogue Box** with their budget submission. EOHLC will review the justification for reasonableness and whether the LHA's ANUEL can support the reorganization.

While EOHLC is allowing more flexibility with administrative salaries to help LHAs recruit and retain staff, **the LHA must be able to support any salary increase within the FY24 ANUEL and must be able to appropriately prorate the salary to state and federal or other funds based on program units.** LHAs may **NOT** charge bonuses to any state-funded housing programs.

B. Maintenance Salaries:

The Maintenance Labor Account #4410, excluding seasonal help and overtime, must use the current rate published by the Department of Labor and Workforce Development (DLWD) and cannot exceed that rate without prior EOHLC review and approval in the LHA annual operating budget. Wages in union contracts, however, may differ from this rate.

Maintenance staff in a supervisory capacity may exceed the DLWD rate by up to $8.00 per hour at the discretion of the LHA. The LHA must support the increased rate within its ANUEL.

A LHA shall notify EOHLC in writing of its intention to begin collective bargaining with unionized maintenance employees.

C. Executive Director Salary:

- EOHLC issued an Executive Director Salary and Qualifications Schedule on January 26, 2022 as Public Housing Notice 2022-02.

  EOHLC will increase the unit-based and total compensation salary maximums by 2% over FY23 levels for the FY24 LHA budget year. Boards may vote to increase Executive Director salaries to any level less than or equal to these revised maximums, at their discretion and only if affordable within ANUEL. The family and program factors have not changed. This implements the policy laid out in PHN 2022-02, page 3.

  See updated salary chart (Attachment A) and the Executive Director Salary Worksheet V2.3 (Attachment B) for FY24 as well as Addendum 2 to PHN 2022-02.

- Executive Director Salary Cap:
  - An Executive Director's total salary, from direct employment at one or two LHAs, shall not exceed a maximum aggregate of **$202,419** for all LHA budgets governed by EOHLC's FY2024 Budget Guidelines.
  - An Executive Director's total salary that includes a portion of salary from other program activities, such as Management Services Agreement fees for day-to-day operations of another LHA and other contracts with any other public or private

entities that are temporary or otherwise may terminate, shall not exceed a maximum aggregate of **$222,661**.

- An increase in Executive Director salary paid from the management fee where the Executive Director's salary exceeds the global salary cap can receive a bonus capped at 10% of the management fee, subject to approval by the board of the Management Agent. This increase CANNOT be added to the Executive Director's composite salary nor used as a calculation towards retirement benefits. The bonus must be recorded on a separate line (Line 2) in the Schedule of Positions and Salaries

- Executive Director Salary Increases:
  - LHA boards may, at their discretion and pursuant to a board vote, increase salary up to the allowable maximum in these budget guidelines for an Executive Director whose salary is less than the FY2024 maximum. LHA boards may vote this increase for budget year FY2024 (FY2025 for 3/31/2024 FYE LHAs), so long as the increase can be absorbed in the LHA's FY2024 ANUEL. While LHAs must reflect these changes in budget submissions, the LHA does not need to amend and submit the contract itself to EOHLC if the board is only adjusting the salary within the allowable maximums.
  - Executive Directors whose contract salary is less than $35,568 are allowed to earn additional compensation for hours worked above their contract hours, but only up to the point where their total compensation meets this $35,568 threshold.
  - An Executive Director whose current EOHLC-approved salary already exceeds the maximum in the adjusted schedule may continue to receive said salary without increase until such time that EOHLC issues a new schedule showing that the existing salary is less than the allowable maximum.

- Updates to Executive Director Salary Policy
  - **Local Programs:** Similar to c. 167 and c. 689 programs being counted as one (1) program, one (1) or more Local Program(s) are counted as one program and can only receive one (1) additional program factor. Local Program(s) are Housing units owned by the LHA that are not federal or state public housing. New Local Program(s) added in FY24 will be counted as one (1) program. This will not affect program factors already approved in the calculation of an existing ED's salary, or for future salary and contract for that ED. This standard will be applied for all new ED hires, effective as of the date of these budget guidelines.

    LHAs managing units or programs on behalf of their municipality or other entities may include Executive Director compensation for these programs as "other program fees"

    LHAs will insert all their Local Programs in Step 1, Line 12 of the Salary Calculation Worksheet V2.3. in the Program column and the total number of units in the unit section/column.

  - **Redeveloped Properties:** Many LHAs have or plan to redevelop state-aided and federally-aided properties through public-private partnerships where the developer partners will operate and manage the redeveloped units. LHAs should remove

properties they no longer directly manage from their program and unit count at occupancy or when state-aided operating subsidy ends (whichever is earlier) for purposes of salary calculation; however, they may put ED compensation funded through asset management, monitoring, or fees from those developments as "other Program Fees" in Step 6 of the Salary Calculation Worksheet. These fees are only subject to the overall cap ($222,661 in this budget year) on Executive Director Salary compensation.

The LHA must be able to support any salary increase within the ANUEL and must be able to appropriately prorate the salary to state and/or federal funds based on program units. LHAs may not charge bonuses to any state housing programs. Longevity payments are allowed, provided the payment is considered a bonus and is not paid from state funds. Longevity payments like other bonuses are not considered salary and should not affect retirement calculations. Do not include bonuses on the Salary Calculation Worksheet.

Effective FY23 and continued in the FY24 budget, any budget submission that includes an Executive Director salary in excess of the guidelines will not be rejected by EOHLC. Instead, EOHLC will modify the Executive Director salary in accordance with the guidelines, thus disapproving the submitted salary, and will approve the budget submission with the allowable salary allowing the LHA to spend at the approvable ANUEL level.

3. Air Source Heat Pump (ASHP) Budget Exemption

Many LHAs have installed ASHPs through EOHLC Sustainability funding or the Utility-funded LEAN program. While these ASHPs lower utility costs and greenhouse gas emissions and provide an important cooling function for residents, they require significantly more maintenance than electric baseboard heat. As EOHLC covers utility costs for deficit LHAs, these LHAs do not directly see the benefits of the utility savings from ASHPs while bearing the cost of maintenance. In order to recognize the cost of maintaining ASHPs and incentivize continued installation of these systems, EOHLC will provide in FY24 **a $250 annual budget exemption for each unit with an ASHP.** This is an increase over the $150 granted in FY23 and $75 per unit granted in FY21 and FY22. The exemption is provided for every unit with an ASHP where:

i) The LHA is a "deficit" authority based on the FY24 ANUEL; and
ii) LHA certifies that they perform or contract for the annual maintenance on each ASHP unit.

*See **Attachment C: Air Source Heat Pump Count by LHA*** for ASHP count by LHA in CPS and anticipated budget exemption. If these figures are incorrect, please update CPS and contact your Housing Management Specialist and Sustainability Program Developer, Greg Abbe (gregory.abbe@mass.gov), to revise the budget exemption.

LHAs should enter this budget exemption on the ANUEL & Subsidy Worksheet, Section 4. LHAs should also include a comment in **Budget Dialogue Box** that they perform or have contracted to perform annual maintenance on each ASHP unit.

4. Chapter 689 and Chapter 167 minimum rent

The minimum rent, effective for contracts signed or amended after January 1, 2023 is $330 per unit (Bed), per month. There is no longer a separate maintenance fee. EOHLC and DMH/DDS will adjust this figure after the Social Security Administration issues the 2024 Cost of Living Adjustment (COLA).

LHAs and vendors may negotiate rents above this minimum figure.

5. Vacant Unit Fee Assessment

Vacant unit fee assessments for units that are vacant for more than 60 days without an EOHLC approved waiver for FY24 will continue to be calculated as stated in PHN 2022-15. Each vacant unit without a waiver is charged a daily rate based on the formula in PHN 2022-15. EOHLC calculates fees on a quarterly basis and provides LHAs with a report showing, by unit, any assessments due, approximately 2 months after the end of each quarter.

EOHLC will continue to automatically import assessed fees into the year-end settle-up calculating earned subsidy. This automation reduces the administrative work of LHAs manually entering this data and allows for an accurate reconciliation of subsidy earned.

6. Transition of Section 8 New Construction/Substantial Rehabilitation (NC/SR) Properties out of State-Aided Public Housing Program

All Section 8 NC/SR properties transitioned out of the State-Aided Housing Program and fully onto the HUD Section 8 Project-Based Rental Assistance Program by the end of state fiscal year 2023 (June 30, 2023). These properties are no longer subject to most state reporting requirements, assistance, and EOHLC oversight, though they remain subject to c. 121B. LHAs with a Section 8 NC/SR property should count these properties under their federal program in HAFIS. Only these LHAs will need to revise the HAFIS Unit Count and proration to be part of the LHA's federal program as part of their budget submission. See ***Attachment D*** for instructions as to how to reflect this change in HAFIS. HAFIS has a "Sec 8 NCSR" input box under the federal program to accommodate the proration change.

EOHLC emailed a memo with more details on the administrative transition to the 24 affected authorities on August 30, 2021 and a follow up memo on June 30, 2023. Questions specific to this section (Section 6) can be directed to Courtney Curran, courtney.s.curran@mass.gov.

7. Resident Service Coordinator (RSC) and Mixed Population Service Coordinator Awards

If your LHA received an RSC award or Mixed Population Service Coordinator Award, the total amount of the award (salary costs; flexible funds for RSC awards only) should be budgeted as EOHLC Approved Exemptions Direct Reimbursements, regardless of whether your LHA is a surplus or deficit housing authority. In addition, the RSC/Mixed Population Service Coordinator salary should be budgeted on the Schedule of All Positions and Salaries. Please note, if any portion of these funds will be used for employee benefits, benefits should be budgeted on the

Schedule of Insurance and Employee Benefits. The flexible spending funds should be budgeted on the Schedule of Admin. Other.

In the case of Regional RSC Awardees, only the lead LHA (the LHA that received the award letter) should budget these costs, as the RSC funding will be paid to the lead LHA. Funding is only available upon the hire of an RSC or execution of a contract with a third party for RSC services.

LHAs who are increasing the hours of a current employee should set a date for when the employee will begin working increased hours and request the EOHLC-Approved Exemptions Direct Reimbursements to begin the month when the employee begins working more hours.

LHAs who are hiring a new employee or hiring a contract employee to fill the RSC position should begin the process of hiring and filling the position. These LHAs should not request a budget exemption until they have filled the position and have an official start date for the new employee.

If the RSC position start date (or the increase in the hours of a current RSC) does not coincide with the start of an LHA's fiscal year, the LHA can prorate the annual award amount, and submit an operating budget revision.

The legislature increased funding in this appropriation for FY24 from $5M to $6.5M. EOHLC plans to release a Notice of Funding Availability shortly to further expand this program – please look out for this opportunity!

8. Net Metering Credits and Renewable Energy Generation

Effective for the FY24 budget guidelines, LHAs retain 100% of net meter credit savings, as opposed to the FY21-23 guidelines which limited retention at 50% for deficit LHAs. Please refer to Attachment E: Schedule of Net Metering Credit Savings.

Similarly, LHAs with Power Purchasing Agreements (PPAs) for onsite solar generation may retain 100% of the savings from these contracts, and should reflect these savings as an estimated budget exemption at budget submission and reconcile with actuals at time of year-end settlement, see instructions in PHN 2023-13 and Account 3691 in these budget guidelines.

Budgeting for Legal Costs

Legal costs will increase to cover increased attorney travel caused by Housing Court issuing Case Management Orders reducing availability of remote hearings. Therefore, EOHLC recommends an increase to the *minimum* recommended budget for legal expenses of $5,000 for an LHA having 200 or fewer state-aided conventional public housing units and $7,000 for an LHA with more than 200 state-aided conventional public housing units. Previously recommended minimum funding was $4,000 and $6,000 respectively. EOHLC will also increase Regional Legal Services Program allocations to eligible LHAs in FY24. All eligible LHAs will receive notice of their adjusted allocations.

9. Budget Submission Dates

These Budget Guidelines apply to fiscal year 2023 (2024 for March FYEs), which begins July 1, 2023 and includes LHA budget years of:

Budget Year	Budget Due By
July 1, 2023 – June 30, 20234	October 8, 2023
October 1, 2023 – September 30, 2024	November 15, 2023
January 1, 2024 – December 31, 2024	December 15, 2023
April 1, 2024 – March 31, 2025	February 28, 2024

10. REMINDER - Budget Dialogue Box

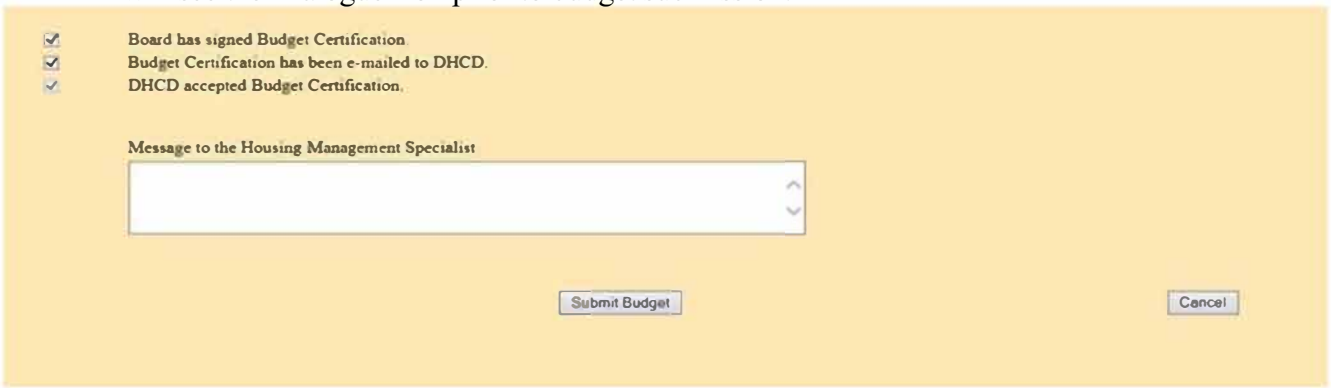
LHAs must include notes regarding any budget line item that does not conform to these budget guidelines, as well as budget revisions submitted by the LHAs. These notes should be detailed in the Dialogue Box section of the Budget. **If an LHA does not enter notes in the comments section of the budget form for line items that deviate from these budget guidelines the budget *will* be reverted.**

These budget comments greatly reduce back-and-forth between the LHA and EOHLC and expedite review and approval of LHA budgets. We appreciate your help in this process.

LHAs do not need to enter comments for line items that conform to budget guidelines.

Examples of items that require comments and/or explanations include:
- Requests for budget exemptions;
- Items that do not conform to budget guidelines, such as
    - Admin salary increases >7% (requires explanation of reorganization plan)

An LHA will see the Dialogue Box prior to budget submission.



LHAs that use the HUD Central Office Cost Center (COCC) cost allocation methodology should communicate in the Dialogue Box of its budget submission that: 1) the LHA uses the COCC methodology; 2) explain how it arrived at the COCC number in the Schedule of All Positions and Salaries; and 3) identify the COCC per unit cost for both state and federal units. EOHLC will be

reviewing budgets to ensure that this information is included in the Dialogue Box - see more details under Budget Line Items – Operating Expenses – Administrative Salaries on Page 27.

II. HOUSING AUTHORITY BUDGETS: AN OVERVIEW

Every year, each LHA is responsible for preparing an operating budget for submission to state and federal funding agencies (EOHLC and HUD), and for reviewing its approved capital budgets. These budgets show how an LHA will fund its activities during the upcoming fiscal year. The budget is the basic document through which housing authorities convey their plan for their use of public funds to the state and federal agencies, their residents, the public, and most importantly to the authorities themselves.

A housing authority budget will have real value, only if: (a) carefully and openly prepared with the full understanding of the authority's board and of its tenants; (b) fairly reviewed by the funding agencies, so that each authority is measured against the same guidelines; and (c) the authority lives within its approved budget.

EOHLC will monitor housing authority spending for adherence to the budget, compliance with regulations, and sound management practices. The LHA's residents, as well as the public, will be able to review and comment on the approved budget through the Annual Plan process. The LHA, however, is responsible for formulating and living within the budget. To assist the authority, the fee accountant or the authority's staff accountant will provide to the executive director quarterly operating statements. These operating statements will include budget-to-actual reports for all state programs, including a report of variances from approved budgets of minus 5% or plus ten percent (10%) or more. The executive director will provide the report and a written explanation of variances to each of the board members quarterly.

EOHLC understands that a budget is only a plan for how an authority intends to allocate its resources and as such is subject to change. LHA expenditures should generally not vary from approved budget by more than plus or minus ten percent (10%) by line item, with the exceptions of administrative salary and travel, which are more tightly monitored and may affect the operating subsidy allocated to the LHA for the fiscal year.

Retained revenue LHAs that are budgeting above the allowable expense level for non-utilities should budget these expenses in the correct line items and take special care that projected revenues are realized. See Attachment F for Budget Flexibility for Housing Authorities with Retained Revenue. The following sections answer some of the basic questions about the budget itself, and the budget submission process.

A. What does a housing authority budget represent?

A housing authority's budget is the document through which its financial resources are managed. The budget establishes the estimated amount that will be spent on any line item for a particular program within a particular period, usually one year. **The Commonwealth's obligation to fund this budget will not exceed allowable non-utility expense level (ANUEL) set for the budget, plus utilities and any approved budget exemptions, minus income.** ANUEL is a unit-based calculation, with different budget levels for c.667, c.200, and c.705 units. EOHLC approves authority budgets with the understanding that the established budget limits will accurately represent how the authority will fund its operating costs. EOHLC approves operating subsidy (deficit) under the following formula:

Budgeted ANUEL + Approved Budget Exemptions
Plus Actual Utility Cost for the fiscal year
Minus Revenue from Designated Accounts (3110+311+3115+3190+3690+3693)
Equals *Adjusted Budget Deficit (Operating Subsidy)*

Considering the emphasis placed on local responsibility in the budget process, salary, travel and bottom-line non-utility budget overruns will be treated very seriously. These items will be reviewed and may affect the operating subsidy allocated to the LHA for the fiscal year. Deficit LHAs with overruns in administrative salaries (account #4110) and travel (account #4150) may have their earned operating subsidy reduced by that overrun amount. Housing authorities will be held accountable to operate within the approved budgets, and their fiscal performance will be reviewed throughout the year and at year-end by EOHLC. EOHLC will review the total income/expense category and the bottom line.

LHAs may budget expenditures up to their projected income level or the allowable non-utility expense level (ANUEL), plus utilities, whichever is higher. EOHLC, however, only guarantees subsidy to an LHA under the formula above and will not cover LHA non-utility expenses in excess of ANUEL unless they are approved budget exemptions. LHAs should conservatively estimate projected income and costs to protect the financial position of the Authority.

The Authority has sole responsibility for any amount budget above the approved expense level. EOHLC's approval is merely of the authority's plan of expenditure of excess income generated from tenant rents and other income.

EOHLC recognizes the fact that energy costs are difficult to budget, given uncertainties regarding energy costs and the severity of the winter heating and summer cooling seasons. Accordingly, EOHLC will reimburse deficit LHAs for actual utility costs incurred. EOHLC strongly encourages LHAs to pursue measures to reduce utility consumption and greenhouse gas emissions to meet the state's climate goals, as well as allow for future increases in ANUEL within the operating subsidy.

We urge all LHAs to take a "hard look" at utility costs and pursue energy saving opportunities through the Mass Save Income-Eligible program and EOHLC's sustainability funding for energy-saving capital projects. LHAs may also pursue on-site solar projects, or offsite virtual net metering projects as a way to reduce utility costs. EOHLC strongly recommends that all authorities, especially those that have not conducted a comprehensive review of their energy consumption systems in the past three years, perform such an audit this year. A reduction in energy costs will benefit everyone; retained revenue LHAs, of course, will retain 100% of any savings, while lower utility costs at deficit LHAs have funded significant increases in the ANUEL for all LHAs over the past ten years by reducing the demand for operating subsidy.

Please contact Sustainability Program Developer Greg Abbe (gregory.abbe@mass.gov) with questions about sustainability programs.

B. How is an authority's performance rated?

On August 6, 2014, Governor Patrick signed Chapter 235, "An Act Relative to Local Housing Authorities," into law. This law includes a requirement that EOHLC establish and implement an annual Performance Management Review (PMR) of local housing authorities.

The PMR reviews the administrative and management operations of each housing authority in several key areas:

- occupancy rates
- tenants accounts receivable (TAR)
- board member training
- certifications and reporting submissions
- adjusted net income (ANI)
- operating reserves (OR)
- tenant selection through Common Housing Application for Massachusetts Public Housing (CHAMP)
- inspection standards and practices
- vacancy turnover standards and practices
- preventative maintenance standards and practices
- work order types and systems
- Annual Plan submission
- Contract for Financial Assistance processing
- staff certifications and training

Beginning with the June 2021 FYEs, EOHLC administers PMRs for most housing authorities on a *biennial basis*– meaning only half of LHAs will have Published PMRs each year. *Please see PHN 2022-09, PHN 2022-10, and PHN 2023-09 for the updated PMR Criteria/Scoring and Biennial Year 2 LHAs.*

In the future, PMR ratings *may* play a role in the budget approval process at EOHLC. For FY2024, however, *EOHLC will not consider any performance review in the budget process.*

C. How much flexibility does an authority have in preparing its budget?

EOHLC guidance gives significant latitude in formulating LHA budgets. Three specific restrictions will apply to all local housing authorities as follows:

- Increases in total administrative salaries will be restricted (See Section H, page 13);
- Maintenance salaries set at DLWD rates or those in union contracts (See Section I, page 15); and
- Bottom line cap with exceptions for retained revenue housing authorities will apply.

All LHAs continue to face certain obligations as provided in the General Laws and EOHLC regulations. For example, MGL c.121B requires all housing authorities to provide support for the local tenant organization (LTO) (account #4191). These provisions are spelled out in greater detail in Section III, Detailed Instructions for Budget Preparation on page 21.

D. Budget Consolidation

Budget consolidation applies only to your conventional state public housing programs (c.667, c.200 and c.705). All federal, rental assistance, and most c.167/689 programs must remain separate. The c.167/689 budgets for expense approval and reporting will be consolidated on a program basis with only the project reserves and tenants accounts receivable remaining separate on your balance sheet. Budgets for the c.689

programs may only be consolidated when the same vendor operates the programs. **The c.167/689 budget must reflect the number of units (beds) provided for in the applicable CFA, not the number of residents.** If you are unsure of that number, please contact your Housing Management Specialist (HMS).

With the exception of those authorities that manage a very small number of certain mixed-finance redevelopments, the only program designations that should be used are c.400, c.167/689 and state rental assistance. If a new development is added to the LHAs portfolio, you must contact your Housing Management Specialist to arrange for a designated budget to be set-up on-line during the Initial Operating Period (IOP).

Redeveloped properties owned and operated by private entities should not appear on the consolidated budget; they will have their own, separate budgets if still receiving subsidy.

E. Quarterly Operating Statements and Year End Statements by Program

LHAs must file a cost breakdown by program each quarter and at year-end (4th quarter). LHAs should attribute charges to the program that actually incurred the expense to the greatest extent possible. LHAs need to delegate expenses by program from the beginning of the fiscal year, to ensure the required information is available for year-end reporting. Both expenses and income must be reported by program (c.667, c.200 & c.705). The c.167/689 program statements must clearly show reserve balances for each c.167/689 property. Reserve amounts for the c.167/689 program cannot be consolidated regardless of the vendor.

Quarterly operating statements and year-end operating statements (4th quarter) must be submitted within sixty (60) days after the quarter-end. EOHLC will not advance operating subsidy to a deficit housing authority until the statements are submitted. If the year-end (4th quarter) operating statements are not submitted within the required time frame, EOHLC will not advance operating subsidy for the second quarter of that LHA's current fiscal year, or for any future fiscal quarters, until the statements are submitted.

EOHLC will restrict the use of surplus LHAs' Operating Reserves (OR) for LHAs that fail to meet the quarterly operating statement submission deadline until the statements are submitted. If the year-end (4th quarter) operating statements are not submitted within the required time frame, EOHLC will restrict surplus LHAs from using their OR for the second quarter of their current fiscal year, or for any future fiscal quarters until the statements are submitted.

F. c. 167/689 Program Budgets

The c.167/689 program expense level is limited by the contribution available under the contract between the housing authority and the sponsor. Authorities are allowed -- but not required -- to make c.167/689 related program payments in lieu of taxes (PILOT) to their communities. PILOT payments should be computed using the same formula used for the c.705 program. EOHLC expects that PILOT payments, as well as all operating costs, can be accommodated within current operating receipts from the sponsor.

In accordance with PHN 2022-12 Updates to c.167 and c.689 Housing Contracts and effective January 1, 2023, the ***minimum*** monthly rents for these programs are set at $330 per CFA unit (per bed) with the understanding that most rents will be above that minimum. LHAs must negotiate with vendors and include justification for higher rents. If your current monthly rent is less than $330 per CFA unit (bed), please contact your service provider/vendor to discuss increasing the rent. There is no longer a separate maintenance fee in the minimum rent.

Note that your c.167/689 lease includes the expectation that the rent will increase each year by at least the amount of the Social Security Cost of Living Adjustment (COLA), which was 8.7% in calendar year 2023.

In formulating budgets for the c.167/689 program, LHAs should ensure that adequate maintenance services are assigned to each program development. Housing authorities are expected to prorate costs such as administrative salaries and related benefits, and other administrative costs in direct proportion to the percentage of an authority's portfolio that the leased units (beds) comprise. Other costs such as travel, insurance, and accounting services should be charged based on actual cost to the c.167/689 program. If you have questions on pro-rations, contact your Housing Management Specialist for clarifications before you submit your budget. Those developments which are seeing a change in configuration as a result of Department of Mental Health (DMH) and Department of Developmental Services (DDS) policy changes should negotiate rents that are sufficient to cover all costs. This may result in higher per unit (bed) monthly rents as they still need to pay rent based on the number of units (beds) as listed in the CFA.

LHAs must maintain separate reserve balances for each of their c.167/689 properties. Reserve balances and expenses for each c.167/689 property must be attributable to the subject property and shown as such.

For a more complete discussion of budgeting for the c.689 program, LHAs should refer to the c.689 Management Handbook, PHN 2009-14 and updated minimum rent policies in PHN 2022-12.

G. Rental Assistance Budgets

The rental assistance spending level is based on the administrative fee for the program. The Massachusetts Rental Voucher Program (MRVP) administrative fee is $50 per unit per month as updated on February 1, 2020. Any expenditure from MRVP reserve funds needs prior written approval from EOHLC. EOHLC will not approve any budget submission or expenditure which will exhaust the operating reserve for the rental assistance program. LHAs must closely monitor any loss of units in the program and adjust expenses accordingly. The LHA will need to project voucher-months leased multiplied by the $50 fee to calculate the projected administrative income for the upcoming year.

Alternative Housing Voucher Program (AHVP) and Department of Mental Health Rental Subsidy Program (DMHRSP) income and expenses should be included in the authority's MRVP budget. The AHVP rental assistance administrative fee is also $50 per unit per month. DMHRSP administrative fee for tenant-based vouchers is $50 per unit per month. With the implementation of the FY24-FY28 rental assistance contract, DMHRSP sponsor-based administrative fee is $50 per client per month. Please see an email explaining the change here.

Effective August 10, 2023, LHAs also receive a $500 one-time payment at time of lease-up of a newly issued mobile MRVP or AHVP voucher. EOHLC is also updating its transfer policy to allow LHAs to administer mobile MRVP and AHVP vouchers across Massachusetts, if they choose to. Additional guidance can be found here.

EOHLC expects LHAs to prorate costs such as administrative salaries and related benefits in direct proportion to the percentage of an authority's portfolio represented by leased state rental assistance units. Other costs such as travel, insurance, and accounting services should be charged based on actual cost to state rental assistance programs. If you have questions on pro-rations, contact your Housing Management Specialist for clarifications before you submit your budget.

Please remember: MRVP, AHVP, and DMHRSP are state programs and as such are subject to all limitations on salaries and other restrictions as outlined in these Budget Guidelines.

H. Increases in Administrative Salaries

Administrative Salaries

LHAs have flexibility to propose salary changes for all administrative staff, except the Executive Director, provided that the total increase in overall salaries charged to state programs, excluding the Executive Director's salary, does not exceed 7% of last year's (FY2023) approved #4110 account.

The 7% cap is not intended to apply to LHA reorganizations where positions are changed and/or added. LHAs can determine appropriate staffing levels and positions. A reorganization of the administrative staff, including increases of duties and responsibilities of existing staff and/or addition of administrative position(s) are acceptable, however, the increase in salary and benefits must be budgeted within the LHA's approvable ANUEL.

Where a reorganization applies, the **LHA must include in the Budget Dialogue box for the administrative salaries line item** a description of the re-organization for EOHLC review to ensure reasonableness and that the re-organization can be supported within the LHA's ANUEL.

The "Schedule of All Positions and Salaries" must list all positions with salaries and bonuses. It must reflect total compensation of all administrative positions in the LHA's operating budget submission. All positions must be shown even if the LHA does not charge any salary for that position to state programs. EOHLC will not accept an excel spreadsheet for the "Schedule of All Positions and Salaries". Each individual position must be listed on the Schedule. Bonuses, from non-state funds, must be clearly listed on the schedule on a separate line from salary in a way that clearly identifies the bonus Compensation for an Executive Director is captured in Line 1 (Salary only), and if receiving a bonus, it must be captured on Line 2 (Bonus only) of the schedule. Bonuses for staff may be submitted as one amount on a separate line on the Schedule. This allows LHAs to determine later in the fiscal year which staff receive a bonus. **The LHA must be able to support any salary increase within the ANUEL.** Bonuses cannot be charged to any state housing programs, and longevity payments are only allowed if funded from a non-state source and not included as salary or in retirement calculations.

Executive Director Salary

Public Housing Notice 2022-02 sets salary limits for LHA executive directors based on unit count, a program factor, and a family factor for state-aided family units.

Effective for FY2024 budgets (FY2025 budgets for 3/31 FYE LHAs) EOHLC increases the unit-based salary maximum and overall salary maximums by 2% over those in the FY2023 budget guidelines. See updated salary bands here, and attached as Addendum 2 at PHN 2022-02. The family and program factors have not changed.

An executive director whose salary is less than the maximum may, pursuant to a Board vote, receive up to the allowable maximum for FY2024 budgets governed by these guidelines per the Schedule, so long as the increase can be absorbed within the LHA's ANUEL.

If the executive director receives a salary increase pursuant to a Board vote, the LHA must submit, no later than the LHA's budget submission/revision deadline, to their assigned Housing Management Specialist (HMS) the completed, chairperson-signed "EOHLC Local Housing Authority Executive Director Salary Calculation Worksheet," (refer to Public Housing Notice 2022-02) and reference Exhibit B of this PHN. The Budget Certification includes a space to input the Board-approved salary. An executive director whose current approved salary already exceeds the new maximum may continue to receive said salary without increase until such time that EOHLC issues a new Schedule showing that the existing salary is less than the allowable maximum.

An executive director's total salary, from direct employment at one or two LHAs, shall not exceed a maximum aggregate of $202,419 for all LHA budgets governed by EOHLC's FY2024 Budget Guidelines. Additionally, an executive director's total salary that includes a portion of salary from other program activities, such as Management Services Agreement fees for day-to-day operations of another LHA and other contracts with any other public or private entities that are temporary or that may otherwise terminate (e.g., providing management or administrative services on behalf of other housing authorities, private developers, non-profit entities, grant recipients, municipalities, etc.), shall not exceed a maximum aggregate of $222,661.

- Program Factor:
  - EOHLC will not approve salaries that count HUD's Section 8 Mobility Program (also known as Section 8 Portability) as a distinct program. This program is already part of the Section 8 Housing Choice Voucher Program.
  - Chapter 167 and Chapter 689 units count as one program for purposes of salary calculation (i.e., if an LHA has 4 c. 167 units and 8 c.689 units, they can only add one program to the program count)
  - All Local Programs (ie, two separate locally funded affordable housing properties) count as one program for the purposes of salary calculation.

- Family Factor:
  - The State Family Factor component of the executive director's salary, as calculated in accordance with the Executive Director Salary and Qualifications Schedule, must only be included in the "Other S-1" column, to ensure the state proration is accurate.

- Management and Other Program Fees:
    - LHAs with redeveloped units owned and operated by other entities should not include them in unit count if they do not directly receive subsidy for them. Instead, they may reflect contributions to the Executive Director's salary from asset management and monitoring fees in the schedule of "Other Program Fees". These are not subject to unit-based salary maximum, but are subject to the overall salary cap. ($222,661 for FY24)

The LHA must be able to support any salary increase within the ANUEL. Bonuses cannot be charged to any state housing programs, and longevity payments are allowed if funded from a non-state funding source and are not included as salary or included in retirement calculations.

I. Maintenance Salaries

The Maintenance Labor Account #4410, excluding seasonal help and overtime, must use the current rate published by the Department of Labor and Workforce Development (DLWD) and cannot exceed that rate without prior EOHLC review and approval in the LHA annual operating budget.

If the LHA is currently paying wages in accordance with a union contract at a rate that exceeds the DLWD rate, then in accordance with 760 CMR 4.10 (1) (a), the LHA shall notify EOHLC, in writing, of its intention to begin collective bargaining, and promptly schedule and participate in a pre-bargaining conference with EOHLC to discuss pertinent matters pertaining to the collective bargaining. The LHA shall provide EOHLC with a description of the bargaining unit. In consultation with EOHLC, the LHA may increase the rate, subject to EOHLC review and approval of the LHA annual operating budget.

Maintenance staff in a supervisory capacity are allowed to exceed the DLWD rate by up to $8.00 per hour at the discretion of the LHA. **The LHA must be able to support any salary increase within the ANUEL and must be able to appropriately prorate the salary to state and/or federal funds based on program units.**

The LHA must be able to support any rate/salary increase within the ANUEL. Bonuses cannot be charged to any state housing programs, and longevity payments are only allowed if funded from non-state sources and not included as salary or included in retirement calculations.

J. Security-Related Expenses

An LHA can expend state operating funds on security, within its existing bottom line. The LHA must submit a written request to the Bureau of Housing Management that includes the following:

1. Documentation of a compelling need for additional security measured by such factors as: extremely high crime rates, dramatic increases in certain types of crimes, or unique crime problems;
2. A "maintenance of effort" agreement with the municipality and police chief executed by the LHA; and
3. A statement that documents the following information for all persons who will perform LHA security functions:
    - Whether or not they will carry firearms;

- Confirm if they are graduates of a police academy certified by the Massachusetts Criminal Justice Training Council and have passed a standard psychological screening for law enforcement personnel;
- Assert all security personnel must participate in continuing education/training, and be recertified annually for firearms use, as appropriate.

Once EOHLC approves the security expense, the LHA does not need to submit yearly documentation unless requested by EOHLC.

K. Submission Deadlines

These Budget Guidelines apply to FY2024, which begins July 1, 2023 and includes LHA budget years of:

Budget Year	Budget Due By
July 1, 2023 – June 30, 2024	October 8, 2023
October 1, 2023 – September 30, 2024	November 15, 2023
January 1, 2024 – December 31, 2024	December 15, 2023
April 1, 2024 – March 31, 2025	February 28, 2024

Budgets will be reviewed and approved as soon as possible, but within no more than sixty (60) working days of acceptance of a complete LHA budget submission. The LHA's budget submission must be complete and incorporate all relevant explanatory material. Incomplete submissions will be reverted to an authority for correction or completion, restarting the "60 day" time limit. Budgets requesting special exemption or requiring follow-up documentation may take longer.

L. Required Elements of Budget Submission

An authority must submit an operating budget for each state housing program having contracted/leased units. All submissions must be submitted electronically through the EOHLC on-line Housing and Financial Information System (HAFIS). These budgets must include all required data and all applicable justification, with detailed notes on budget lines not in conformance with budget guidelines in the Dialogue Box Section (Comments) of the Budget. EOHLC will revert budgets that do not contain necessary comments in the Dialogue Box. Data and applicable justification include the Executive Director Salary Calculation Worksheet for any proposed Executive Director Salary increases and for newly hired Executive Directors, which must be submitted outside of HAFIS.

Board Approval and Budget Certification

All budgets require Board approval prior to submission, and **all** board members must sign the Budget Certification Form. An electronic Budget Certification for each program budget (400-1, 400-9, c. 689, MRVP, and 400-A etc.) must be submitted and accepted by EOHLC to allow for the submission of the LHAs operating budget(s).

LHAs must complete the fillable Budget Certification Form. The form is set up to allow you to move from each point that needs to be completed using the tab key. Information to be completed is indicated by red text. Once you complete a field that repeats in the form, such as the housing authority name, it will automatically populate where needed throughout the form.

The fillable Budget Certification Form includes the executive director's annual salary for the fiscal year. The LHA Board must vote to approve the executive director's salary, which must be included in the LHA's fiscal year's operating budget. The Budget Certification will provide evidence of Board approval for both the annual operating budget and the executive director's annual salary.

This fillable Budget Certification Form must be used by an LHA prior to submitting an original or revised state budget for each fiscal year. Once the form is completed, the LHA must submit a scanned/pdf copy of the fully completed and executed Budget Certification to EOHLC via email to: EOHLChafiscert@mass.gov. An authorized administrator from EOHLC will review the submission and send an email to the LHA within seven (7) working days of receipt accepting the submission or stating that the submission is not acceptable and identifying incomplete or missing information and requesting correction and resubmission. Please refer to PHN 2016-12.

LHAs cannot submit the Operating Budget(s) prior to notification from EOHLC that the Budget Certification(s) is acceptable.

Once you receive notification of acceptance of the Budget Certification, the LHA will submit the Operating Budget(s) through HAFIS.

M. Budget Review Process

Once the LHA submits its budget, the Housing Management Specialist (HMS) will receive a HAFIS system generated email stating the budget has been submitted to EOHLC. Then the review process is as follows; each step is sequential to the one preceding:

1. The HMS has **seven (7) calendar days** to **accept budget(s)**.
    a. The HMS verifies that the **LHA has submitted a budget for each of the state funded programs** administered by the LHA. HMS will re-verify that the budget certification has been accepted for all state programs and record date of the budget certification submission in the Tracking Notes in HAFIS.

        - If a program budget has not been submitted (e.g., c. 689, MRVP, etc.), HMS will call the LHA, verify that programs exist, request the missing budget to be submitted in **seven (7) calendar days**, and **the budget(s) will be reverted to the LHA**. HMS will follow-up with an email.

2. The HMS has **seven (7) calendar days to verify the unit count and salaries**:
    a. Unit count must include state, federal, and all other programs/units the LHA owns and manages directly. LHAs should not include program/units contained in a Management Services Agreement or other management contract in this unit count.

        - HMS will call the LHA with questions regarding unit count. If the unit count is incorrect or HMS is unable to verify, HMS will **revert the budget(s) to the LHA** to correct the unit count and will request the information be submitted within **seven (7) calendar days.** HMS will follow-up with an email.

b. HMS will review administrative salaries, the executive director salary, and maintenance salaries to determine if salaries, including any increases and salary pro-rations, comply with the EOHLC Budget Guidelines.

   - HMS will call the LHA with questions regarding salaries. If salaries, including any increases and salary pro-rations, do not comply with the EOHLC Budget Guidelines, HMS will revert the budget(s) to the LHA to correct any increases and salary pro-rations and will request the budget(s) be re-submitted within **seven (7) calendar days.** HMS will follow-up with an email.

c. HMS will verify that LHA utilized the Dialogue Box to detail exemptions. LHAs must include notes regarding any budget line items that do not conform to these budget guidelines as well as any budget revisions submitted by the LHA. These notes should be detailed in the Dialogue Box section of the Budget. **If the LHA does not include required notes in the Dialogue Box, EOHLC will revert the budget for LHAs to add those comments.**

Please note that the **total time for HMS review is fourteen (14) calendar days, if the budget(s) is not reverted to the LHA for correction**.

3. The HMS forwards LHA budget(s) to Finance with comments in the Tracking Notes that will include details such as: Budget Certification has been reviewed and accepted, all program budget(s) have been submitted, budget(s) includes all programs and units counts, and salaries, including any increases and salary pro-rations are in compliance with EOHLC Guidelines. HMS will also note if there is a Management Services Agreement in place and identify the contracting authorities.

4. Finance receives budget(s), reviews the Tracking Notes and the Dialogue Box and begins the budget review process **within seven (7) calendar days**.

5. Finance will begin reviewing a complete budget(s) or revert the budget(s) to the HMS and the HMS will revert the budget(s) to the LHA if any of the required schedules are missing.

6. Review Schedules for adherence to Budget Guidelines (required schedules):
   a. Program Specific Pages
   b. Schedule of All Positions and Salaries for both administrative salaries and maintenance wages.
   c. Schedule of Insurance & Employee Benefits
   d. Schedule of Capital and Other Expenses, listed as Extraordinary Maintenance, Equipment Replacement Capitalized, Betterments & Additions Capitalized, Equipment Purchases Non-Capitalized
   e. Expenditures in Excess of ANUEL
   f. ANUEL and Subsidy Worksheet
   g. Schedule of Exemptions
   h. Operating Reserve Analysis
   i. Admin Other (4190)
   j. Contract Costs (4430)
   k. Schedule of Management Agreements

7. Finance records notes regarding ANUEL, reserve level, and any other modifications to the budget in the Tracking Notes and the Dialogue Box in HAFIS. This is to be completed **within thirty (30) calendar days.**
    a. Recommends approval of the budget(s) and forwards budget(s) to Finance Manager/Budget Director
    b. If unanswered questions or discrepancies, budget(s) are reverted to LHA for correction.

8. Finance Manager/Budget Director receives budget for review and approval
    a. Reviews for completeness, accuracy, and approval **within nine (9) calendar days**
    b. If questions, reverts budget to Finance
    c. Approves budget(s) electronically and by letter

Budgets electronically submitted that fully comply with the EOHLC Budget Guidelines will be processed and approved within sixty (60) days.

N. Approved Budget Implementation

An authority's approved operating budget is that budget which has been approved electronically by the EOHLC's Finance Manager/Budget Director for the Bureau of Housing Management. An authority must present an approved budget to the Board of the authority for formal Board acceptance if there have been any modifications.

The effective date for the implementation of the new budget is the first day of the new fiscal year, or the date approved by the Finance Manager/Budget Director, whichever is later. **Until the LHA has received an approved budget, it is authorized to spend at a level no greater than the prior fiscal year's approved level, less any one-time budget exemptions. No new expenditures for additional staffing or salary increases may be made until the new budget has been formally approved by EOHLC.**

O. Increase to Allowable Non-Utility Expense Level (ANUEL).

The Allowable Non-Utility Expense Level (ANUEL) will increase by 7% for FY2024. The ANUEL for c.667 units will increase by an additional 6% for a total of 13%. All budgets that exceed the LHA's FY2024 ANUEL will be reverted and must be modified.

P. How is an Initial Occupancy Period (IOP) budget established?

When an authority has a new development going into occupancy, it must prepare and submit an operating budget for that development. In addition, the authority must consider the effects of the new development on its existing program budgets in terms of changes in prorated charges (See Section III, Detailed Instructions for Budget Preparation, page, 21).

We encourage authorities to contact their Housing Management Specialist (HMS) when developing an Initial Occupancy Period budget for any new state-aided public housing.

Q. Budget Revisions

EOHLC encourages LHAs to review quarterly operating statements for adherence to the budget and make the necessary changes to ensure that expenditures are no more than plus or minus 10% of the budgeted amounts. This could require increases in collections, changes to spending and perhaps revisions to the budget.

Revisions are required under certain exceptional circumstances, such as large, extraordinary maintenance or legal settlement expenses, the addition or disposition of state-aided public housing units, or the termination of a management agreement.

As noted above in Section II A, "What Does a Housing Authority Budget Represent," EOHLC will treat salary, travel and bottom-line non-utility budget overruns very seriously. These items will be reviewed and may affect the operating subsidy allocated to the LHA for the fiscal year. Deficit LHAs with overruns in salaries (account #4110) and travel (account #4150) will have their earned operating subsidy reduced by that overrun amount. Housing authorities will be strictly held accountable to operate within the approved budgets, and their fiscal performance will be reviewed throughout the year and at year end by EOHLC.

A budget revision requires Board approval prior to submission, and **all** board members are required to sign the Budget Certification Form. LHAs must submit an electronic Budget Certification for each program budget revised (400-1, 400-9, c. 689, MRVP, or 400-A etc.) and EOHLC must accept it to process the LHA's operating budget(s).

When submitting a budget revision, columns 1 and 2 of the budget page will automatically reflect the approved budget for the current fiscal year. Columns 3 and 4 should reflect the LHA's requested amounts proposed for the revised budget. The appropriate schedule of costs should be revised where applicable. A budget revision must be complete when it is submitted, with the appropriate supporting data and applicable information and justification, including detailed notes of which line items were adjusted in the Dialogue Box Section of the Budget.

If a budget revision includes a salary increase for the executive director pursuant to a Board vote, the LHA must submit, no later than the LHA's budget submission/revision deadline, to their assigned Housing Management Specialist (HMS) the completed, chairperson-signed "EOHLC Local Housing Authority Executive Director Salary Calculation Worksheet," (see Public Housing Notice 2022-02). The Budget Certification includes a space to input the Board-approved salary.

LHAs must submit any Budget revisions electronically to EOHLC no later than the first (1st) day of the eleventh (11th) month of the authority's current fiscal year. The Budget Certification with all the Board member signatures, and any supporting documentation required that cannot be submitted through HAFIS, should be received by EOHLC before submitting the Budget revision in HAFIS.

R. Calculation of Reimbursable Deficits

The amount that an authority is reimbursed is called the Adjusted Budget Deficit. The deficit will be calculated as follows:

Budgeted ANUEL + Approved Budget Exemptions
PLUS Actual Utility Cost for the fiscal year
MINUS Revenue from Designated Accounts (3110+311+3115+3190+3690+3693)

1. = *Adjusted Budget Deficit*

S. Program Based Reporting

EOHLC conducts an analysis of expenses by total consolidated program. LHAs must keep records by program. LHAs are required to submit, at year-end, a breakdown of expenses by program with its year-end consolidated operating statements. Rental income will need to be reported by **program.**

Quarterly operating statements and Year End operating statements must be submitted within sixty (60) days after the quarter ends.

For deficit LHAs that fail to meet the quarterly operating statement submission deadline, operating subsidy will not be advanced to the housing authority until the statements are submitted. If the year-end (4th quarter) operating statements are not submitted within the required time frame, deficit LHAs will not be advanced operating subsidy for the second quarter of their current fiscal year, or for any future fiscal quarters until the statements are submitted.

For surplus LHAs that fail to meet the quarterly operating statement submission deadline, EOHLC will restrict the use of the LHA's Operating Reserves (OR) until the statements are submitted. If the year-end (4th quarter) operating statements are not submitted within the required time frame, surplus LHAs will be restricted from using their OR for the second quarter of their current fiscal year, and for any future fiscal quarters until the statements are submitted.

Other Program Based Certifications and Submission Reporting Requirements
LHAs must submit the required LHA certifications and submissions of various reports. Please refer to Public Housing Notice 2022-06 , or any update to said Schedule for specific reporting requirements. LHAs are required to use the web-based monthly reporting systems for submission of the following:

- Board Attendance Report & Certification (Due 30 days after month end);
- Energy Reports (Due 30 days after month end);
- Mod & Development Quarterly Cost Report (Due 30 days after quarter end);
- Quarterly Certification & Vacancy System Utilization Report (Due 30 days after quarter end);
- Budget Submission & Certifications (Due 30 days before the commencement of the LHA's fiscal year or per EOHLC Budget Guidelines);
- Operating Statements & Year-end Statements (Due 60 days after quarter end);
- Certification of Executive Director/Board Approval Regarding Wage Match (Due 60 days after fiscal year end);
- Certification of Tenant Lead Notification (Due 60 days after fiscal year end);
- Certification of Salary and Compensation – "Top Five" (Due 60 days after fiscal year end);
- CIP Submission (Due two (2) months prior to the LHA's fiscal year end); and
- LHA Annual Report/Plan (Due two (2) months prior to LHA's fiscal year end).

T. Vacant Unit Fee Assessment

New Process and Fee Structure:

As per PHN 2022-15, for budget years starting July 1, 2022, the Housing Authority Financial Information System (HAFIS) will automatically import assessed vacancy fees from the vacancy waiver systems into Section 12 of the ANUEL and Subsidy Worksheet. The automation of reporting assessed vacancy fees in the LHA year-end operating statements will be effective for FYE 6/30/2023 and beyond.

EOHLC also updated vacancy fees in FY23 to apply different fees for vacancies without approved waivers that occur in the c. 667 program vs the family program (c. 200 and c. 705).

Finally, this notice clarified documentation needed and the waiver lengths approvable for various waiver categories. Please refer to PHN 2022-15 for more details.

III. DETAILED INSTRUCTIONS FOR BUDGET PREPARATION

The following sections explain the budget forms and how they are to be prepared.

Individual Program Budgets vs. Consolidated Budgets

For the conventional housing programs, (c.667, c.200, c.705) one budget should be prepared for the consolidated operation and listed in the spaces provided. Budgets are required for all occupied developments even if not yet financially closed into "management." This period of occupancy, prior to the closing from development into management, is called Initial Occupancy Period (IOP). A separate budget must be submitted for these units, then consolidated the following year. Authorities must prepare and electronically submit a budget for any such development thirty (30) days prior to the projected date of lease-up. For Rental Assistance, one budget should be submitted encompassing all program components, including AHVP.

Program/Units

The cover sheet for each program's budget should indicate the total number of units, by bedroom size, currently in each housing program. For example, in the 400-1 budget, the LHA must list each individual development (i.e., 667-1, 40 one-bedroom units; 667-2, 30 one-bedroom units; 200-1, 10 two-bedroom units, 10 three-bedroom units, 5 four-bedroom units; 705-1, 5 two-bedroom units; 705-2, 10 three-bedroom units). State Voucher (MRVP, AHVP, DMHRSP) and federal Housing Choice Voucher (Section 8) units should list both the number of contract units and the number projected for occupancy as of the first day of the fiscal year. For budgetary purposes, the number of state and federal Housing Choice Voucher units will remain constant for the fiscal year. AHVP, although included in the state voucher programs budget for expense purposes, needs to be reported separately as the number of occupied units. LHAs must include federal public housing units and any other units managed by the LHA (e.g., local funded initiatives, non-profit partnerships) in the LHA's budget submission. LHAs managing units for another LHA (Owner LHA) should not include units managed by a management agreement. The Owner LHA should report its units even when it has entered into an agreement to have another LHA manage the units. LHAs that do not submit all program units will have their budget reverted.

Calculating Per-Unit-Month (PUM) Costs

A Per-Unit-Month (PUM) cost is calculated to determine the monthly operating cost of a single unit of housing. It serves as a basis for comparing operating costs of local housing authorities. The computer calculates the PUM automatically when the LHA inputs cost totals. (NOTE: Currently, the PUMs reported in HAFIS by program (i.e., c.667, c.200, c.705) are estimates. EOHLC will modify this in a future update to the HAFIS system.) See below for standard PUMs for each program type for FY24:

Program	FY23 PUM	FY24 PUM
c.200	$592.33	$633.80 (+7%)
c.667	$325.70	$368.04 (+13%)
c.705	$648.21	$693.59 (+7%)

Budget Description (Forms 050 and 070)

The electronic version of the budget has both a PUM and a total amount column for the prior year approved budget, rather than just one field.

BUDGET LINE ITEM: REVENUE

The following section explains how each of the line items under "Revenue" is to be prepared.

3110: Shelter Rent

Included in this account are the total rent receipts anticipated from residents assuming an occupancy rate of not less than 98% for the projected twelve-month period. *Should the LHA believe that it will not achieve a 98% annual occupancy rate, the LHA must submit detailed information explaining the reasons for a lower occupancy rate together with information on the LHA's efforts to mitigate the reduced occupancy rate.* In addition, the shelter rent projection should be based on the current rent roll plus anticipated increases expected from annual rent re-determinations, as well as increases which would be realized as a result of regulatory amendments. Rents for residents of family public housing are calculated at 27%, 30% or 32% of household income. Residents of elderly/handicapped housing are calculated at 25% or 30% of household income. LHAs should include notes in the Dialogue Box Section of the budget that include how the rent projection was calculated (i.e., current rent roll of $50,000 per month, with an anticipated increase of 1% due to COLA increases).

EOHLC allows LHAs to request a regulatory waiver to perform rent re-determinations every two years rather than every year for tenant households residing in c.667 developments. However, the failure to capture the usual rent increase from the Social Security Cost of Living Adjustment (COLA) for the "off' year would likely require additional state subsidy costs, which EOHLC cannot afford to divert for this purpose. Therefore, LHAs seeking a waiver of 760 CMR 6.04(4) will need to increase the portion of tenant rents from sources tied to the Social Security COLA (i.e., Social Security or Social Security Disability Income) in the "off" year by an amount equal to the percentage increase in the COLA. It is important to note that **this rent increase only applies to the fixed income benefit from social security, not wages or any other source of income.** Before doing so, the LHA will also need to execute an amendment to the tenant's lease. Tenants will continue to have the right to request a re-determination if the rent calculated in the manner described exceeds the rent due under the regulations. Contact your Housing Management Specialist for guidance.

Any tenant household that is over-housed and fails to move to an appropriately sized apartment when requested to do so by an LHA will be charged rent at 150% of what otherwise would be due. In addition, a late fee penalty of $25 will be charged to any tenant household that fails to pay rent within 30 days of its due date.

Fraud/Retroactive balances owed should not appear as part of account number 3110, instead, they should be separated out into account 3111.

3111: Shelter Rent – Tenants – Fraud/Retroactive

This account should be used to report total rent receipts from residents due to unreported income. These are often called fraud or retroactive balances.

In cases where deficit LHAs discover, pursue cases, and enter into a written fraud/retroactive re-payment agreement **with a tenant in possession or a vacated tenant that has not reported income,** the LHA will be allowed to retain two-thirds of the funds recovered. One third of the total dollar amount recovered should be included in the LHA's quarterly or year-end Operating Statement as Shelter Rent, account #3111, and two-thirds of this total dollar amount should be included in Other Revenue-Retained, account #3691.

3115: Shelter Rent – Section 8/State Voucher Programs Lease-Up Fee
EOHLC no longer serves as a contract administrator for any Section 8 New Construction/Substantial Rehab properties. No LHA should enter anything related to the Federal Section 8 program in this line item. Starting FY24, LHAs may use this line item to budget for the anticipated one-time $500 per unit fees at lease up for newly issued MRVP vouchers.

3190: Non-Dwelling Rental
This account should be credited with the rent, including charges for utilities and equipment, billed to lessees of non-dwelling facilities and of dwelling units rented for non-dwelling purposes.

Include income from space rented to non-residential agencies. Before an authority enters into an agreement for rental of space for non-dwelling purposes, it must obtain written authorization from the Bureau of Housing Management. The Bureau of Housing Management must also approve any lease agreement. The request should include all pertinent details for the proposed arrangement, including evidence of adequate lessee insurance and an executed lease, even if no rent is to be paid. The authority should also include justification that such use of the space does not deprive the authority of needed operating or dwelling space and is in the best interest of both the authority and its residents. In general, rent should cover all operating expenses to the authority including janitorial, maintenance, and utility costs. An authority should not incur costs as a result of space being rented to other agencies and should not give space to federal programs free of charge. When the LHA's central administration or maintenance offices are located in a state-aided development, rent should be charged to federal programs on a prorated basis. Rental charges should be shown as income to the specific program providing the facilities.

3400: Administrative Fee – MRVP/AHVP/DMHRSP
This account should be credited with Administrative Fees to be received for the MRVP/AHVP/DMHRSP Program. The MRVP/AHVP administrative fee is $50.00 per unit per month. Actual cash amounts received will agree with the amounts approved on line 7 of Form 076.
Please book the new one-time leased up of $500 per unit in account number 3115, see instructions above.

3610: Interest on Investments – Unrestricted
This account should be credited with interest earned on unrestricted administrative fund investments. See EOHLC Accounting Manual, Section 16 (B), Investment Policy and Cash Management.

A local housing authority should review its investment policy and practices periodically. Interest rates fluctuate and future investments may vary substantially from the past, both as to amount and time. The budget estimate of interest income should be based on a realistic appraisal of these circumstances as indicated by future operating plans, projection of funds available for investment, and a commitment to maximize investment income while safeguarding investment funds.

For IOP budgets, authorities must be careful to assign the appropriate share of investment income to both its management and development books. The proration of investment income should be based on the relationship of unused development funds to available operating reserves.

MRVP/AHVP program interest income should be estimated based on the program's operating reserve. Interest earned on subsidy funds is not income to an authority and will be returned to EOHLC through the subsidy requisition process.

EOHLC's Accounting Manual for State-Aided Housing Programs includes a sample Investment Policy for LHAs. Housing authorities are encouraged to review Section 16 of the Manual. Please note that the Manual describes a requirement for collateralization of LHA deposits. Insurance may be available to cover LHA deposits. For example, FDIC provisions offer coverage up to $250,000 per investor per institution. LHAs are required to ensure that their depositories, with the exception of the Massachusetts Municipal Depository Trust, fully secure the uninsured balance on deposit with them. LHAs are reminded that under M.G.L. c.121B, they are prohibited from placing any state funds or any other funds entrusted to the state/LHA from the federal government at risk. Therefore, the only acceptable investments are those outlined in the EOHLC Accounting Manual, Section 16.

3611: Interest on Investments – Restricted
This account should be credited with interest earned on restricted administrative fund investments. See EOHLC Accounting Manual, Section 16 (B), Investment Policy and Cash Management.

3690: Other Operating Revenues
This account should be credited with income from the operation of the project that cannot be otherwise classified. Income credits to this account include but are not limited to: penalties for delinquent payments, rental of equipment, charges for use of community space, charges to other projects or programs for the use of central office management and maintenance space, commissions and profits from vending machines, including washing machines, and rental of space in community or administration buildings for laundry equipment on a contractual or other basis.

Example sources of income include:

(a) Funds from shared commercial ventures such as coin-operated laundry facilities. This is an area that requires close attention from a senior staff member at the LHA. Income from coin-operated machines may not be transferred to local tenant organizations, but rather must be shown in the Other Operating Receipts line item.

In addition, all local housing authorities must enter into a written agreement regarding the upkeep of the machines, the method of income collection, and the percentage split of the income between the vendor and the LHA. Agreements may contain multi-year terms but should not have automatic renewal clauses or extend beyond five years and are not valid until approved by the Bureau of Housing Management.

(b) Charges to residents for additional services, materials, and/or repairs of damage caused by neglect or abuse in accordance with the Executive Office's regulations on lease provisions. LHAs may choose, rather than showing these payments as income, to treat them as reimbursements to the accounts from which the charges were originally made. This is allowable provided the following criteria are met: the charges are actually collected, the work has an itemized list of materials used, and any charge for labor are only for hours outside the normal workday. This means you can charge tenants for maintenance time, but only those hours outside of the normal workday may be reimbursed to the labor line. Reimbursement for normal working hours must be treated as income to the local housing authority.

3691: Other Revenue - Retained

This account should be credited with all miscellaneous revenue to be retained by the LHA. These items are not included in the computation of operating subsidy. The most common example for this account is receipts for the rental of roof antennas. Also include in this account any other revenue items that are approved by EOHLC that do not enter into the computation of operating subsidy.

This should include any net meter credits earned from Net Meter Power Purchase Agreements (PPAs) which the LHA is permitted to retain pursuant to these Budget Guidelines. Many LHAs have entered into Virtual Net Meter Credit Power Purchase Agreements (PPAs). In these deals, an LHA executes a contract with a solar power developer who constructs and owns an off-site solar electricity-generating site. In exchange for contracting to purchase a percentage of the solar power produced, the LHA receives a credit on its utility electric bill for each kWh purchased (or, in some cases, the credits are paid as cash to the LHA by their utility company).

Beginning in FY2024, EOHLC permits deficit LHAs to retain **100%** of their net meter credit savings. This is in contrast to previous policy that only allowed deficit LHAs to retain 50% of the savings. The reporting requirements for net meter credits are incorporated in the descriptions of the individual budget line items in this Section III. See Attachment E: "Schedule of Net Metering Credits", for assistance in organizing the net meter credit data to be entered. Also, **please refer to PHN #2020-36, which describes this process in more detail.** This policy does not apply to credits earned in previously completed and closed LHA fiscal years. It also does not apply to the small number of LHAs that have pledged a portion of their credit savings for capital improvements through the HILAPP program or other agreements. This latter group will be reviewed on a case-by-case basis.

Example: If you earned total net meter credits worth $80,000 and paid $50,000 to the solar operator in account #4391 (below), your "net savings" would be $30,000 ($80,000 - $50,000). Per EOHLC's original policy, a deficit LHA would previously enter only 50% of the net savings, or $15,000 in this line, and the balance in Line 3693 (Other Revenue – Energy Net Meter). **However, as noted above, beginning in the period 7/1/23 through 6/30/24, all LHAs may keep 100% of their net meter credit savings (or $30,000 in the example above.)**

Solar PPA instructions

Additionally, beginning in FY2024, EOHLC permits deficit LHAs to retain 100% of electricity cost savings created by on-site solar purchased through a Power Purchasing Agreement (PPA). In these deals, an LHA executes both a lease agreement and a PPA with a solar developer, giving them permission to build a solar array on LHA property and committing the LHA to purchase electricity at a reduced rate. The monetary savings from these deals is simply the cost difference between normal utility rates and the lower electricity rate of the PPA.

To calculate the savings, LHAs will estimate savings at the beginning of their Fiscal Year. The solar developer should provide estimates for annual cost savings for each array, and the LHA may use this estimate. At the end of fiscal year during budget reconciliation, the LHA should compare the cost savings between what they would've spent on electricity versus what they spent on the PPA agreement, and how that real value compares to the earlier estimate. The LHA may keep the savings as a budget exemption.

Example: An LHA's PPA estimates they will save $10,500 in 2024. The LHA would request a $10,500 budget exemption for this estimated amount when submitting budgets at the start of their FY. At the end of the FY, the LHA reviews the output of the solar array and sees that it produced 142,000 kWh. The LHA then multiplies this production by their utilities' rate, which establishes what the LHA *would have paid* if they bought this electricity from the grid. In this case, the utility rate is $0.20/kWh, which multiplied by 142,000 kWh is $28,400. The LHA paid the solar developer $17,400, and so the actual cost savings is $28,400 - $17,400 = $11,000. $11,000 is the final budget exemption value, slightly higher than the estimated $10,500. The LHA must submit backup from utility bills to support the final budget exemption number. See PHN 2023-13.

3692: Other Revenue – Operating Reserves

This account should be credited with funds that LHAs plan to utilize from their operating reserve accounts in excess of the Allowable Non-Utility Expense Level (ANUEL). To be approvable, LHA must maintain the EOHLC prescribed operating reserve minimum level after deducting the amount budgeted. The only exception to this is when the expenses are for health and safety issues. LHAs must also provide the details of the expenses in the schedule of Expenditures in Excess of ANUEL and budget said expenses in the correct line-item accounts.

3693: Other Revenue – Energy Net Meter

Please note that beginning in FY24, all LHAs may retain 100% of their total net meter credit savings. Therefore, no net meter credits are recorded in this line. For detailed information and examples on how to enter net meter credit financial information in your operating statements, please see PHN 2020-36, updated alongside these budget guidelines.

3801: Operating Subsidy – EOHLC (400-1)

This account represents all operating subsidy received and/or earned for the fiscal year. This account should be credited with all operating subsidy forward funding payments received during the fiscal year. At the end of each quarter the operating subsidy earned is calculated on the EOHLC schedule called Operating Subsidy Calculation "ANUEL".

During the first three quarters the advance is debited or credited respectively to Account 2291 for financial statement purposes only. At the end of the fiscal year the underpayment is debited to Account 1125 and credited to Account 3801, and the overpayment is debited to Account 3801 and credited to Account 2118.

3802: Operating Subsidy – State Voucher Programs (MRVP/AHVP/DMHRSP) Landlords
The credit balance in this account represents the anticipated total receipts from EOHLC during the fiscal year for housing assistance payments to landlords. At the end of each fiscal year this account will be adjusted to equal the actual subsidy earned. The balance in this account at the end of each fiscal year should be equal to the total housing assistance payment as recorded in account 4715. For the difference between the actual receipts and the amount determined to be earned, account 1125 will be debited for amount due from EOHLC and account 2118 will be credited for amount due to EOHLC.

3920: Gain/Loss from Sale or Disposition of Property (Capitalized or Non-Capitalized)
The debit or credit balance of this account represents the following items:

a) Cash proceeds from the sale of property that was either: 1) non-capitalized; or 2) capitalized and has been fully depreciated.

b) Realized gain or loss from the sale or disposition of capitalized property that has not been fully depreciated.

BUDGET LINE ITEMS: OPERATING EXPENSES

The following section explains how each of the line items under "Expenses" is to be prepared.

4110: Administrative Salaries
This account should be charged with the gross salaries of LHA personnel engaged in administrative duties and in the supervision, planning, and direction of maintenance activities and operating services during the operations period. It should include the salaries of the executive director, assistant executive director, accountants, accounting clerks, clerks, secretaries, project managers, management aides, purchasing agents, engineers, draftsmen, maintenance superintendents, and all other employees assigned to administrative duties.

Please see Key Highlights, pages 2-3 and Section II (H), Increases in Administrative Salaries, pages 12-14 for details regarding administrative salaries and the executive director's salary.

If EOHLC's Executive Director Hiring Guidelines and staff hiring procedures are not adhered to, EOHLC reserves the right to withhold or withdraw state funding for those positions as provided for in 760 CMR 4.04. All positions must be shown in the "Schedule of All Positions and Salaries", whether or not there is a pro-ration of any share of the salary charged to state programs. EOHLC will not accept an excel spreadsheet for the "Schedule of All Positions and Salaries." Each position must be listed on the Schedule. Bonuses must be listed separately from the position's salary line.

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. In FY2020, the Schedule of All Positions and Salaries was revised to include as a source, fees from management contracts budgeted as salary for each administrative and maintenance staff. The revised Schedule includes a new field titled "Mgmt. Contracts" as a source of salary. In this field LHAs must include the budgeted salary from Management Services Agreement and other management contract fees for each **administrative** and **maintenance** staff, as applicable. LHAs will continue to enter executive director salary earned from these fees in the Schedule of Management Contracts.

Executive Director's at or beyond the global cap of $222,661 in FY2024 can request a compensation increase from the management fee, with approval from the Owner board, to be received as a bonus to the Executive Director's salary. This represents a specific exemption to the general EOHLC policy disallowing bonuses from state payments and the bonus cannot be added to the Executive Director's composite salary, nor used as a calculation towards retirement benefits. In addition, any bonus requested and approved by each Board for Executive Director's at or beyond the global maximum will be capped at 10% of the allowable management fee. Any other Executive Director awarded bonuses must be paid from non-state funds. Bonuses are to be recorded in the Schedule of All Positions and Salaries on line Two (2) directly under the Executive Director composite salary. See PHN 2022-02, page 13.

For those LHAs that maintain a Central Office Cost Center (COCC), the LHA should input the amounts in the "Other F-1" field, only. This applies to all HAFIS Schedules where the LHA is applying COCC. If the LHA is maintaining a COCC, the LHA must also include in the budget submission Dialogue Box: 1) the LHA uses the COCC methodology; 2) explain how it arrived at the COCC number; and 3) include the COCC per unit cost for both the state and federal units. EOHLC will be reviewing budgets to ensure that this information is included in the Dialogue Box. If additional space is required, the LHA may use the Comments Section of the Schedule of All Positions and Salaries to supplement its explanation.

Any funding received that is not state funding or would be considered part of a COCC should be entered as "Other F2" or "Other Sources". This could include, but is not limited to, management agreements or development fees associated with nonprofit-owned housing or USDA Housing Assistance.

If the LHA is receiving fees for services (i.e. from Management Services Agreement(s), or other management contracts where the LHA is providing a service for a separate public or private entity), the LHA must also include those fees in the Schedule of Management Contracts. The total salary input for the executive director in the Schedule of Management Contracts will be auto-calculated in the executive director line item of the Schedule of All Positions and Salaries. However, as stated above, the LHA should input the salary for all other administrative and maintenance staff taken from management fees in the Schedule of All Positions and Salaries.

Authorities must indicate under the column headed "Code" on the Schedule of All Positions and Salaries which pro-ration is used and include a description of each code. During the development period for a property, the annual salary as approved by EOHLC's Bureau of Housing Development and Construction for the executive director or any other personnel must be listed under "Development" on the schedule.

Other important guidance to note:

- The state Family Factor component of the Executive Director's salary, as calculated in accordance with the Executive Director Salary and Qualifications Schedule, must only be included in the "Other S-1" column, to ensure the state proration is accurate.

- LHAs should maintain the executive director line item as one position, despite any change that may occur to personnel holding that position within a given fiscal year.

- LHAs should explain any change that may occur to personnel holding that position within a given fiscal year in the dialogue box.

- Although bonuses and longevity payments for the Executive Director are permitted, they cannot be charged to any state housing program(s). Permitted bonuses and longevity payments (i.e., not from state sources) should be entered as a separate line item in the Schedule of All Positions and Salaries. Bonuses should be booked under the sources in which the bonuses are being paid or "Other - F2" or "Other Sources," as appropriate.

The Budget Certification, which must be executed by the Board, provides two statements addressing the existence or non-existence of relationships at LHAs. The Board must select the appropriate statement and provide documentation as necessary upon execution of the Budget Certification. **A complete disclosure of all relationships of staff to any Board or other staff member must be part of the budget submission. This must be done on an annual basis.**

- LHAs are reminded that as programs, unit counts, or unit composition change, the allowable state share of salaries also changes. If new state-aided units are added to the LHA stock, then the state share increases; if, however, the new units are federal, or other (i.e., private affordable housing) units, then the state percentage and share is reduced. If an LHA loses federal or state units, the percentage and the allowable state share of salaries must be re-determined.

LHAs have control over staffing levels and positions, provided they operated within the Budget Guidelines' ANUEL and administrative salary limits. LHAs do not need to seek EOHLC approval to re-organize their staffing levels and responsibilities, provided they implement the re-organization within these criteria. **However, the LHA must provide EOHLC with the changes and the reasons for implementation of the re-organization if administrative salaries will increase by greater than 7%**. In these situations, the LHA must include in their Budget submission a description of the re-organization for EOHLC review to ensure reasonableness and that the re-organization can be supported within the LHA's ANUEL. EOHLC will also review new management agreement submissions to ensure that there is staffing presence at the Owner LHA office during regular hours.

4120: Compensated Absences

The debit balance in this account represents the actual cost incurred during the fiscal year for vacation, paid holidays, vested sick leave and earned compensatory time. This account includes both the direct compensated absences cost and associated employer payroll expenses (employment taxes, pension cost, etc.).

4130: Legal Expenses

This account should be charged with retainers and fees paid to attorneys for legal services relating to the operation of the state-aided developments. EOHLC recommends a *minimum* budget for legal expenses of $5,000 for an LHA having 200 or fewer state-aided conventional public housing units and $7,000 for an LHA with more than 200 state-aided conventional public housing units. These costs would include filing costs, service fees, document and scanning expenses, and legal fees for services that are not provided by a Regional Attorney, Regional Legal Services Program, or through the Retained Risk Liability Program.

An authority's expense for legal services should be fixed in its budget, and as legal fees can escalate quickly, Authorities should keep a close watch on legal costs and contact EOHLC's risk management department for guidance when a legal matter appears to have costs escalating beyond the Authority's

ability to pay. Some Authorities may find that engaging in community mediation to resolve a tenant dispute before it goes to litigation is an effective way to control legal costs.

Budgeting instructions for specific legal service arrangements:

LHA engages counsel of its own choosing: Where a housing authority directly engages legal services from attorneys of their own choosing, the terms of an authority's approved contract with its attorney, which specifies an amount for either an hourly rate or set fees for legal work of a specific or extraordinary nature, should be consistent with EOHLC guidelines for legal contracts and must be approved by the EOHLC. If an authority chooses not to enter a contract for legal services, but rather engage services on an as-needed basis, it should contact its Housing Management Specialist. Legal charges must be reasonable and not exceed EOHLC guidelines. Please note that funds for legal service contracts may not be expended until EOHLC approves said contracts.

LHA works with Regional Attorney: Authorities with a EOHLC Regional Attorney available should maintain adequate funding for legal expenses in its annual operating budget. For legal costs, expenses and other incidental costs related to legal issues, EOHLC recommends a *minimum* budget of $5,000 for an LHA having 200 or fewer state-aided conventional public housing units and $7,000 for an LHA with more than 200 state-aided conventional public housing units. Each LHA is required to directly pay for its costs for mailing of notices or responses as well as costs associated with filing litigation, including court filing fees and constable service. As the LHA approaches its fiscal year end, any funds budgeted for legal services that remain unexpended or uncommitted may be transferred to another line item as allowed under these budget guidelines. Any LHA with concerns about budgeting for the minimum recommended legal expenses should discuss with their Housing Management Specialist and develop a plan to build up this line item over time.

LHA participates in Regional Legal Services Program with pre-qualified Attorney: This program is available to eligible LHAs in communities served by the Massachusetts Housing Courts MetroSouth Division, Northeastern Division, Southeast Division and Western Division. LHAs eligible for the Regional Legal Services Program will be reimbursed up to a EOHLC designated dollar amount for legal services provided by pre-qualified attorneys. Eligible LHAs will receive an announcement with their program funding for FY24.

In addition to including the recommended budget amount for legal services stated above ($5,000 or $7,000), LHAs that have signed the Regional Legal Services Participation Agreement should also add the designated annual amount for legal expenses in this line item.

For example, an LHA with 250 state-aided units has signed the agreement and has been allotted $7,000, as its designated amount, for the Regional Legal Services Program expenses. This LHA should enter $14,000 in the Legal Services budget line; $7,000 from its own funds, and $7,000 to be included as a EOHLC Directed budget exemption. EOHLC will reconcile the exemption amount to the actual expenses not to exceed $7,000 at the LHAs fiscal year end. If, at year end, this LHA has not spent its budgeted $7,000 these funds can be reallocated. The EOHLC Directed budget exemption amount of $7,000 for the Regional Legal Services Program that is not expended at the end of the fiscal year will not be transferable or reimbursed. For further information, please see the program documents or you can contact Sarah O'Leary (sarah.oleary@mass.gov) or Ayo Yakubu-Owolewa (ayo.yakubu-owolewa@mass.gov) for more information.

Retained Risk Liability Program: When an Authority incurs legal expenses through EOHLC's Retained Risk Liability Program it should follow the specific budgeting instructions contained in the Payment Authorization letter from the program administrator.

Account Exclusions: Housing Authorities should not charge this account with legal fees incurred for collection of amounts owed by former tenants. Such fees, if not recovered through the court action shall be charged to Account 4190.

4140: Compensation to Authority Board Members

A local authority may compensate its members for performance of their duties and such other services as they may render to the authority in connection with its Chapter 200 development(s). Compensation for any other program is not authorized. Because of this, LHAs must base such compensation only on the actual rent receipts for the Chapter 200 developments plus a prorated share of other operating receipts of funds on a per unit basis. The precise amount that members may be compensated is defined by statute to a maximum of $40 per member or $50 for the chairperson per day. The total of all compensation to all board members is not to exceed two percent (2%) of actual gross income of Chapter 200 developments in any given year, consistent with the approved budget amount. In no case shall the payment of compensation exceed $12,500 annually for the chairperson, or $10,000 for any member other than the chairperson. Please note the statute requires the member to perform housing authority business in order to receive compensation.

4150: Travel and Related Expense

Travel practices and policies are to be consistent with EOHLC policy. Legitimate travel expenses incurred by board members and staff in the discharge of their duties for any **state-aided program** are reimbursable from this account based upon the following considerations:

1. Registration fees for conferences are allowable for a reasonable number of LHA members and the Executive Director.

2. Charges for overnight accommodations are allowable if the conference is located at a site at least 40 miles from the community where the LHA is located. If two people, one of whom is not associated with the LHA, are occupying the room being rented by the LHA, the allowable reimbursable amount is based upon the single occupancy. The difference between single and double occupancy is borne by the individual LHA member or staff member.

3. Private auto mileage incurred in the course of authority business is reimbursable at the rate of sixty-two cents ($0.62) per mile. In addition, reasonable associated costs for parking and tolls for authorized business travel are reimbursable. A flat rate, either calculated on a weekly or monthly basis, for the business use of private vehicle is not allowable under any circumstances.

4. When employees use an authority-owned vehicle for travel, reimbursement for tolls and parking is permissible, as long as, parking charges are reasonable and cover solely the period of time during which business is conducted. All state-funded authority owned vehicles must be permanently marked with the authority name. In addition, such vehicles must be garaged at the authority, not at the employee's home, and must be used only for authority business (not commuting to work, etc.). Exceptions to this rule must have prior written approval from the Director of the Bureau of Housing Management.

5. Reimbursement for meals is allowed as below:

Breakfast:	Travel begins no later than 6:00 a.m. - $6.00 maximum allowable.
Lunch:	Travel must exceed 24 hours - $8.00 maximum allowable.
Supper:	Travel must end after 6:00 p.m. - $16.00 maximum allowable.

Those traveling 24 hours may take advantage of a more flexible policy that allows reimbursement of $30 a day rather than a meal specific policy.

6. Limited out-of-state day travel is allowable provided that the LHA can document that such travel directly benefits the LHA's administration of state housing programs. The LHA must receive prior written approval from the Director of the Bureau of Housing Management for any such travel. Allowable travel costs are limited.

In summary, the following items are not allowable as reimbursable from state funds:

- Flat rate allowances for cars, trucks, or other vehicles;
- Flat rate allowances for cell phone use;
- Payment for meals in excess of allowable amounts;
- Reimbursement for alcoholic beverages; this applies even if the total food bill is less than the maximum allowable;
- Reimbursement for car rentals; and
- Travel outside of Massachusetts without prior written EOHLC approval.

All expenses must be vouchered and have the proper documentation attached prior to payment. No expenses are allowable that exceed the approved budgeted amount in Account 4150, Travel and Related Expenses.

State funds should only be used for conferences and events relevant to state-aided housing programs.

Remember, training is shown and broken down on its own as a subdivision of 4190.

4170: Contractual Accounting Services

Only the accounting services provided routinely and performed on a contractual basis (fee accountant) should be included in this item. Full or part-time LHA accounting staff that provide routine accounting services should be included in Account 4110, Administrative Salaries. The major elements measured by EOHLC in evaluating accounting services are the timeliness with which the required financial reports are filed and their accuracy. An authority should be careful that it is satisfied that its contractual accounting services are fulfilling the authority's financial obligations since those services reflect on the authority's performance. Authorities should be sure that the fee accountant is providing the required services as outlined in the Accounting Manual.

LHAs have the flexibility to negotiate accounting fees, which they determine to be appropriate within the ANUEL.

4171: Audit Costs

This account includes the state program's prorated share of audit fees paid to an Independent Public Accountant (IPA). The procurement of an IPA is necessary to satisfy the Federal Government's requirements of Circular A-133 and the single audit requirements. Costs for these services should be shared with all state and federal programs of the LHA. **Audit costs are to be absorbed within the ANUEL.** The new Agreed Upon Procedures (AUP) audit costs should also be included in this account.

Agreed Upon Procedures (AUP)

LHAs must contract every year with a EOHLC pre-qualified Independent Certified Public Accounting firm, to conduct an Agreed Upon Procedures (AUP) financial review of the LHA's state-aided programs, including MRVP, AHVP, and DMHRSP, for the prior 12 months as of the LHA's fiscal year end. LHAs must procure a new auditor at least once every 5 years.

The review will include: rent collections/tenant accounts receivable/account write-offs; payroll/fringe benefits; disbursements/accounts payable; inventory (fixed assets); procurement/public bidding for goods and services; cash management and investment practices; and operating subsidy; and annual rent calculation and compliance.

LHAs must absorb the cost of the AUP financial review within the LHA's ANUEL.

Please refer to PHN 2021-12 and PHN 2020-26 for AUP reminders and updates. See PHN 2018-15 for EOHLC guidelines on Seeking CPA firms for the AUP Program and the most recently issued guidelines regarding compensation firms may receive, as detailed in Addendum 1 to PHN 2018-15. Compensation for services is based on the number of units that are under management by the LHA. The Addendum 1 reflects the maximum compensation firms may earn for the AUP, not including reimbursable expenses.

Reimbursable Expenses:

At the completion of the AUP report, firms should submit to the LHA invoices for payment for reimbursable expenses incurred. These submissions should be supported by invoices or receipts. The following are the only allowable reimbursable expenses:

- The cost of printing more than five copies of required submissions.
- Mileage reimbursement for driving in MA only, at a rate of $0.62 per mile.
- Any other specially authorized reimbursement deemed essential by EOHLC in writing.

Non-Reimbursable Expenses:

- An LHA shall not reimburse the firm for telephone, postage, and delivery.
- The firm shall not be entitled to compensation for the services of sub-consultants.

4180: Penalties and Interest

The LHA should manage its cash flow and accounts payable effectively. Housing Authorities will include any expenses incurred from penalties, fees, and interest paid on delinquent accounts in this line item.

4190: Administrative Other

This account is provided for recording the cost of administrative items for which no specific amount is prescribed in this 4100 group of accounts. It includes, but is not limited to, the cost of such items as: reports and accounting forms; stationery and other office supplies; postage; telephone and internet services; messenger service; armored car service; rental of office space; advertising for bids; and fiscal agent fees. This account shall also be charged for the following and only for charges directly related to state-aided housing programs.

1. Publications
   A. Costs incurred for publications (i.e. preparation, printing and distribution of annual reports and other informational literature relating to low-income programs).

   B. Cost of periodicals, books and other literature deemed useful to the low-income housing programs.

2. Membership Dues and Fees:
   A. Agency membership must be limited to professional organizations supplying housing information relevant to state-aided programs whether or not an Agency membership includes individual board members and /or staff. If it does not, the cost of membership for those individuals is not borne by the authority, but by the individual. For example, Agency membership in the Massachusetts Chapter of the National Association of Housing and Redevelopment Officials (NAHRO) includes the five Board members and the executive director, but an "Agency" membership in National NAHRO includes only the agency and not the individuals which it encompasses.

   B. Dues and fees for membership in, and payment of services of, organizations supplying technical service for computer or professional information and/or service concerning housing programs, computer licenses.

3. Telephone:
   A housing authority's expense for telephone service depends in large part on the size of its programs and staff and the complexity of its organization.

   The LHA shall reimburse an LTO for the minimum cost of basic in-state telephone service so long as the telephone service has been used solely for in state calls concerning representation of residents in state-aided public housing and for no other purpose, and so long as the LTO's need for in-state telephone service continues and is adequately documented when the LHA so requests. The LTO must present the monthly statement to the LHA for reimbursement.

   Cell Phones: The use of cellular phones at LHAs is a common practice. As a result, and as stated in the FY2007 EOHLC Budget Guidelines, a few basic rules need to be applied to the use of such phones.

   a. Employee access will need to be approved by the board.
   b. Use should be work-related only. In instances where there are charges due to personal calls, reimbursement must be made by the user to the authority.
   c. An itemized bill will need to be received and signed by the employee using the cell phone.

d. There should be a statement attached to the bill, where the employee signs and attests to the fact that no personal phone charges have been made by him/her on the phone, and that all personal charges have been reimbursed to the authority.

EOHLC strongly recommends providing an agency cell phone to staff that require a cell-phone for work. LHAs should not reimburse staff or provide flat-rate allowance for use of personal phone.

4. Rental Office Space:
   If state programs rent space in a federal development, include yearly rental charge here. All rental agreements relating to the authority renting office space require prior written EOHLC approval.

5. Forms, Stationery, And Office Supplies:
   This includes consumable supplies as well as service contracts on office machinery. Large authorities should purchase supplies in bulk and should consider A&F's Operational Services Division's statewide contracts, Commodities and Services whenever viable.

6. Shipping Charges:
   This includes incidental express, freight, or other shipping charges not identified with the charges to the same account as the article shipped.

7. Training:
   This includes all conference fees, staff training, educational rebates and other such costs.

8. Management Fee:
   Service contracts paid by LHA to another entity for cost of managing day to day operations.

9. Other:
   This includes all administrative costs, including contract computer support not described elsewhere. Internet access should be budgeted here. Legal costs specifically related to collection of debts owed by former tenants, which are not paid by the debtor, should also be included here.

4191: Tenant Organization

1. LTO Funding by the LHA.
   - Upon request, the LHA shall fund all LTOs in a city or town at the annual rate of $6.00 per state-aided public housing unit occupied or available for occupancy by residents represented by such LTO(s), or an annual total of $500.00 prorated among all such LTO(s), whichever is more. For more information on the creation and funding of LTOs, refer to 760 CMR 6.09.

   - The LHA shall disburse such funds to an LTO pursuant to an approved budget, which provides that funds will be used only for the LTO's ordinary and necessary business expenses and authorized activities (excluding social activities) with respect to state-aided housing programs. The LTO shall not make any expenditure of funds received from the LHA except in accordance with a budget approved by the LHA which approval shall not be unreasonably withheld. The LTO must submit a financial statement to the LHA at the end of the LHA's fiscal year, accounting for all LTO income from the state-aided housing

portfolio and all expenditures of such funds in accordance with their approved budget. The next year's LTO funding will not be awarded until such statement has been reviewed and approved by the LHA.

- These funds shall only be provided to the tenant organization for purposes that enable it to carry out its primary function. Namely, effective participation in the administration and management of the housing authority. Examples of allowable expenses include: office equipment; special stationery; telephone costs beyond basic service; attendance at relevant conferences; payment of dues to state tenant organizations. Ineligible expenses would include: any item or activity prohibited by law; political or religious contributions; recreational or social events; or payments to benefit individual tenants or household members.

- In addition, pursuant to Tenant Participation Regulations, each housing authority should make available to each duly recognized tenant organization upon request: reasonable space for an office; a reasonable supply of office furniture and consumable office supplies; the installation and basic service costs for a private telephone line (the tenant organization must pay for its own long-distance calls) or reimbursement for the minimum cost of basic in-state telephone service; and the use of available common rooms for tenant organization meetings.

2. Authorities which operate computer learning centers, which are funded in the state consolidated budget or by other sources (which are typically recorded in line #3691 as "Other Revenue Retained"), should budget the cost of the centers on this line.

4310: Water
This account should be charged with the cost of water and sewer charges purchased for all purposes.

4320: Electricity
This account should be charged with the total cost of electricity purchased for all purposes. Many LHAs have entered into Net Meter Credit Power Purchasing Agreements (PPAs). In these deals, an LHA executes a contract with a solar power developer who constructs and owns an off-site solar electricity-generating power station. In exchange for contracting to purchase a percentage of the solar power produced, the LHA receives a credit on its electric utility bill for each kWh purchased or in some cases receives a direct cash payment from their utility company. **Please ensure that the amount charged to this account is the total cost of electricity BEFORE any reductions due to the receipt of net meter credits.** The LHA electric bill should state both the total cost of electricity used, as well as the payment due, which will be smaller than the total cost if the LHA has had credits applied to their bill. **Please enter the pre-credit cost here.**

Note that LHAs should reflect savings from onsite PPA as a budget exemption; see instructions in PHN 2023-13 and above in section 3691.

4330: Gas
This account should be charged with the cost of gas (natural, propane, or liquefied) used as part of the utilities purchased for heating and water supplies, as well as for ranges and stoves.

4340: Fuel

This account should be charged with the cost of coal, fuel oil, steam, and any other fuels (except electricity and gas) used in connection with LHA operation of plants for the heating of space or water supplied to tenants as a part of rent.

4360: Net Meter Utility Debit/Energy Conservation
This account should record the total net meter credits earned as reported on Line 4392, MINUS the Solar Operator Costs reported on Line 4391, with the result expressed as a positive number. For example, if you reported -$20,000 in Net Meter Utility Credits on Line 4392 and $15,000 in Solar Operator Costs on Line 4391, you would add the $15,000 reported on Line 4391 to the -$20,000 reported on Line 4392 and post the remainder of $5,000 on Line 4360 as a positive number. This number—shown as positive income—essentially represents the "net" savings the LHA earned from its net meter credit contract. (Note: In addition, this account is to be charged with costs incurred for energy conservation measures. Authorities are encouraged to identify conservation measures with a short-term payback period (approximately one year or less) and to budget funds in Account 4360 of the utility section of the budget to implement those measures.

4390: Other Utilities
This account should be charged with the cost of utilities which are not provided for in accounts 4310 through 4360.

The cost of utility services is also a substantial element of operating expense. Good budgetary planning requires a thorough study of operating policies and practices that control the supply, use, and costs of utility services.

Budgeted amounts for utility expenses should be related to actual costs experienced by the authority, as opposed to a previous budget amount. A useful tool for the LHA in preparing the budget is the web-based monthly energy consumption report. You are reminded that these reports are to be submitted to EOHLC 30 days after the close of the previous month.

In addition, with continued emphasis on conservation, authorities should build consumption savings into budget estimates.

EOHLC will assist LHAs with funding for capital projects to reduce utility consumption or will assist LHAs with securing projects through the utility-funded LEAN program.

Please remember: LHAs may include septic system pumping in the other utility section of the budget rather than in the maintenance contract cost section.

4391: Solar Operator Costs
Many LHAs have entered into Net Meter Credit PPAs. In these deals, an LHA executes a contract with a solar power developer who constructs and owns an off-site solar electricity-generating power station. The LHA makes regular (usually monthly) payments to the developer for its contracted share of the solar electricity produced by the site. Those payments should be entered in this account.

4392: Net Meter Utility Credit (Negative Amount)
As noted in account #4391 above, many LHAs have executed Net Meter Credit PPAs. In exchange for contracting to purchase a percentage of the solar power produced, the LHA receives a credit on its utility electric bill for each kWh purchased from the developer, which reduces the balance on its electric bill, or,

in some cases, the credits are paid in cash to the LHA by the utility company. The total gross amount of the net meter credits that appear on the LHA's utility bills, or that it receives in cash payments, should be carried in this account and entered as a negative number. In cases where credits are paid in cash for multiple solar project offtakers to a "Host" LHA, the net balance retained by the Host LHA after paying out the amounts due the participating housing authorities should also be carried in this account and entered as a negative number.

4410: Maintenance Labor

This account should be charged with the gross salaries and wages, or applicable portions thereof, for LHA personnel engaged in the routine maintenance of the development.

Include all labor charges, including working maintenance supervisor, directly attributable to maintenance activities, such as repairs and maintenance of structure and grounds. The state prorated share of salaries should be equal to the dollar value of all approved positions or parts of positions approved for funding in the various state programs.

The Maintenance Labor Account #4410, excluding seasonal help and overtime, will be allowed the current rate published by the Department of Labor and Workforce Development (DLWD) with the following exceptions: If non-unionized maintenance personnel are currently at a rate that exceeds that of the DLWD, those employees will remain at their current approved rate until the DLWD rate exceeds this amount.

If the LHA is currently paying wages in accordance with a union contract at a rate that exceeds the DLWD rate, then in accordance with 760 CMR 4.10(1)(a), the LHA shall notify EOHLC, in writing, of its intention to begin collective bargaining, and promptly schedule and participate in a pre-bargaining conference with the EOHLC to discuss pertinent matters pertaining to the collective bargaining. The LHA shall provide EOHLC with a description of the bargaining unit. In consultation with EOHLC, the LHA may increase the rate.

Maintenance staff in a supervisory capacity rate may exceed the DLWD rate by up to $8.00 per hour at the discretion of the LHA. **The LHA must be able to support any salary increase within the ANUEL and must be able to appropriately prorate the salary to state and/or federal funds based on program units.**

Bonuses cannot be charged to any state housing programs. Longevity payments are allowed provided the payment is funded from a non-state funding source. Bonuses and longevity payments are not considered salary and should not affect retirement calculations.

4420: Materials & Supplies

This account should be charged with the cost of materials, supplies, and expendable equipment used in connection with the routine maintenance of the development. This includes the operation and maintenance of automotive and other movable equipment (such as gasoline, oil, grease, batteries, tires and tubes, etc.).

This account should also be charged with the cost of materials, supplies, and expendable equipment used in connection with operating services. This includes such items as janitorial services, elevator services, extermination of rodents and household pests, and rubbish and garbage collection.

The cost of materials, supplies, and expendable equipment furnished by a contractor (firm or individual) in connection with the performance of routine maintenance or operating services should not be charged to this account, but to Account 4430.

4430: Contract Costs

This account should be charged with contract costs (i.e., the cost of services for labor, materials, and supplies furnished by a firm or by persons other than Local Authority employees) incurred in connection with the routine maintenance of the development, including the maintenance of automotive and other movable equipment (such as washing, greasing, polishing, and repair services). This account should also be charged with contract costs incurred in connection with such operating services as janitorial services, elevator service, extermination of rodents and household pests, and rubbish and garbage collection.

Include on this line the projected cost for all maintenance work not performed by housing authority maintenance staff. This includes contracts for snow removal, landscape services, refuse collection, extermination, oil burner maintenance, etc. Also included are payments to outside tradesmen who may be called for minor electrical or plumbing repairs outside the scope of the skills of authority staff.

Include on this line any condominium fees. Also include any requests for budget exemptions related to condo fees. The exemption amount and the amount recorded on this line should be included in Section 4 of the Operating Subsidy Calculation "ANUEL" page. Please include a brief comment in the budget dialogue box describing the basis for the condo fees. While supporting documentation is not required with the budget submission, EOHLC reserves the right to request an LHA submit paperwork in support of the amount requested.

Remember that all purchases of materials and supplies as well as service contracts must comply with M.G.L. c. 30B, as enforced by the Office of the Inspector General. Contracts bid in accordance with applicable state statutes and for which the Authority has adequate funding no longer require advance EOHLC review and approval. EOHLC may, however, request to see certain contracts in the event of AUP findings on contracting or other concerns around procurement.

Any service contract that involves repairs to buildings or their systems must be procured as construction in accordance with M.G.L c. 149. Those with an estimated value over $50,000 must be procured through sealed bids and must be submitted for EOHLC review.

"Schedule of Contract Costs." LHAs should list any anticipated contract cost individually on this schedule. Items include, but are not limited to:

a) Maintenance of automotive and other movable equipment (such as washing, greasing, polishing and repair services, c. 30B);
b) Janitorial services;
c) Lawn maintenance;
d) Power washing;
e) Elevator service, if the service is limited to grease and oil changes and "no repairs" it may be procured as a service under c. 30B ($10K-$35K seek written quotes. More than $35K advertise in newspaper – this includes any options to renew). If the LHA wants to include repairs, then must bid as c. 149. In any event, whether bid pursuant to c. 30B for just services or c. 149 to include repairs, prevailing wage rates are applicable;
f) Fire Alarm, c. 149 per the Attorney General;
g) Extermination of rodents and household pests, c. 30B;

h) Rubbish and garbage collection, exempt from c. 30B;
i) Snow removal, exempt from c. 30B;
j) Oil burner maintenance, c. 30B – service only, no repairs. If the LHA wants to include repairs, it must bid as c. 149. Both cases require applicable prevailing wage rates;
k) Condo fees; and
l) Trades workers who may be called for electrical or plumbing repairs which are outside the scope of authority staff, procure per c. 149, never c. 30B. If work is less than $10K sound business practices can be used or the LHA may select the contractor from the state-contract list up to $10K cumulatively. Anything over $10K LHAs must follow c. 149 requirements.

"Contract Register"
The LHA Contract Register should include both goods and services as well as modernization contracts.

4510: Insurance
Includes the total amount of premiums charged for the period for all forms of insurance. Fire and extended coverage, boiler & machinery, and crime are handled by EOHLC on a statewide basis. Other necessary insurance policies include Workers' Compensation, vehicle liability and owner, etc. Because failure to anticipate personnel separations can lead to financial difficulties for LHAs, particularly since the Massachusetts Unemployment Insurance Law requires reimbursable method employers to reimburse DUA for benefits paid to former employees (in circumstances under which contributory employers normally are not charged), EOHLC recommends that all reimbursable method LHAs convert to quarterly contributing employers. You may change from one financing method to another by providing notice to DUA through UI Online. Once selected, that method is in effect for at least two calendar years. LHAs are required to provide notice by December 31 of the year preceding the changeover year. Guidance to make this change can be found on pages 38 and 39 of the Employers Guide to Unemployment Insurance.

Authorities should review insurance policies annually to take advantage of potentially lower rates or beneficial coverage terms that can be added. LHAs are not provided with liability insurance but can avail themselves of legal representation through the Retained Risk Liability Program and liability protection under the Massachusetts Tort Claims Act. Authorities are still required to show a more detailed breakdown of these costs on the schedule of insurance.

4520: Payments in Lieu of Taxes
This account should be charged and Account 2137 credited with all payments in lieu of taxes accruing to a municipality or other local taxing body. See Section 15(G) of the EOHLC Accounting Manual for State-Aided Housing Programs.

Payments in Lieu of Taxes (PILOT) should be determined and charged separately for each program as follows:

- Chapter 667 - None
- MRVP - None
- Chapter 200 - Maximum $3.00 PUM
- Chapter 705 - Not to exceed the amount of 1/2 Full Value Tax Ratee+ $100 times the number of bedrooms.
- Chapter 689/167 - Same formula as Chapter 705.

The housing authority should determine that all public services provided for in the cooperation agreement with the municipality are being received at no additional expense. If there are any such authority expenditures, the PILOT should be reduced to reflect these payments.

The above PILOT payments are the maximum allowed. No authority may pay any amount greater than those shown above. LHAs who have cooperation agreements with cities/towns that allow them to pay less or retain PILOT payments to cover other expenses that have been agreed upon may do so.

4540: Employee Benefits

This account should be charged with LHA contributions to employee benefit plans such as pension, retirement, and health and welfare plans. It should also be charged with administrative expenses paid to the State or other public agencies in connection with a retirement plan, if such payment is required by State Law, and with Trustee's fees paid in connection with a private retirement plan, if such payment is required under the retirement plan contract. Workers' Compensation Insurance is not charged to this account, but to Account 4510.

For the conventional housing and rental assistance budgets, this section includes payments made to employee pension and retirement funds by the authority as a supplement to contributions by its employees. Deductions from employees' salaries for pension or retirement funds shall not be included in this account but shall be considered as a part of gross salaries. Housing authority employees are eligible for inclusion in either the state or local benefit plans. **Please note that retirement costs cannot be paid from any state capital sources.**

Authorities must continue to absorb all costs associated with early retirement programs within their approved ANUEL. As stated previously, early retirement typically results in increased operating expenses due to increased pension costs, if not in the fiscal year the program was implemented, then in subsequent fiscal years. EOHLC will not make additional operating funds available to pay increased costs resulting from a housing authority's prior approval of an early retirement program.

Employee benefits are based upon a given percentage of the total payroll; therefore, the total amount approved in this account will be based on the approved budgeted salaries representing the state's fair share.

Authorities offering health insurance are restricted by law to the State Group Insurance Plan and the percentage outlined within it. Dental and vision plans may be offered. EOHLC must approve any such plan adopted. Please show detailed information on the schedule of insurance. A number of authorities have added this benefit in recent years. Plans offered should be similar to those offered to state employees.

The incentive of $1,000 in cash to employees who choose to be insured through a spouse's insurance plan rather than use the LHA's insurance is being continued this fiscal year, provided that the net result yields an overall savings to the LHA. If the LHA offers this incentive, it must be provided to employees that have already opted to be insured through a spouse's plan and to those that opt to do it now. The authority will maintain the same Total Non-Utility Spending Level. The incentive payment would continue to be recorded in this line item; however, the savings from this action may be reallocated to another line item. This allows LHAs to examine their operating budget and determine where these funds should be budgeted to best serve the LHA. The LHA must certify on an annual basis that all eligible employees are insured. The employee is required to pay back a prorated amount of the cash incentive if

the need should arise for the employee to return to the authority's insurance plan within the same fiscal year.

4541: Employee Benefits - GASB 45

Other post-employment benefits (OPEB) are part of an exchange of salaries and benefits for employee services rendered. Of the total benefits offered by employers to attract and retain qualified employees, some benefits, including salaries and active-employee healthcare are taken while the employees are in active service, whereas other benefits, including post-employment healthcare and other OPEBs, are taken after the employees' services have ended. Nevertheless, both types of benefits constitute compensation for employee services.

4542: Pension Expense – GASB 68

The Commonwealth of Massachusetts continues to be required to use the GAAP (Generally Accepted Accounting Principles) accounting format for financial reporting. GAAP Accounting provides for two forms of reporting, either governmental or enterprise. EOHLC has adopted the enterprise form of reporting.

GASB's (Governmental Accounting Standards Board) Codification, Section 1300.104, states that the enterprise fund type may be used:

- *To account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses), including depreciation of providing goods or services to the general public on a continuing basis be financed or recovered through user charges; or (b) where the governing body has decided that periodic income determination or revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control accountability or other purposes.*

Further reasons for using the enterprise version are as follows:

- It is the most accurate form for statement presentation.
- It is the HUD-preferred version and, thereby, will make LHA statements uniform across the Commonwealth.
- It is the format preferred by lending and other financial institutions.

EOHLC believes that the enterprise model provides for the use of full accrual accounting. Accordingly, EOHLC requires all LHAs to adopt the **enterprise** requirements of GAAP. (See EOHLC's Accounting Manual for State-Aided Housing Programs, Section 19 for further detail.) Budget forms are available and must be completed in the web-based HAFIS application.

GASB 68

The primary objective of GASB 68 Statement is to improve accounting and financial reporting for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions since it enables decision-useful information, supports assessments of accountability and inter-period equity, and creates additional transparency.

GASB 68 utilizes changes made by GASB 65 – Items Previously Classified as Assets and Liabilities, which introduces Deferred Outflows and Deferred Inflows of Resources. Under GASB 65, the accounting formula is now expressed as: Assets plus Deferred Outflows of Resources equals Liabilities plus Deferred Inflows of Resources plus Net Position. When accounting for accrued pension in accordance with GASB 68, it may be necessary to report deferred inflows and outflows of resources.

Operating statement:

- Account# 4542: Pension Expense – GASB 68

Balance sheet:

- Account# 1291: Deferred Outflows of Resources (GASB 68 related)
- Account# 2140: Accrued Pension Liability (GASB 68 related)
- Account# 2293: Deferred Inflows of Resources (GASB 68 related)
- Account# 2806: Net Assets - Unrestricted (excluding GASB 45 & GASB 68 Liabilities)
- Account# 2806.1: Net Assets - Unrestricted for GASB 45 Liability
- Account# 2806.2: Net Assets – Unrestricted for GASB 68 Liability

4570: Collection Loss

The balance in this account represents the estimated expense to cover projected losses for tenant rents. **Note**: Do not include losses from fraud/retroactive balances here. Report them in Account 4571 – Collection Loss – Fraud/Retroactive.

Per GAAP accounting, LHAs shall adopt an allowance method for uncollected tenant rents. Each year, LHAs should move a certain percentage of their uncollected tenant rents into Account 1123 (Allowance for Doubtful Accounts). By looking at prior years' rent charged vs. rent collected, LHAs can arrive at accurate estimates of what percentage of rent is uncollected on average per year. This estimated percentage should be set aside in Allowance for Doubtful Accounts. LHAs may also consider the age of outstanding receivables in determining this percentage. Each time LHAs set aside amounts in Allowance for Doubtful Accounts, it increases the Collection Loss Account 4570.

EOHLC issued an important Public Housing Notice (PHN 2017-13) with guidance relating to Tenants Accounts Receivable (TAR), including several significant changes. Please review PHN 2017-13 in detail. PHN 2017-13 provides comprehensive information on:

- Clarification about what balances should appear within TAR;
- How LHAs prepare for the AUP & PMR; reporting requirements for the quarterly TAR application to be released later this year;
- Changes in accounting practices for fraud/retroactive repayment agreements and details about quarterly reporting requirements in the TAR application for these agreements;
- Clarification on accounting for normal repayment agreements and details about quarterly reporting requirements per the TAR application for these agreements;
- Changes in accounting practice for Allowance for Doubtful Accounts;
- New rules for writing off uncollected rent.

4571: Collection Loss – Fraud/Retroactive

The balance in this account represents the estimated expense to cover projected losses for tenant rents due to unreported income, i.e., fraud/retroactive balances.

4580: Interest Expense

The debit balance in this account represents the interest expense paid and accrued on loans and notes payable. This debt can be from operating borrowings or capital borrowings. This account includes interest payments on debt service for Section 8 New Construction or Substantial Rehabilitation developments.

4590: Other General Expenses

This account represents the cost of all items of general expense for which no specific account is prescribed in the general group of accounts. This account includes the principal debt service payment for Section 8 New Construction or Substantial Rehabilitation developments.

4610: Extraordinary Maintenance – Non-Capitalized

This account should be debited with all *costs* (labor, materials and supplies, expendable equipment—such as many tools or routine replacement parts—and contract work) of repairs, replacements (but not replacements of non-expendable equipment), and rehabilitation of such a substantial nature that the work is clearly not a part of the routine maintenance and operating program. The items charged to this account should not increase the useful life or value of the asset being repaired. These items are not capitalized and are not added as an increase to fixed assets at the time of completion, nor are these items depreciated. An example of non-capitalized extraordinary maintenance would be mass replacement of battery-operated smoke/fire alarms.

4611: Equipment Purchases – Non-Capitalized

This account should be debited with equipment costs that do not meet the LHA's criteria for capitalization. Because these items are being expended when paid, they should not be categorized as fixed assets and therefore will not be depreciated. These items include stoves, refrigerators, small tools, most computers and software, etc.

The budget is a planning tool and, as our portfolio ages, it is essential that LHAs evaluate their properties annually and plan for extraordinary maintenance. To that end EOHLC very strongly recommends that for all 400-1 operating budgets, depending on the age of the portfolio and condition, LHAs spend between $100 and $500 a year per unit in Extraordinary Maintenance (4610), Equipment Purchases (4611), Replacement of Equipment (7520), and Betterments & Additions (7540) to ensure that the aging public housing stock is preserved. Budgets that are not submitted within this range will be carefully reviewed.

4715: Housing Assistance Payments

This account should be debited on a monthly basis with all housing assistance payments paid to landlords for state rental assistance programs.

4801: Depreciation Expense

This account should be debited with annual fixed asset depreciation expense as determined by the LHA's capitalization policy (see EOHLC Accounting Manual for State-Aided Housing Programs, Section 16).

7520: Replacement of Equipment - Capitalized

This account should be debited with the acquisition cost (only the net cash amount) of non- expendable equipment purchased as a replacement of equipment of substantially the same kind. These items, such as vehicles or furniture, meet the LHA's criteria for capitalization and will also be added to fixed assets and therefore depreciated over the useful life of the asset.

7540: Betterments & Additions - Capitalized

This account should be debited with the acquisition cost (only the net cash amount) of non-expendable equipment and major non-routine repairs that are classified as betterments or additions. These items meet the LHA's criteria for capitalization and will also be added to fixed assets (and therefore depreciated over the useful life of the asset). Examples include major roof replacements or structural repairs, such as siding or paving work.

In accordance with GAAP accounting, inventory purchases (Replacement of Equipment and Betterments & Additions) are distinguished between capitalized and non-capitalized items. Any inventory or equipment purchase greater than $5,000 is required by EOHLC to be capitalized, inventoried, and depreciated. Any inventory or equipment purchase costing between $1,000 to $4,999 should be inventoried by LHA staff (for control purposes only) but is not subject to capitalization or depreciation; it is, however, required to be expensed when the items are paid for. An LHA's inventory listing should include both capitalized and non-capitalized items of $1,000 and more, as well as all refrigerators and stoves of any value. All items that appear on the inventory listing should be tagged with a unique identification number, and all refrigerators and stoves (regardless of value) should also be tagged. LHAs may adopt a capitalization policy that capitalizes inventory purchases at a lesser amount than the $5,000 requirement (i.e., $1,000 - $4,999); however, no capitalization policy can have an amount higher than $5,000. Any inventory or equipment purchases costing $0 to $999 are to be expensed when paid for. Please reference EOHLC's Accounting Manual for State-Aided Housing Programs, Section 15 (D) for further detail.

Operating Reserve and Operating Reserve Analysis Form

In an effort to provide an appropriate operating reserve ("OR") comparison from prior years to the current year, EOHLC has provided the Operating Reserve Analysis Form to adjust your GAAP operating reserve balance to the prior EOHLC accounting method.

EOHLC has rules for minimum OR thresholds that require EOHLC approval when spending below this threshold **unless the expenses are to resolve health and safety issues**. For further guidance, please review PHN 2018-04.

All LHAs, whether deficit or retained, that are budgeting above the ANUEL, paid for from OR, should budget these expenses in the correct line item.

All LHAs are responsible for any expenditures above the ANUEL paid for from OR. EOHLC will not provide additional assistance, now or in the future.

Net Assets (Balance Sheet Account 2806)

Any expenditure from OR that will result in a projected OR of less than 35% of the maximum reserve level requires prior written approval from EOHLC, unless the expense is to resolve health and safety issues. LHAs should submit the operating reserve request form for approval.

Other Expenses and Capital Expenditures Sections

The Other Expenses and Capital Expenditures section of the budget, like the rest of it, is a blueprint. All predictable and/or planned expenditures for the upcoming 12 months need to be included in the schedule of expenses. EOHLC gives LHAs with sufficient reserves the latitude to incur these costs without prior approval to assist them in making needed expenditures in a timely manner for unanticipated or emergency situations that arise during the fiscal year. LHAs must adhere to the bid laws during procurement. LHAs are encouraged to show as many expenses on their budget as they can reasonably predict. Only

expenditures known to EOHLC will be taken into consideration when determining the level of OR available for dedication to an LHA's contribution toward modernization.

LHAs may execute, without EOHLC review and approval, contracts for capital work in amounts less than $50,000 as a result of expenditures made pursuant to the above, provided that the Authority follows the bidding requirements of applicable statutes and regulations. EOHLC has temporarily waived the provisions of the CFA that require housing management review and approval for the contracts s mentioned.

Certain force account projects will need approval from the Bureau of Housing Development & Construction.

All modernization work approved by EOHLC and funded by LHA reserves will continue to be allowed to use up to 10% of the amount for administrative costs. For AIMM qualified housing authorities, this amount is 13% (See Admin Fee Guidelines). These costs may be budgeted at the discretion of the LHA, subject to EOHLC's approval.