



Deval L. Patrick, Governor ♦ Timothy P. Murray, Lt. Governor ♦ Gregory Bialecki, Secretary, EOHEd

Department of Housing and Community Development

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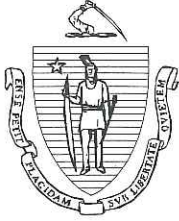
FY 2012 Local Housing Authority Budget Guidelines

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Cover photo: Elm Street Family Housing, Bedford Housing Authority (c. 200-1)



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

Deval L. Patrick, Governor ♦ Timothy P. Murray, Lt. Governor ♦ Gregory Bialecki, Secretary, EOHEd

To our housing authority partners,

We all appreciate that the operating subsidy appropriation remains at \$62.5 million for Fiscal Year 2012 given the Commonwealth's difficult fiscal times. Our public housing program has been spared any cut while other programs, state agencies and community providers have to manage with less. This appropriation is evidence of the Administration's unwavering commitment to preserve public housing.

Your commitment to providing and administering public housing to low-income households is invaluable. Through our collective efforts with regard to sustainability, federalization efforts, and a decrease in utility rates, we have leveraged operating funds that are being directly reinvested in the portfolio. This coupled with the \$62.5 million appropriation allows for a three percent (3%) increase to the allowable non-utility expense level (ANUEL). The 3% increase is effective October 1, 2011 for all local housing authorities (LHAs).

We recognize that fiscal challenges remain. Through our collective efforts and open communication we know we can continue the mission of providing good quality public housing, ensuring all units are occupied. 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.

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.

Lizbeth Heyer
Associate Director
Public Housing and Rental Assistance

Laura Taylor
Director of Housing Management

WHAT'S NEW IN 2012:

- 1. ANUEL is increased by three percent (3%), effective October 1, 2011 for all LHAs. (p. 3)**
- 2. Increase in mileage reimbursement from \$.40 per mile to \$.45 per mile, subject to board approval. (p. 3)**
- 3. Accounts payables must be accrued on a quarterly basis & included in quarterly operating statements in accordance with Generally Accepted Accounting Principles (GAAP). (p. 3)**
- 4. Year-end operating statements must be submitted within forty-five (45) days of year-end or operating subsidy will not be advanced. (p. 3)**
- 5. Lead paint certification must be submitted with year-end financial statement certification(s). (p. 3)**
- 6. AIMM-Plus program implemented for FY12 budgets, which allows for LHA self-certification of budgets. (p. 3)**
- 7. Operating reserve floor level set at 20% of maximum reserve level, when housing authorities use reserves to cover operating costs. (p. 4)**
- 8. Budget submission and approval process revised to include review by housing management specialists. (p. 4)**

KEY HIGHLIGHTS AND CHANGES IN FY 2012

1. **The Allowable Non-Utility Expense Level (ANUEL) will be increased by three percent (3%) in FY2012, effective October 1, 2011 for all local housing authorities (LHAs).** Please do not submit a budget that exceeds the LHA's approved ANUEL. All budgets received that exceed the ANUEL will be reverted to the LHA to be modified.
2. **The allowable mileage reimbursement has increased from \$.40 per mile to \$.45 per mile, subject to board approval.** This reflects the current rate used by the Commonwealth of Massachusetts, which became effective May 22, 2011. Increases must be absorbed within the LHA's ANUEL so the implementation date should be chosen based upon this fact.
3. **Accounts payables must be accrued on a quarterly basis and included on LHAs' quarterly operating statement(s), as well as year-end operating statement(s) in accordance with Generally Accepted Accounting Principles (GAAP).** All operating statements must accurately reflect any accounts payable.
4. **Year-end operating statements must be submitted within forty-five (45) days after year-end or operating subsidy will not be advanced.** LHAs 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.
5. **Lead paint certification must be submitted with year-end financial statement certification(s).**
6. **Accelerated Independent Modernization and Management- Plus (AIMM-Plus) program implemented, for FY 2012 operating budgets.** This program allows LHAs with **AIMM designation** that meet the criteria listed below to self-certify that their operating budgets meet all applicable laws, regulations, policies and guidelines. Said criteria include the following:
 - Request for AIMM-Plus designation must be submitted in advance of the LHA's annual operating budget and must include board vote approving the request.
 - Budget must be submitted on time.
 - LHA did not overspend ANUEL prior fiscal year (unless expense was budgeted for in revenue section and expense line items of budget).
 - Budget cannot include any exemptions, other than retained revenue exemptions, a DHCD directed-cost exemption, or exemptions for the cost of a single audit due to the administration of a federal program; regional attorneys program costs; and legal settlements; DHCD approved exemption cost approved prior to the budget submission.
 - LHA must have projected operating reserves, which are at least 30% of maximum reserve level.
 - AIMM-Plus designation is for one (1) fiscal year.

7. A deficit LHA with a projected operating reserve of more than 20% of maximum reserve level, may use its 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 LHA overspends** its approved ANUEL, it **will do so without an approved DHCD exemption and DHCD will not approve a budget exemption to augment the operating reserve.**

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

An LHA requesting **retained revenue status must have a projected operating reserve of at least 40% of maximum reserve level**. Please refer to the FY2007 LHA budget guidelines for additional criteria for a retained revenue LHA.

All LHAs 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.

8. The DHCD approval timeline of an LHA's submission of a complete operating budget has been revised.

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

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 submission. A complete operating budget submission includes the following:

- Completed budget certification form;
- Salary schedule/excel spreadsheet with all positions; and
- Accurate and complete "Report of LHA Units."

The housing management specialist will revert to the LHA any proposed operating budget that is incomplete.

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.

9. LHAs with either a July 1, 2011 or an October 1, 2011 budget start date have forty-five (45) days from the date these Budget Guidelines are issued to submit their budget(s).

LHAs that have already submitted FY 12 operating budgets must submit budget revisions implementing the three (3%) increase, effective October 1, 2011, within forty-five (45) days from the date these Budget Guidelines are issued. The review of these revised budgets will be to verify that the LHA has implemented the three (3%) increase of the ANUEL correctly, via a "bottom line" review. This will allow for expedited approval of these revised budgets.

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 2012 which begins July 1, 2011, and includes LHA budget years of:

- July 1, 2011 - June 30, 2012,
- October 1, 2011 - September 30, 2012,
- January 1, 2012 - December 31, 2012, and
- April 1, 2012 - March 31, 2013.

Budgets are due thirty (30) days prior to the start of an LHA's fiscal year. However, LHAs with either a July 1, 2011 budget start date or an October 1, 2011 FY12 budget start date have forty-five (45) days after the issuance of these budget guidelines to file their budget(s).

It is the responsibility of the LHA to follow the budget guidelines and to implement them effectively and in accordance with applicable provisions of the DHCD 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.

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 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 following review and approval deadlines:

1. To notify you and revert your budget due to any incompleteness in your budget submission within ten (10) working days of its acceptance;
2. To notify you of any significant questions or concerns raised by your budget within forty-five (45) working days of its acceptance, 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 will be reverted to an LHA for correction or completion. Also, please do not submit a budget that exceeds the LHA's allowable ANUEL. All budgets received that exceed the allowable ANUEL will be reverted to the LHA for modification. Either of these situations could greatly delay approvals.

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 Massachusetts 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.

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 2012. 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.