



Deval L. Patrick, Governor ♦ Timothy P. Murray, Lt. Governor ♦ Tina Brooks, Undersecretary

Department of Housing and Community Development

Public Housing Notice 2010 - 08



FY 2011 Local Housing Authority Budget Guidelines

August, 2010

Laura Taylor, Director

Bureau of Housing Management

Cover photo: Rainbow Terrace, Salem Housing Authority (c. 200-2)

Massachusetts Department of Housing and Community Development
FY 2011 LOCAL HOUSING AUTHORITY BUDGET GUIDELINES



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

Deval L. Patrick, Governor ♦ Timothy P. Murray, Lt. Governor ♦ Tina Brooks, Undersecretary

To our housing authority partners,

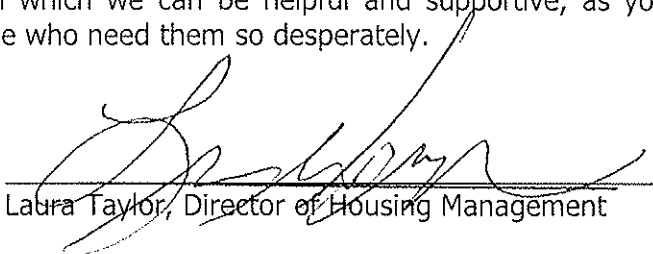
Thank you for your continued efforts on behalf of our constituents. The perseverance and determination you have consistently demonstrated are what will get us through these difficult fiscal times. The Governor and Lieutenant Governor continue to place a high priority on public housing. Evidence of this has been shown through the Administration's unwavering commitment, as we have been spared the kinds of cuts other state agencies and community providers have experienced. The operating subsidy appropriation remains at \$62.5 million for Fiscal Year 2011. As a result, these budget guidelines will implement a 0% increase of the allowable non-utility expense level (ANUEL).

We want to acknowledge that although there is no reduction in the ANUEL, costs have increased, and without an increase in your ANUEL, your operations will be affected. We have faith in you and in our collective ability to work effectively through the financial challenges that we face. You all have been amazing in your ability to continue the mission of providing public housing with vastly insufficient resources, and we will continue to work together to have DHCD support you in every way we can. We learn from each interaction we have with you, and we will continue to challenge ourselves to do our best to add value to housing authority operations. Thanks for your wise stewardship of this most valuable asset.

WHAT'S NEW IN 2011:

- **ANUEL is Level Funded (0% Increase)**
(p. 2)
- **Quarterly Reporting of Tenants Accounts Receivables (TAR)** (p. 2)
- **Budget Submission and Approval Process Timeline has been reduced.**
(p. 3)

Please continue to let us know of ways in which we can be helpful and supportive, as you continue to protect these units for the people who need them so desperately.


Laura Taylor, Director of Housing Management

**KEY HIGHLIGHTS AND
CHANGES IN FY'11**

- 1. The Allowable Non-Utility Expense Level (ANUEL) will be level-funded in FY2011 (0% increase).** Please do not submit a budget that exceeds the housing authority's allowable/approved ANUEL. All budgets received that exceed the ANUEL will be reverted and must be modified.
- 2. The Administrative Salaries Account (#4110) continues to remain unrestricted.** The account will not be artificially capped. Housing authorities will have both the ability and responsibility for determining appropriate staffing levels, positions and compensation.

Housing authorities are reminded that they must follow the Executive Director Qualifications and Salary Guidelines, Public Housing Notice 2007-06 when hiring an executive director who is new to the housing authority and when setting the minimum hours for the executive director. After their first year of service the executive director may receive a salary increase based on their job performance.

- 3. Tenant Accounts Receivables (TAR) Reports must be submitted to DHCD each quarter.** All housing authorities are required to submit quarterly reports on tenant accounts receivables. This change is due to the implementation of the Accelerated Independent Modernization and Management (AIMM) program. These reports will be used to approve housing authorities for AIMM. The 400-1 operating statement in Housing Applications will be modified to incorporate quarterly reporting of Tenant Accounts Receivables (TAR).
- 4. A deficit housing authority with a projected operating reserve, which is at least 20% of maximum reserve level, may use their reserves for operating expenses.**

If a **deficit housing authority overspends** their approved ANUEL through the use of their operating reserves, 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.

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.

All housing authorities are responsible for any expenditures above the allowable non-utility expense level (ANUEL) paid for from operating reserves. DHCD will not provide additional assistance, now or in the future.

- 5. The budget submission and approval process timeline has been reduced.**

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- (i). DHCD will notify you about any incompleteness in your budget submission within ten (10) working days of its receipt.
 - (ii) DHCD will notify you of any significant questions or concerns raised by your budget within forty-five (45) working days of its receipt.
 - (iii) DHCD will finish reviewing your budget and will issue approvals within sixty (60) working days of DHCD acceptance of the budgets.
- 6.** Housing authorities with either a July 1, 2010 or an October 1, 2010 budget start date have sixty (60) days from the date these Budget Guidelines are issued to file their budget(s).

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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 2011 which begins July 1, 2010, and includes LHA budget years of:

- July 1, 2010 - June 30, 2011,
- October 1, 2010 - September 30, 2011,
- January 1, 2011 - December 31, 2011, and
- April 1, 2011 - March 31, 2012.

Budgets are due thirty days prior to the start of an LHA's fiscal year. However, LHAs with either a July 1, 2010 budget start date or an October 1, 2010 budget start date have sixty days after the issuance of these budget guidelines to file their budget(s).

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

The Guidelines highlight changes from the previous year and spotlight topics of special interest. The detailed descriptions of budget line items are located in the Accounting Manual and no longer repeated in the Guidelines. Requirements and initiatives of a continuing nature introduced in previous budget guidelines, such as bonuses announced in FY2009, are still in effect unless specifically noted otherwise by the Department. Continuing items are chronicled in the Accounting Manual.

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 variances of 10% or greater in individual line items. The executive director will provide this report and written explanation of any variances to each member of the Board of Commissioners, quarterly.

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DHCD BUDGET APPROVAL PROCESS: Our goal is to meet the following review and approval deadlines:

1. To notify you about any incompleteness in your budget submission within ten (10) working days of its receipt;
2. To notify you of any significant questions or concerns raised by your budget within forty-five (45) working days of its receipt, and
3. To complete our review and issue approvals within sixty (60) working days of DHCD acceptance of the budgets.

WHAT YOU CAN DO TO ENSURE THE QUICKEST BUDGET APPROVAL: The key is to make sure that your budget submission contains all the required documents, including:

- a) The electronic submission of all LHA program budget(s), including all required schedules, which have been prepared in accordance with the Guidelines and Accounting Manual. These budgets must include all required data and all applicable justifications for exemptions and other variances from the norm;
- b) an explanatory e-mail highlighting all major changes in the budget, as well as any areas in which the proposed budget deviates from these Budget Guidelines; and
- c) two (2) original, fully completed, signed and sealed extracts of the minutes from the board meeting approving the proposed budget, together with the budget certification form, signed by all applicable board members for each budget submission. **Please note that this form signifying the board's approval is an essential element of the budget submission and must be received before we can initiate our approval process.**

Incomplete submissions may be reverted to a housing authority for correction or completion. Also, please do not submit a budget that exceeds the housing authority's allowable/approvable ANUEL. All budgets received that exceed the ANUEL will be reverted to the housing authority for modification. Either of these situations could greatly delay approvals.

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**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, 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.

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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 \$32.50 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 \$25.00 per unit per month. The DMH project-based rental assistance administrative fee is \$40.00 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 greater than 250 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 \$67.45 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 2011. Additional funding needs due to the transition to project-based budgeting will be addressed in future years funding.

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 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.