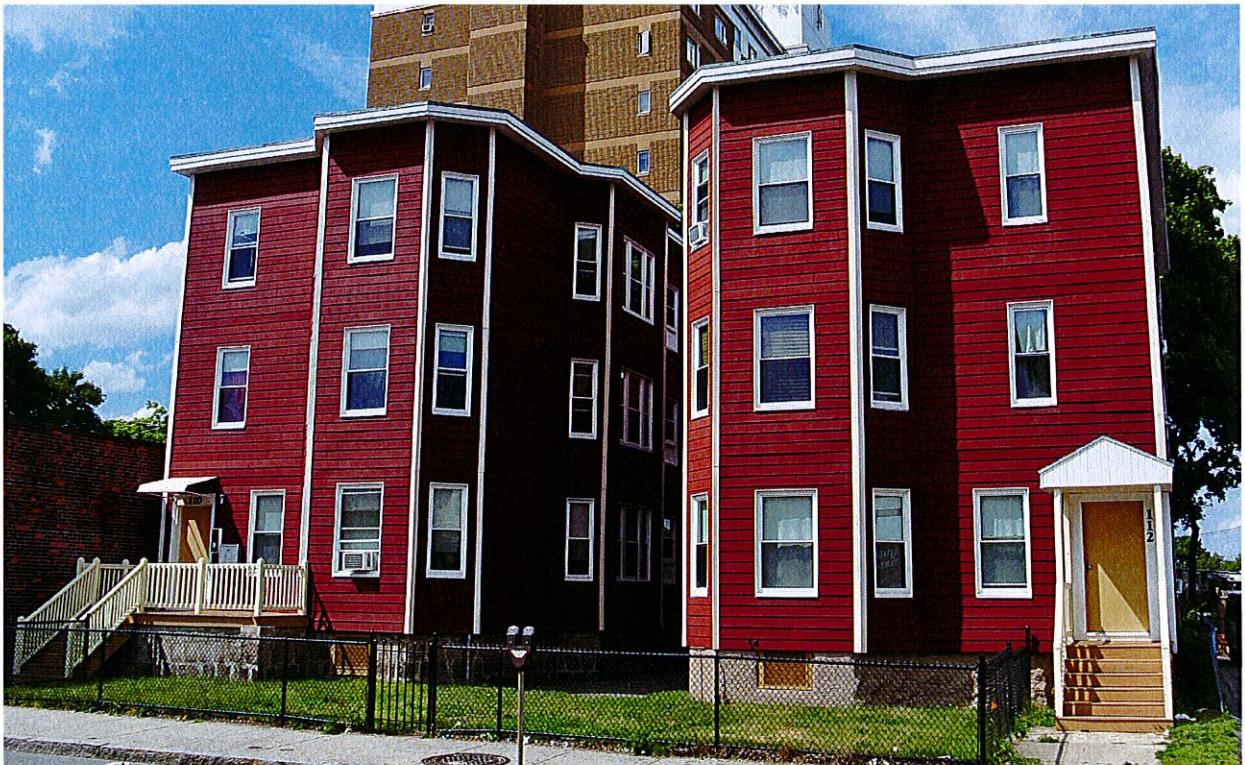




Deval L. Patrick, Governor ♦ Aaron Gornstein, Undersecretary

Department of Housing and Community Development

Public Housing Notice 2014-23



FY 2015 Local Housing Authority Budget Guidelines

November 12, 2014

Steven Carvalho, Acting Associate Director

Division of Public Housing and Rental Assistance

Cover photo: c. 705; Revere Housing Authority



Commonwealth of Massachusetts
**DEPARTMENT OF HOUSING &
COMMUNITY DEVELOPMENT**

Deval L. Patrick, Governor ◆ Aaron Gomstein, Undersecretary

November 12, 2014

To our housing authority partners,

This year the FY 2015 Local Housing Authority Budget Guidelines provide for a 3% increase to the Allowable Non-Utility Expense Level (ANUEL). The 3% increase is effective for all Local Housing Authorities (LHAs) at the start of the LHA's fiscal year. This increase in the ANUEL is due to the continuing benefits of three major initiatives undertaken over the past several years, the utility cost savings achieved from the allocation of millions of dollars of DHCD funds and ARRA funds invested in utility efficiency improvements. In addition, the federalization of approximately 4,000 state-aided public housing units, allowed for the redirection of operating subsidy funds to the remaining state-aided units. These initiatives were successful due to the dedication, cooperation and commitment of all stakeholders to sustaining and improving state-aided public housing.

With the support and commitment of the Patrick Administration and the Legislature for the state-aided public housing program, and the passing of Chapter 235 of the Acts of 2014, "An Act Relative to Local Housing Authorities" we have paved the way for the most significant reform to the state public housing system since it began decades ago. In part, the legislation increases transparency among Local Housing Authorities (LHAs), provides DHCD with the tools necessary to monitor LHAs' operations, and increases efficiencies and economies of scale for the delivery of services to tenants. One of the several mandates of the legislation requires that each LHA must contract with an independent external auditor annually to perform an "agreed upon procedures" review of the LHA's financial records. The review must be posted on the LHA's and DHCD's websites. The details of this program will be sent out as a Public Housing Notice.

The 3% increase in the ANUEL will assist LHAs with the cost of the financial review. Also, LHAs should plan to use the increase in the ANUEL to maintain and preserve the properties by re-directing funds to maintenance needs, including unit turnover, deferred, routine, preventive and extraordinary maintenance and increasing operating reserves. This will ensure that we continue to preserve this valuable asset, housing for low and moderate income individuals and families across the Commonwealth.

Lastly, you will see that we have incorporated two new schedules to be completed as part of the budget submission. This has been done to help DHCD better understand across the Commonwealth the breakdown of anticipated costs to certain line items. Understanding the budgeted costs assists us in developing new initiatives. The details of these schedules are also included in the FY 2015 Local Housing Authority Budget Guidelines.

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

Sincerely,

A handwritten signature in blue ink, appearing to read 'Steven Carvalho', with a long horizontal flourish extending to the right.

Steven Carvalho, Acting Associate Director, Division of Public Housing and Rental Assistance

WHAT'S NEW *IN* 2015?

- **3% ANUEL increase, effective for all LHAs at the start of the LHA's fiscal year**
- **Increases to all salaries must be reasonable**
 - **The total Administrative Salaries, Account No. 4110, is allowed an increase of not more than 3%**
 - **A maximum increase of 3% is allowed for the executive director salary**
- **Annual Agreed Upon Procedures (AUP) financial review to be performed by a DHCD pre-qualified Independent Public Accounting firm of the LHAs state-aided programs including MRVP and AHVP for the prior 12 month period as of the LHAs fiscal year end.**
- **Two new schedules to be completed**
 - **Schedule of Administrative Other, Account No. 4190**
 - **Schedule of Contract Costs, Account No. 4430**
- **Vacant Unit Initiative (up to \$25K/unit) – Funds available, as needed. Refer to Public Housing Notice 2014-17**
 - **To receive an award under this initiative in excess of \$3,500 an LHA must first contribute any operating reserve amount in excess of 70% and demonstrate that no other CIP projects may be deferred.**

**KEY HIGHLIGHTS AND
CHANGES IN FY 2015**

- 1. The Allowable Non-Utility Expense Level (ANUEL) will be increased by 3.0% in FY2015, effective July 1, 2014 for all local housing authorities at the start of the LHA's fiscal year.** It is expected that LHAs will utilize this increase by directing these funds to expenditures that preserve the LHAs assets. Please do not submit a budget that exceeds the housing authority's approved ANUEL. All budgets received that exceed the ANUEL will be reverted and must be modified.
- 2. Increases to the Administrative Salaries Line (#4110) may not exceed 3%. An Executive Director salary is allowed a maximum increase of 3%.** Increases to all salaries must be reasonable. The "Schedule of All Positions and Salaries" must list all positions and salaries and must reflect total compensation of all administrative positions in the LHA's operating budget submission. All positions must be shown whether or not there is a pro ration of any share of the salary charged to state programs.

LHAs have flexibility to propose salary changes for all administrative staff, provided that the total increase in overall salaries charged to state programs does not exceed 3% of last year's approved #4110 account; and the LHA can support the cost within the allowable non-utility expense level. LHAs are reminded that as programs, unit counts, or unit composition changes the allowable state share of salaries also changes. If new state units are added to the LHA stock, then the state share increases; if, however, the new units are federal units, then the state percentage and share decreases. If an LHA loses federal or state units, the percentage and allowable state share of salaries must be re-determined.

An exception to the maximum salary increase of 3% for an executive director may occur in accordance with the provisions of DHCD's Public Housing Notice 2007-06; Executive Director Salary and Qualifications Schedule Effective 07/01/07. An increase of more than 3% may occur due to a step increase. Any increase must be absorbed within the allowable 3% increase to the #4110 account. LHAs are reminded that in accordance with Public Housing Notice 2012-02, total compensation of the Executive Director is capped at \$160,000.

- 3. The Maintenance Labor (Account #4410), excluding seasonal help and over-time, will be allowed a 3% growth over the FY2014 approved account or the rate published by Department of Labor and Workforce Development (DLWD); whichever amount is higher will apply.** Salary increases granted during the authority's fiscal year will need to be considered part of the 3% increase and not part of the salary base.

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

Massachusetts Department of Housing and Community Development

FY 2015 LOCAL HOUSING AUTHORITY BUDGET GUIDELINES

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

- 4. Annually, LHAs will be required to enter into a contract with a DHCD pre-qualified Independent Public Accounting firm to conduct an Agreed Upon Procedures (AUP) financial review of the LHA's state-aided programs including MRVP and AHVP. The review will include:** rent collections/tenants accounts receivable/ vacated accounts; payroll (salaries & fringes); employees travel disbursements/accounts payable; inventory (fixed assets); modernization funds; procurement/public bidding; cash management & investment practices; and operating subsidy & reserves for **the prior 12 months as of the date of the LHA's fiscal year end.** LHAs are required to absorb the cost of the AUP audit within the LHA's Allowable Non-Utility Expense Level (ANUEL).

The guidelines and requirements of the AUP Audit will be considered to be incorporated within these FY '15 Budget Guidelines upon issuance. A Public Housing Notice will be issued which will provide the names of the pre-qualified accounting firms, guidelines, requirements, and effective date.

- 5. The "Schedule of Administrative Other" (Account #4190) and "Schedule of Contract Costs" (Account #4430) must be completed** The "Schedule of Administrative Other" records specific information about the cost of administrative items for which no specific amount is prescribed in the 4100 group of accounts, included but not limited to items such as: reports; publications; stationary and other office supplies; postage; telephone services; rental of office space; advertising; dues and fees for memberships, etc. (See Question K under Housing Authority Budget Q & A) LHAs should use the broad categories of K, 1-10, described to report anticipated administrative other costs. The "Schedule of Contract Costs" records specific information about cost of services for labor, materials, and supplies furnished by a firm or by persons other than LHA employees, operating services such as janitorial services, elevator service, extermination services, rubbish and garbage collection, snow removal, burner maintenance, etc. (See Question L under Housing Authority Budget Q & A). LHAs should list any anticipated contract cost individually on this schedule. Information has been provided regarding the bidding criteria as a guide in the Q & A.
- 6. Public Housing Notice 2014-17 contains information regarding the availability of funds up to \$25,000 per unit for Vacant Unit Initiative.** To request vacant unit initiative funds in excess of \$3,500 an LHA must first contribute any operating reserve amount in excess of 70% and demonstrate that no other CIP project can be deferred. To request funds for vacant units with costs under \$3,500 per unit, when the LHA does not have sufficient operating reserves, contact your LHAs assigned Housing Management Specialist to request consideration of a budget exemption.
- 7. Housing authorities with either a July 1, 2014 or an October 1, 2014 budget start date have forty-five (45) days from the date of these Budget Guidelines to submit their budget(s).** Housing authorities with a January 1, 2015 budget start date have until December 31, 2014 to submit their budget(s).

Massachusetts Department of Housing and Community Development

FY 2015 LOCAL HOUSING AUTHORITY BUDGET GUIDELINES

BUDGETING OVERVIEW

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

These Budget Guidelines apply to fiscal year 2015 which begins July 1, 2014, and includes LHA budget years of:

- July 1, 2014 - June 30, 2015,
- October 1, 2014 - September 30, 2015,
- January 1, 2015 - December 31, 2015, and
- April 1, 2015 - March 31, 2016.

Budgets are due thirty days prior to the start of an LHA's fiscal year. However, LHAs with either a July 1, 2014 budget start date or an October 1, 2014 budget start date have forty-five days after the issuance of these budget guidelines to file their budget(s). Housing authorities with a January 1, 2015 budget start date have until December 15, 2014 to submit their budget(s).

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

The Guidelines highlight changes from the previous year and spotlight topics of special interest. The detailed descriptions of budget line items are located in the Accounting Manual and no longer repeated in the Guidelines. Requirements and initiatives of a continuing nature introduced in previous budget guidelines are still in effect unless specifically noted otherwise by the Department. Continuing items are chronicled in the Accounting Manual, and previously issued Local Housing Authority Guidelines. The FY2007 Local Housing Authority Budget Guideline was the last comprehensive guideline issued by DHCD.

Every year, each LHA is responsible for preparing an operating budget for its programs for submission to state and federal funding agencies (DHCD and HUD) as applicable, and for reviewing its approved capital budgets. An LHA budget must be carefully and openly prepared with the full understanding of the LHA's board and any recognized Local Tenants Organization (LTO).

The LHA is responsible for formulating and operating within its budget. To assist the LHA, the fee accountant or LHA staff accountant will provide quarterly operating statements to the executive director which will include budget-to-actual reports for all state programs and a variance report which identifies unanticipated variances of 10% or greater in individual line

Massachusetts Department of Housing and Community Development

FY 2015 LOCAL HOUSING AUTHORITY BUDGET GUIDELINES

items. The executive director will provide this report and written explanation of any variances to each member of the Board of Commissioners, quarterly.

DHCD BUDGET APPROVAL PROCESS: Our goal is to meet the review and approval timeframes outlined in the FY 2012 Local Housing Authority Budget Guidelines. It is important to note that a complete submission allows for efficient processing of an LHA's proposed budget submission.

WHAT YOU CAN DO TO ENSURE THE QUICKEST BUDGET APPROVAL: Ensure that your budget submission contains all the required documents as described.

- 1. DHCD will only accept operating budgets for which a completed budget certification form is received.**

The Budget Certification form is required with each budget (400-1, 400-9, 689, MRVP, Section 8 New Construction/Substantial Rehabilitation). The Budget Certification form signifying the board's approval is an essential element of the budget submission and DHCD will not initiate a review or approve a budget without the Certification. The Certification must be signed by each board member, whether the board member individually voted yes, no, abstained or was absent from the board meeting. An accurately submitted certification with all required information completed, including check boxes appropriately marked, will assist in the timely processing of the budget(s). A complete submission includes two original Certification pages with signed and sealed extracts of the minutes signed by the Secretary Ex Officio from the board meeting approving the proposed budget.

- 2. Within ten (10) working days of acceptance, DHCD housing management specialist will review the proposed operating budget to determine whether it is a complete or incomplete budget submission. A complete operating budget submission includes the following:**

- Completed budget certification form;
- Accurate and complete "Report of LHA Units."
- ANUEL and Subsidy Worksheet
- Salary schedule/excel spreadsheet with all positions;
- Contract cost schedule
- Administrative other schedule

Within forty-five (45) working days of acceptance of complete operating budgets, DHCD will notify you of any significant question or concern raised by your submission.

Within sixty (60) working days of acceptance of complete operating budgets, DHCD will provide electronic budget approval.

Massachusetts Department of Housing and Community Development

FY 2015 LOCAL HOUSING AUTHORITY BUDGET GUIDELINES

3. An explanatory letter or e-mail identifying any variance from the norm or area that the proposed budget deviates from these Budget Guidelines. The explanation must highlight all major changes in the proposed budget.

What happens if a submission is incomplete or exceeds the Allowable/Approvable ANUEL: If the submission is incomplete or exceeds the ANUEL, the proposed budget will be reverted to a housing authority for modification or completion along with the LHA's budget submissions for all other programs. Situations such as this will result in delays in obtaining an approved budget.

Until such time that 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 exemptions. No new expenditures for additional staffing or salary increases may be made until the new budget has been approved by DHCD.

Massachusetts Department of Housing and Community Development

FY 2015 LOCAL HOUSING AUTHORITY BUDGET GUIDELINES

**HOUSING AUTHORITY
BUDGET Q & A:**

The following section answers some of the most common questions about the budget and its submission process. It is provided for easy reference for the LHA and its constituents in understanding the LHA's budgeting.

A. What does the 400-1 budget represent?

The 400-1 budget represents the LHA's conventional housing programs (c. 200, c. 667 and c. 705). It is one budget prepared for the consolidated operation of the LHA's state-aided public housing programs.

B. In preparing its budget, how much flexibility will an LHA be given?

Within the requirements set by Mass General Laws and DHCD regulations, and guidelines the LHA has full latitude in determining how best to budget allowable operating expenses to meet its program needs locally, provided that the LHA's management performance has been deemed acceptable.

For an LHA whose management performance has been determined to be less than acceptable, certain restrictions apply. The LHA will not have budget flexibility, will not be eligible for incentive programs, and cannot receive salary increases until the performance has improved to an acceptable level.

C. How is an LHA's performance rated?

An LHA's performance is based on its compliance with DHCD regulations, the strength of its management systems, and its overall performance during the past year. DHCD will work with an LHA with less than acceptable performance to establish a corrective work plan which includes a timetable to address operating deficiencies or non-compliances.

D. How do spending levels apply to those 667, 689, 705, and 200 developments funded under the Section 8 New Construction and Substantial Rehabilitation Program?

Spending levels for Section 8 New Construction/Substantial Rehab developments are contingent upon the HUD allowable contract rents for the LHA's fiscal year. LHA operating costs for these programs cannot exceed the allowable contract rent for the development.

E. How is the 689 program affected?

The 689 program spending level is limited by the contribution available under the contract between the LHA and the vendor. In formulating budgets for the 689 program, adequate funding must be provided to ensure adequate maintenance services are assigned to each program development. LHAs are expected to prorate costs such as administrative salaries and related benefits, and other administrative costs in direct proportion to the percentage of an LHA's portfolio that the leased units comprise. Other costs such as travel, insurance, and accounting services should be charged on the basis of actual cost to the 689/167 program.

Massachusetts Department of Housing and Community Development

FY 2015 LOCAL HOUSING AUTHORITY BUDGET GUIDELINES

NOTE: LHA's are reminded that Lease/ Management Contracts governing this program now allow for Cost of Living Adjustments (COLA) as determined by the Social Security Administration for the upcoming year. Any resulting rent increases should be incorporated into overall program budgeting/expenditures. Increases are effective on the anniversary date of the lease/contract.

F. How are Rental Assistance budgets established?

The rental assistance spending level is established based on the administrative fee for the program. The MRVP administrative fee is \$40.00 per unit per month. Any expenditure from MRVP reserve funds, whether for routine or non-routine costs, needs prior written approval from DHCD. DHCD will not approve any budget submission or expenditure which will place the operating reserve for the rental assistance program in a negative status.

The AHVP administrative fee is \$40.00 per unit per month. The DMH project-based rental assistance administrative fee is \$40.00 per unit per month.

G. Can LHAs that are required to implement project-based budgeting for their federal public housing units use the same system for their state public housing developments?

LHAs with Federal Low Rent Public Housing units of 400 or more are now required by HUD to implement project-based budgeting for their federal programs. Inherent in this methodology is the concept that only costs directly associated with a particular project can be charged to that project and that other overhead costs must be allocated to a Central Office Cost Center (COCC). HUD provides for LHAs to fund the Central Office Cost Center with a fixed per-unit management fee to cover all COCC expenses. This poses a problem in budgeting and accounting for State programs, especially in the areas of Administrative Salaries, Legal, Other Administrative Expenses and Maintenance Labor, because these costs will now be captured by the COCC and will not be reflected as a direct cost of the State program(s).

DHCD will allow those LHAs using federal project-based budgeting to prepare the state operating budget to conform to the HUD-prescribed method with some exceptions.

DHCD will allow an LHA to use a Central Office Management Fee and a Central Office Bookkeeping Fee that will be shown as an expenditure in account 4190 – Administrative Other. The fee is to be equal to the prior year DHCD approved costs for the included items. The LHA may request a higher fee(s) (but in no case higher than the maximum allowable federal fee of \$72.10 per occupied/leased unit for central office costs and \$7.50 occupant/leased unit for bookkeeping services), but will be required to support that amount with a detailed breakdown of the individual people and expense line items, by program, that make up the expenses and the differences between the amounts proposed, and those now being charged to the Central Office Cost Center. Such requests should be forwarded to DHCD as quickly as possible to prevent delays in budget approvals. DHCD will base its approval of such additional spending requests on the backup presented and historical spending information.

The LHA will still be required to present a budget that conforms to the allowable ANUEL set by DHCD for FY 2015. A summary of total costs by program (including all Federal and State), by line item, must be completed to allow DHCD to determine that the LHA has conformed to the

Massachusetts Department of Housing and Community Development

FY 2015 LOCAL HOUSING AUTHORITY BUDGET GUIDELINES

allowable ANUEL in the budget guidelines. This detailed breakdown will be required to be in Excel format and e-mailed along with the budget submission.

H. Are lead paint certifications submitted with the 400-1 operating budget?

No. Lead paint certifications must be submitted with the year-end financial statement certifications.

I. When are accounts payable required to be accrued?

Accounts payable must be accrued on a quarterly basis and included on LHAs' quarterly operating statement, as well as on the year-end operating statement(s). All operating statements must accurately reflect any accounts payable.

J. Who is responsible for completing the Accounts Receivable reports as part of the Quarterly Operating Statements?

There are two schedules for the reporting of accounts receivable. One report identified as Accounts Receivable LHA must be completed by the LHA as it contains information regarding repayment agreements that the LHA has entered into with tenants. The second report identified as Accounts Receivable FA must be completed by the fee accountant or financial person preparing the statements.

K. What items are included in Account #4190, Administrative Other?

This account #4190, Administrative Other, 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 telegraph services; messenger service; armored car service; rental of office space; advertising for bids; and fiscal agent fees. This account shall be charged for the following and only for charges directly related to state-aided housing programs:

1. PUBLICATIONS:

Publications purchased or subscribed to must be useful to LHA program operations. The estimated cost of preparing LHA publications such as the Annual Report should be realistic and reasonable.

- a) Costs incurred for publications (i.e. preparation, printing and distribution of annual reports and other informational literature relating to low-income programs)
- b) The cost of periodicals, books and other literature deemed useful to the low-income housing programs;

2. MEMBERSHIP DUES AND FEES:

Agency membership must be limited to professional organizations supplying housing information relevant to state-aided programs. It must be determined 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 borne not by the authority, but by the individual. For example, "Agency" membership in the Massachusetts Chapter of the

Massachusetts Department of Housing and Community Development

FY 2015 LOCAL HOUSING AUTHORITY BUDGET GUIDELINES

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.

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

3. COLLECTION AGENCY AND COURT COSTS:

This includes collection agency fees and court costs associated with action against tenants or former tenants for rent arrearages.

- a. Fees paid to attorneys or collection agents and court costs incurred in connection with the collection of amounts due from tenants which are not chargeable to tenants.

4. 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.

- a) The LHA should provide the service for one telephone line to each recognized local tenant organization, if requested by the organization. Additional lines should be paid out of the resident organization's annual budget. In large authorities where a city-wide resident organization exists and developments are scattered, additional lines may be supplied

- b) Cell Phones: The use of cellular phones at LHAs is a common practice. As a result, and as stated in the FY 2007 DHCD Budget Guidelines, a few basic rules need to be applied to the use of such phones:

1. Employee access will need to be approved by the board.
2. 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.
3. An itemized bill will need to be received and signed by the employee using the cell phone.
4. 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.

5. RENTAL OF 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 Department approval.

6. 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.

Massachusetts Department of Housing and Community Development

FY 2015 LOCAL HOUSING AUTHORITY BUDGET GUIDELINES

7. SHIPPING CHARGES:

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

8. TRAINING:

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

9. MANAGEMENT FEE:

Service contracts paid by LHA to other entity for cost of managing day to day operations

10. OTHER:

This includes all administrative costs, including contract computer support not described elsewhere. Internet access should be budgeted here.

L. What items are included in Account #4430, Contract Costs?

This account #4430, Contract Costs, 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 project. Include on this line the projected cost for all maintenance work not performed by housing authority maintenance staff. Including but 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. 30B;
- c) Lawn Maintenance; c. 30B
- d) Power Washing; c. 30B (Prevailing wage rates are applicable);
- e) Elevator service, if the service is limited to grease and oil changes and "no repairs" it may be procured as a services 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 a c.149. In any event, whether its c.30B for just services or c.149 prevailing wage rates are applicable;
- f) Fire Alarm Maintenance, c. 149 per the attorney general;
- g) Extermination of rodents and household pests, c. 30B;
- h) Rubbish and garbage collection, exempt from c. 30B; Use Sound Business Practices
- i) Snow removal, exempt from c. 30B;(Use Sound Business Practices)
- j) Oil burner maintenance, c. 30B – Service only, no repairs. If the LHA wants to include repairs, bids are subject to c. 149. Both cases require applicable prevailing wage rates; The Tradesperson Repair and Maintenance state-wide contract FAC 70 may be used to solicit quotes for minor construction related items with an estimated cost of \$10,000 or less until December 31, 2014. This contract will expire on that date and will not be renewed by OSD. See OSD User Guide FAC 70.

Remember that all purchases of materials and supplies, including **construction materials**, must comply with the procurement policy as established by M.G.L. c. 30B or M.G.L. c. 30 s.39M for construction materials over \$10K. Contracts bid in accordance with applicable state statute and

Massachusetts Department of Housing and Community Development

FY 2015 LOCAL HOUSING AUTHORITY BUDGET GUIDELINES

for which the Authority has adequate funding no longer require advanced Department review and approval. **Contracts which become construction contracts when they reach \$25,000 such as those for elevator and fire alarm and all other construction contracts need additional Department oversight and review must continue to be submitted.**

M. When can projected operating reserve be used for operating expenses?

A deficit housing authority with a projected operating reserve, which is at or above 20% of maximum reserve level, may use their reserves for operating expenses. However, the use of these reserves cannot result in the reserve level falling below 20% of maximum reserves.

If a **deficit housing authority overspends** their approved ANUEL throughout their fiscal year, they **will do so without an approved DHCD exemption and DHCD will not approve a budget exemption to augment the operating reserve.**

A deficit housing authority with a projected operating reserve **below 20%**, **cannot** use their operating reserves for operating expenses, **unless these** funds are used to address **health and safety items**. Expenditures for health and safety items must receive prior written permission from DHCD.

The LHA must account for the use of operating reserves for operating expenses in the following manner:

Account #3692, Other Revenue Operating Reserve, must include the amount of operating reserves to be used for operating expenses;

the operating expense(s) must be included in the appropriate line item Account #; and

the Schedule of Expenditures in Excess of ANUEL must be completed indicating the description of and the amount of the expense(s).

N. What are the requirements for an LHA to receive Retained Revenue Status?

A housing authority requesting **retained revenue status must have a projected operating reserve level of 40% of maximum reserve level**. Please refer to FY2007 Budget Guidelines for additional criteria for a retained revenue housing authority.

O. If an LHA budgets expenditures above the allowable non-utility expense level (ANUEL) but does not have reserves above 20% of maximum reserve level will DHCD provide additional assistance?

P. When are year-end operating statements due?

Year-end operating statements must be submitted within forty-five (45) days after year-end. Operating subsidy will not be advanced to a housing authority that fails to meet this submission requirement. Housing authorities will not be advanced operating subsidy for the second quarter of their current fiscal year if the prior year-end statement is not submitted within this time frame.