

The Public Housing Authorities Association  
 Asset Management Update



Atlanta, GA

MAY 5, 2009



# The Proposed PHAS

REPORT CARD				
GRADING PERIOD	1	2	3	4
READING	A			
WRITTEN COMMUNICATION	A			
MATHEMATICS	C			
SCIENCE/HEALTH	B			
SOCIAL STUDIES	B			
ART	A			
MUSIC	A			
PHYSICAL EDUCATION	C			
Grade Average	B			
Attendance:	Present	48		
	Absent	2		
	Tardy	1		
<small>A = Excellent • B = Good • C = Satisfactory • S = Needs Improvement            U = Unsatisfactory • I = Insufficient / Incomplete</small>				
Student:	Grade:	Year:		

# PHAS - Background

**The Public Housing Assessment System (PHAS) was established by a final rule on September 1, 1998. The PHAS assessment consist of four key areas:**

1. Physical Conditions (PASS)
2. Financial Condition (FASS)
3. Management Operation (MASS)
4. Resident Service & Satisfaction Assessment (RASS)

**Under this PHAS, the PHA receives a composite score that represents a single score for the entire PHA**

# PHAS Update

Starting with FY 6/30/2009, PHAs will be **assessed & graded** on the revised components of PHAS. The revised components of PHAS will be project-based.

1. Financial Conditions
2. Management Operations
3. Physical Inspections
4. Capital Fund (replaces RASS)

FY 6/30/08, 9/30/08, 12/31/08, 3/31/09 PHAs will receive a transition score based on their prior year-end submission.

# PHAS Update

Current PHAS	Proposed PHAS
1. Physical	1. Physical
2. Financial	2. Financial
3. Management Operations	3. Management Operations
4. Resident Service and Satisfaction	4. Capital Fund

# PHAS Update

PHA FYE	Pre Transition Year PHAS Scoring – Last PHAS score	Implement Project Based Accounting and Budgeting (Transition Year)	Implementation of New Scoring
6/30	7/1/06 - 6/30/07	7/1/07 - 6/30/08	7/1/08 - 6/30/09
9/30	10/1/06 – 9/30/07	10/1/07 – 9/30/08	10/1/08 – 9/30/09
12/31	1/1/07 – 12/31/07	1/1/08 – 12/31/08	1/1/09 – 12/31/09
3/31	4/1/07 – 3/30/08	4/1/08 – 3/30/09	4/1/09 – 3/31/10

# PHAS Update

Current PHAS	
Indicator	Points
Physical	30
Financial	30
Management Operations	30
Resident Service and Satisfaction	10
Total	100

Proposed PHAS	
Indicator	Points
Physical	30
Financial	20
Management Operations	40
Capital Fund	10
Total	100

# PHAS – Transition Year

## Financial Condition

- PHAs with 6/30/08 year-ends will be the first PHAs to submit under the new Financial Data Schedule (FDS)
- 6/30/08 year-ends will have 3 months from the time the FDS is released to submit the un-audited submission
- 9/30/08, 12/31/08, 3/31/09 will have 3 months from their year-end to submit the un-audited year-end FDS (24 CFR 5, subpart H)
- The audited submission is still due 9 months following your fiscal year-end

# PHAS- Transition Year

## Management Operations

- PHAs with 6/30/08, 9/30/08, 12/31/08, 3/31/09 year-ends will not be required to submit the Management Operations Certification, HUD Form 50072

# PHAS – Transition Year

## Physical Conditions

- PHAs that receive a physical condition score under this indicator will be considered advisory. However, for PHAs that score less than a passing physical condition score, the score will be calculated for the physical portion alone and the PHA could be subject actions by HUD.

# PHAS Transition Year

## Resident Survey

- Resident surveys will be conducted only for PHAs with fiscal year-ends 6/30/08, for information purposes only
- These PHAs will not be issued resident survey scores, implementation plan scores or follow-up plan scores. They will not be required to submit and certify to their implementation plans, and will not be required to develop follow-up plans and certify that they have done so.

# The Proposed PHAS

The proposed rule would make two sets of amendments:

1. The proposed rule would update the established system for the new project based management operations.
2. The proposed rule would additionally establish rules by which a PHA would enter Substantial Default, the procedures for the PHA to respond to such a determination to HUD to address and remedy substantial default.

# The Proposed PHAS

## Physical Inspection

- Independent physical inspections would continue to be conducted on each public housing *project*, although the frequency would depend on the scores of individual projects, not the entire PHA
- For example, if a specific project scored below 80 points, the project would be inspected the following year, regardless of what the overall physical score of the PHA
  - Even if the PHA scored an 80 points overall, each project that scored below 80 points will be inspected the following year

# The Proposed PHAS

## Financial Conditions

- Assessment would include an assessment of the financial condition of each project. Each project score would be combined for a weighted average score. The new ratios are:
  - Quick Ratio (QR)
  - Months Expendable net Assets (MENAR)
  - Debt Service Coverage Ration (DSCR)
- HUD considered items under the previous financial assessment, such as, bad debt, accounts receivables and occupancy loss are more properly measures of management operations as in the multifamily industry

# The Proposed PHAS

## Financial Conditions - Quick Ratio (QR)

- Quick assets are cash and assets that are easily convertible to cash and do not include inventory
- Current liabilities are those liabilities that are due within the next 12 months
- Basically, do our current assets cover our currently liabilities, if we had to liquidate and pay them?

# The Proposed PHAS

## Financial Conditions – Months Expendable Net Assets Ratio (MENAR)

- This ratio measures the projects ability to operate using its net available, unrestricted resources without relying on additional funding
- This ratio compares the net available unrestricted resources to the average monthly operating expenses
- Basically, how many months can the project operate without any additional funding from HUD?

# The Proposed PHAS

## Financial Conditions – Debt Service Coverage Ratio (DSCR)

- Measures net operating income available to make debt payments to the amount of the debt payments
- This sub-indicator is used if the PHA has taken on long-term obligations
- Basically, can the project maintain cash flow to pay for operating expenditures and debt service payments?

# The Proposed PHAS

## Financial Conditions - Scoring

Ratio	Possible Points	Thresholds
QR	9	< 1.0 – 0 points 1.0 – 5 points > 1.0 but < 2 – 5.4 to 9 points > 2.0 – 9 points
MENAR	9	< 1.0 – 0 points 1.0 – 5.4 points > 1.0 but < 4 – 5.4 to 9 points > 4.0 – 9 points
DSR	2	< 1.0 – 0 points > 1 but < 2 – 1 point > 2 or no debt service – 2 points
Total	20	<i>Weighted average project by project basis.</i>

# The Proposed MASS



# The Proposed MASS

## Management Operations

- This section will focus on a on-site project management review
- 40 points max, plus 2 bonus points are possible, cannot exceed 40 points
- HUD Form 5834
- Uses A, F; A, C, F or A, B, C, D, F for measures, which are then scored
- Adjustment for physical condition & neighborhood environment
  - DOFA date 28 years old
  - Poverty – project located in census tract where 40% of families have income below poverty rate

Sub Indicator	Points	Grades
<b>General Appearance and Security</b>	<b>6</b>	
Appearance and Market Appeal	5	A, C, F
Security	1	A, C, F
<b>Maintenance and Modernization</b>	<b>6</b>	
Unit Inspections	1	A, C, F
Work Orders	3	A, C, F
Preventive Maintenance	1	A, C, F
Energy Conservation/Utility Consumption	1	A, C, F
<b>Financial Management</b>	<b>8</b>	
Accounts Payable	4	A, C, F
Rents Collected	4	A, C, F
Budget Management	N/A	
Procurement	N/A	
<b>Leasing and Occupancy</b>	<b>18</b>	
Vacancy Rate	16	A, B, C, D, F
Turnaround Time	2	A, B, C, D, F
Occupancy Review	N/A	
<b>Tenant/Management Relations</b>	<b>2</b>	
Economic Self Sufficiency	1	A, C, F
Resident Involvement in Project Administration	1	A, F
<b>Follow-Up &amp; Monitoring of Project Inspections</b>	<b>N/A</b>	
Exigent Health & Safety Deficiencies (EHS)	N/A	
Lead-Based Paint (LBP) Inspection Deficiencies	N/A	
<b>General Management Practices</b>	<b>N/A</b>	
Management Review of Findings	N/A	
Other Prior Review Findings	N/A	
Insurance	N/A	
<b>Total</b>	<b>40</b>	

**Review Summary**

PHA Name and Code: PHA Address: Executive Director: PHA Phone: Review Code: Review Dates: PHA email address:	Project Name and Number: Project Address: Project Manager: Project Phone: Number of Units: Occupancy Type: Project email address: DOFA Date:
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Categories	Review Results No. of Findings	Scoring Management Operations			
		Grades	Grade Values	Maximum Points	Actual Points
<b>1. General Appearance and Security</b>				5	
1.1 Appearance and Market Appeal				1	
1.2 Security					
<b>2. Follow-up and Monitoring of Project Inspections</b>				Not Scored	
2.1. Exigent Health and Safety (EHS) Deficiencies				Not Scored	
2.2. Lead-Based Paint Inspection Deficiencies					
<b>3. Maintenance and Modernization</b>				1	
3.1 Unit Inspections				3	
3.2 Work Orders				1	
3.3 Preventive Maintenance					
3.4 Energy Conservation/Utility Consumption				Not Scored	
3.5 Modernization					
<b>4. Financial Management</b>				4	
4.1 Accounts Payable				4	
4.2 Rent Collection				Not Scored	
4.3 Budget Management				Not Scored	
4.4 Procurement					
<b>5. Leasing and Occupancy</b>				16	
5.1 Vacancy Rate				2	
5.2 Turnaround Time				Not Scored	
5.3 Occupancy Review					
<b>6. Tenant/Management Relations</b>				1	
6.1 Economic Self-Sufficiency				1	
6.2 Resident Involvement in Project Administration					
<b>7. General Management Practices</b>				Not Scored	
7.1. Management Review Findings				Not Scored	
7.2. Other Prior Review Findings				Not Scored	
7.3. Insurance					
<b>Totals</b>					
				<b>Sub-Total:</b>	
				Adjustment	
				Adjustment	
				Adjustment	
				<b>Total Score:</b>	

Name and Title of Person Preparing this Report: (Please type or print):

Name and Title of Person Approving this Report: (Please type or print):

Signature: \_\_\_\_\_  
Date: \_\_\_\_\_

Signature: \_\_\_\_\_  
Date: \_\_\_\_\_

# Management Operations Indicator

## General Appearance and Market Appeal

*scored*

- Appearance and Market Appeal
- Security

# Management Operations Indicator

## General Appearance and Security

### Appearance and Market Appeal (scored)

- Categories
  - Project Entrance
  - Landscaping
  - Building Exterior
  - Graffiti
  - Paved Surfaces
  - Public Spaces and Amenities
  - Fencing, Rails, Porches, Overhangs, and Ramps
  - Windows
  - Overall Project Appearance
  - Project Debris
  - Trash
  - Units

# Appearance & Market Appeal

Pretend your Mother-In-Law is coming for a visit

- Items put away
- Safety hazards
- Cleaned
- Trashed picked up
- Common Areas

# Security

- Evidence the property can track crime



# Management Operations Indicator

## General Appearance and Security

### Security - *scored*

- Performance in tracking crime-related problems on project property
- Adoption and implementation of applicant screening and resident eviction policies and procedures
- Coordination with local officials and residents to implement anti-crime strategies

# Management Operations Indicator

## Follow-Up and Monitoring of Project Inspections

- **Exigent Health and Safety (EHS) Deficiencies (not scored)**
  - Performance in correcting/abating EHS deficiencies identified during UPCS inspections
- **Lead-Based Paint (LBP) Inspection Deficiencies (not scored)**
  - Maintenance of LBP certifications for pre 1978 buildings
  - Completion of risk assessments and hazard reduction for reported EIBLLs

# Management Operations Indicator

## Maintenance and Modernization

1. Unit Inspections
2. Work Orders
3. Preventive Maintenance
4. Energy Conservation/Utility Consumption
5. Modernization

First four components are scored

# Management Operations Indicator Maintenance and Modernization

## **Unit Inspections - scored**

- PASS scores of 90 or better receive an “A”
- Evaluates the percentage of units a project inspected for a 12 month period prior to the review (not the PHA’s FYE)
- Inspections are to determine short-term and long-term maintenance needs
- Inspection program must be adequate
- Occupied units are to be inspected
- Some units are exempted

## Management Operations Indicator Maintenance and Modernization

### **Work Orders - scored**

- PASS scores of 90 or better receive an “A”
- Measures the average number of days that **tenant generated** work orders are outstanding
- Choose either a one month or twelve month assessment period at the project’s option
- Does not assess open work orders, only those that are closed
- For a grade C, the assessment can compare performance at the end of the month three years prior to the review to the current performance to measure improved performance

## Management Operations Indicator Maintenance and Modernization

### **Preventive Maintenance - scored**

- Evaluates implementation of a written preventive maintenance plan
- Examples include critical systems, building elements, grounds care and equipment
- Plan items must include a schedule for conducting preventive maintenance

## Management Operations Indicator Maintenance and Modernization

### **Energy Conservation/Utility Consumption *scored***

- Looks at energy conservation measures
- Has an energy audit been completed?
- Has an implementation plan been developed?
- Is plan on schedule?

## Management Operations Indicator Maintenance and Modernization

### **Modernization - *not scored***

- Examines project's management of modernization and non-routine maintenance through the physical needs assessment, project plans and budgets for modernization activities

# Management Operations Indicator

## Financial Management

1. Accounts Payable
2. Percentage of rents collected
3. Budget Management
4. Procurement

The first two components are scored

# Management Operations Indicator

## Financial Management

### **Accounts Payable – *scored***

- Project timeliness in paying invoices not in dispute
- One-month assessment period
- Invoices should be paid in 30 days
- Adequate system for tracking accounts payable

## Management Operations Indicator

### Financial Management

#### **Rents Collected – *scored***

- Percentage of rents collected
- One or twelve-month assessment period
- Rents include rental charges only
- Project must have an adequate tracking system

## Management Operations Indicator

### Financial Management

#### **Budget Management – *not scored***

- Examines actual year-to-date performance on income and expenses compared to the budget

#### **Procurement – *not scored***

- Project ability to plan for and implement procurement actions in accordance with laws and regulations

# Management Operations Indicator

## Leasing and Occupancy

1. Vacancy Rate
2. Turnaround Time
3. Occupancy Review

The first two components are scored

# Management Operations Indicator

## Leasing and Occupancy

### **Vacancy Rate - *scored***

- Measures average adjusted vacancy rate
- Allows for unit exemptions
- Assessment period of 12 calendar months

## Management Operations Indicator

### Leasing and Occupancy

#### **Turnaround Time - *scored***

- If the adjusted vacancy rate is 2% or less, turnaround time will be graded “A”
- Examines the amount of time required to turn around units
- Uses 12-month assessment period
- Project must have an adequate tracking system

## Management Operations Indicator

### Leasing and Occupancy

#### **Occupancy Review – *not scored***

Addresses compliance activities and procedures necessary to house and retain eligible low-income families

- Application process
- Tenant Selection
- Leasing process
- Lease enforcement
- Income and rent computation

# Management Operations Indicator

## Tenant/Management Relations

- Economic Self-Sufficiency
- Resident Involvement in Project Administration

# Management Operations Indicator

## Tenant/Management Relations

### **Economic Self-Sufficiency – *scored***

- Evaluates employment, self-sufficiency participation, self-sufficiency opportunities provided for adult residents
- 12-month assessment period
- Measures whether the project offers or coordinates at least 1 economic self-sufficiency activity

# Management Operations Indicator

## Tenant/Management Relations

### **Resident Involvement in Project Administration scored**

- Project must offer at least one opportunity for tenants to be involved in the administration of the project
- Examples: Newsletters, Contracts with Resident-Owned Businesses, Neighborhood Watch Programs, Substance Abuse Counseling, Regular Tenant Meetings, Service Coordinator, Resident Participation on Committees, Neighborhood Networks Center, Tenant Management

# Management Operations Indicator

### **General Management Practices**

- Management Review Findings (not scored)
- Other Prior Review Findings (not scored)
- Insurance (not scored)

# The Proposed PHAS

## The Capital Fund Assessment

- Separate PHA-wide indicator
- Measures:
  - Timeliness of Obligation – 5 Points
  - Timeliness of Expenditure – 5 Points
- Data collected from ELOCCS

# Benefits of the Proposed PHAS

- Ease of administration/minimize PHA submissions
- Isolate performance of individual projects
- Score only the public housing and Capital Fund programs (not entity-wide activity)
- Separate performance from compliance (management review)
- Consistency with multifamily housing
- MOAs only for troubled agencies (not applicable to Substandard)
- Corrective Action Plans address noted deficiencies

# The Proposed PHAS - Scoring

- High Performer – A PHA that achieves an overall PHAS score of 90% or greater, except that such a PHA shall not be designated a high performer if more than 10% of its total units are in a project that fail the physical, financial or management operation indicator
- Standard Performer – A PHA that achieves an overall score of 60% and at least 60% in all the indicators
- Substandard Performer – A PHA achieves an overall PHAS score of 60%, but under the Physical, Management or Financial indicator scores less than 60%

# The Proposed PHAS - Scoring

- Troubled Performer – A PHA that scores less than 60% on the overall score or scores less than 60% on the Capital Fund indicator will be considered troubled
- ***24 CFR 905 requires CFP funds to be obligated in 24 months and expended in 48 months from the time the funds are made available***
- ***ARRA funding is the exception***
  - *1 month to obligate*
  - *2 year to expend 60% and 3 years to expend in full*

# The Proposed PHAS - Scoring

REPORT CARD				
GRADING PERIOD	1	2	3	4
READING	A			
WRITTEN COMMUNICATION	A			
MATHEMATICS	C			
SCIENCE/HEALTH	B			
SOCIAL STUDIES	B			
ART	A			
MUSIC	A			
PHYSICAL EDUCATION	C			
Grade Average	B			
Attendance:	Present	116		
	Absent	2		
	Tardy	1		
A = Excellent • B = Good • C = Satisfactory • N = Needs Improvement U = Unsatisfactory • I = Insufficient / Incomplete				
Student:		Grade:		Year:

# The Proposed PHAS - Scoring

Project 1	Total Units	X	Project Score	=	Unit Weighted Score			
Project 2	Total Units	X	Project Score	=	Unit Weighted Score			
Project 3	Total Units	X	Project Score	=	Unit Weighted Score			
Project 4	Total Units	X	Project Score	=	Unit Weighted Score			
	Total PHA Units				Total Unit Weighted Score	/	Total PHA Units	= Indicator Score

# The Proposed PHAS - Scoring

500 Unit PHA	Physical			Financial		Management Operations		Cap Fund	PHAS Score
	Project	Units	Score	Unit Weighted Score	Score	Unit Weighted Score	Score		
1	100	28	2,800	19	1,900	35	3,500		
2	200	20	4,000	20	4,000	30	6,000		
3	150	25	3,750	15	2,250	33	4,950		
4	50	25	1,250	10	500	32	1,600		
Total Units	500		11,800		8,650		16,050		
Indicator/ PHAS Score			23.6		17.3		32.1	10	83

# The Proposed PHAS - Scoring

1,025 unit PHA	Physical			Financial		Management Operations		Cap Fund	PHAS Score
	Project	Units	Score	Unit Weighted Score	Score	Unit Weighted Score	Score		
1	25	30	750	20	500	40	1,000		
2	40	30	1,200	20	800	40	1,600		
3	400	22	8,800	20	8,000	29	11,600		
4	60	25	1,500	18	1,080	30	1,800		
5	100	28	2,800	19	1,900	35	3,500		
6	200	20	4,000	20	4,000	30	6,000		
7	150	25	3,750	15	2,250	33	4,950		
8	50	25	1,250	10	500	32	1,600		
Total Units	1,025		24,050		19,030		32,050		
Indicator/PHAS score			23.5		18.6		31.2	10	83

# Substantial Default



# Proposed Rule 907 Substantial Default

Substantial default is:

- A Violation of laws and agreements
  - Violates federal regulation or statute
  - Violates the terms of the ACC or other conditions to which a PHA is subject to
  
- Failure to act
  - Fails to execute a MOA
  - Fails to comply with terms of a MOA
  - Failure to show substantial improvement of troubled status

# Proposed Rule 907 Substantial Default

- If the PHA is found to be in default, the PHA has 10 to 30 days to determine the finding is not accurate
- Possible Remedies:
  - HUD may take any actions as deemed necessary
  - Provide technical assistance
  - Appoint a receiver

# The Financial Data Schedule



# Uniform Financial Reporting Standards

- **24 CFR 85.801**
- *Annual financial report filing dates. (1) For entities listed in paragraphs (a)(1) and (2) of this section*, the financial information to be submitted to HUD in accordance with paragraph (b) of this section, must be submitted to HUD annually, no later than 60 days after the end of the fiscal year of the reporting period, and as otherwise provided by law (for public housing agencies, see also 24 CFR 903.33).
  - **LIPH**
  - **All Section 8 Project Based & Tenant Based**

# THE FINANCIAL DATA SCHEDULE

The Financial Data Schedule (FDS) was created to standardize the financial information reported by Public Housing Authorities (PHAs) to the Department of Housing and Urban Development (HUD) Real Estate Assessment Center (REAC). REAC currently requires PHAs to report their accounting information using Generally Accepted Accounting Principles (GAAP). REAC uses the FDS to analyze PHA financial data in conjunction with other performance measurements, to help ensure the success of PHA programs.

# THE FINANCIAL DATA SCHEDULE

- Income Statement & Balance Sheet
- Un-audited is due 3 months following your fiscal year end (6/30 year ends – exception)
- Audited FDS is due 9 months following your fiscal year end
- The FDS is organized by line number and is in columnar format for reporting (2 digits were added)
- AMP Based, Consolidated AMP, Entity Wide

# The Financial Data Schedule

- FDS AMPs will be created from PIC, so make sure PIC is correct!
- Other Projects column will be added “catch all”
- Can only have one Other Projects column
  - Projects in development
  - Home ownership
  - Section 226
- Each AMP & COCC will have one B/S and two income statements. (Operating & CFP)
- Eliminations Column

# Historical FDS

	Program				Total
	LIPH	Housing Choice Voucher	Section 8	Capital Fund	
<b>Assets</b>	\$ 5,000,000	\$ 300,000	\$ 750,000	\$ 1,200,000	\$ 7,250,000
<b>Liabilities</b>	2,500,000	200,000	250,000		2,950,000
<b>Net Assets</b>	2,500,000	100,000	500,000	1,200,000	4,300,000
<b>Liabilities and Net Assets</b>	\$ 5,000,000	\$ 300,000	\$ 750,000	\$ 1,200,000	\$ 7,250,000

# Revised FDS

	Program					Total
	Total AMP's	Housing Choice Voucher	Section 8	Central Office Cost Center	Eliminaitons	
<b>Assets</b>	\$ 10,100,000	\$ 300,000	\$ 750,000	\$ 200,000	\$ (50,000)	\$ 11,300,000
<b>Liabilities</b>	4,850,000	200,000	250,000	100,000	(50,000)	5,350,000
<b>Net Assets</b>	5,250,000	100,000	500,000	100,000		5,950,000
<b>Liabilities and Net Assets</b>	\$ 10,100,000	\$ 300,000	\$ 750,000	\$ 200,000	\$ -	\$ 11,300,000

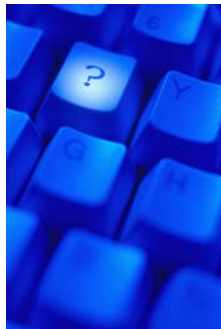
	Program				Total
	Project 1	Project 2	Project 3	Other AMP	
<b>Assets</b>	\$ 3,434,000	\$ 3,253,000	\$ 3,131,000	\$ 282,000	\$ 10,100,000
<b>Liabilities</b>	1,649,000	1,521,500	1,503,500	176,000	4,850,000
<b>Net Assets</b>	1,785,000	1,731,500	1,627,500	106,000	5,250,000
<b>Liabilities and Net Assets</b>	\$ 3,434,000	\$ 3,253,000	\$ 3,131,000	\$ 282,000	\$ 10,100,000

# The Financial Data Schedule

## Six options to choose from:

1. Asset Management w/out COCC & elimination;
  - Alternative model & allocated overhead
2. Asset Management w/out elimination;
  - Alternative model & allocated overhead
3. Asset Management with COCC & elimination;
  - Fee-For-Service
4. Non-Asset Management;
  - Does not implement
5. Non-Asset Management with elimination only;
  - Does not implement
6. Non-Asset Management with COCC & elimination.
  - Does not implement

# FDS Examples



# The Financial Data Schedule

- CFP Transfers to Operations and Management Improvements are treated the same for FDS reporting purposes
- These funds lose their identity once transferred to LIPH
- The PHA does not have to show a specific expense associated with the revenue

## FDS Example 1

**Example: The CFP transfers \$180,000 into LIPH from BLI 1406**

Account	Description	AMP1	Operating Fund	Capital Fund
10010	Operating Transfers - In	\$180,000	\$180,000	
10020	Operating Transfers - Out	\$180,000		\$180,000

## FDS Example 2

**Example: The CFP transfers \$135,000 into LIPH from BLI 1408**

Account	Description	AMP1	Operating Fund	Capital Fund
10010	Operating Transfers - In	\$135,000	\$135,000	
10020	Operating Transfers - Out	\$135,000		\$135,000

## FDS Example 3

There are eight (8) new memo accounts for fixed assets. For example, building purchased for \$486,000

New Numbering	Description	AMP 1	Operating Fund Program	Capital Fund Program
<a href="#">11610</a>	Land Purchases			
<a href="#">11620</a>	Building Purchases	\$ 486,000		\$486,000
<a href="#">11630</a>	Furniture & Equipment-Dwelling Purchases			
<a href="#">11640</a>	Furniture & Equipment-Administrative Purchases			
<a href="#">11650</a>	Leasehold Improvements Purchases			
<a href="#">11660</a>	Infrastructure Purchases			
<a href="#">13510</a>	CFFP Debt Service Payments			
<a href="#">13901</a>	Replacement Housing Factor Funds			

## FDS Example 4

The COCC reports a management fee, bookkeeping fee and asset management fee from AMP 1

### COCC

Account	Description	COCC
70710	Management Fee	\$10,000
70730	Bookkeeping Fee	\$42,500
70720	Asset Mgmt. Fee	\$7,500

## FDS Example 5 (continued)

The COCC reports a management fee, bookkeeping fee and asset management fee from AMP 1

### AMP 1

Account	Description	AMP1
91300	Management Fee	\$10,000
91310	Bookkeeping Fee	\$42,500
92000	Asset Mgmt. Fee	\$7,500

## FDS Example 6

The COCC charges \$75,000 for centralized maintenance services to AMP 2

Account	Description	Total	COCC	AMP 2
70740	Front-Line Service Fee	\$75,000	\$75,000	
94300-xx	Maintenance Contracts	\$75,000		\$75,000

## FDS Example 7

AMP 1 transfers \$30,000 to AMP 2 based on AMP 1's excess cash calculation

Account	Description	Total AMP	AMP 1	AMP 2
10091	Inter-AMP Excess Cash Flow -In	\$30,000		\$30,000
10092	Inter-AMP Excess Cash Flow -Out	\$30,000	\$30,000	

## FDS Example 8

The COCC transfers \$25,000 to AMP 1

Account	Description	Total AMP	COCC	AMP 1
10093	Transfers from Programs & AMPs -In	\$25,000		\$25,000
10094	Transfers from Programs & AMPs - Out	\$25,000	\$25,000	

## FDS Example 9

An elimination column is added to the FDS is added to prevent over overstating expenses and revenues

Account	Description	Elimination	COCC	AMPS
70740	Front-Line Service Fee	\$75,000	(\$75,000)	
94300-xx	Maintenance Contracts	(\$75,000)		\$75,000

# FDS Example 10

## How would RHF proceeds be reported?

- RHF proceeds may be reported in an existing AMP column or as circumstances may warrant
- Existing AMP with active number in PIC – AMP Column
- New development with no active number – Other AMP
- If an existing AMP is undergoing demolition, and a new building is planned at the existing site, the demo, and construction activities are both reported within the particular AMP Column as designated in PIC

# FDS Example 11

## Mixed Financing Reporting of Non-Component Units

- 100 units
- 75 which are ACC Units
- Operating Subsidy \$79,752
- Annual Transfer to Developer \$51,444 (based on R&O)
- Bookkeeping Fee \$7.50
- Asset Management Fee \$10.00
- Investment Revenue \$735
- Occupancy Rate 96%
- Property Management Fee \$6,791

## FDS Example 11 (continued)

<b>Sample Income Statement</b>		
Account	Description	Amount
70600	HUD PHA Grants	\$79,752
71100	Investment revenue – unrestricted	735
<b>70000</b>	<b>Total Revenue</b>	<b>80,487</b>
91300	Mgmt. Fee	6,791
91310	Bookkeeping Fee	6,480
91000	<b>Total Admin.</b>	<b>13,271</b>
92000	Asset Mgmt. Fee	9,000
96200	Other General Expense	51,444
<b>96900</b>	<b>Total Operating Expense</b>	<b>73,715</b>
<b>97000</b>	<b>Excess Revenue over Operating</b>	<b>\$ 6,772</b>

## FDS Example 11 (continued)

Description	Amount
HUD PHA Grants	Amount based on HF-52723
Investment revenue – unrestricted	Amount earned
Mgmt. Fee	<b>See next slide</b>
Bookkeeping Fee	\$7.50 x 75 units x 12 months x 96%
Asset Mgmt. Fee	\$10 x 75 units x 12 months
Other General Expense	Subsidy paid to developer per R&O agreement.

## FDS Example 11 (continued)

### Determination of Property Management Fee

HUD approved management fee \$42.94

Amount paid to developer \$35.08 per R&O agreement

$\$42.94 \times 75 \text{ ACC units} \times 12 \text{ months} \times 96\% \text{ Occupancy} = \$37,100$

$\$35.08 \times 75 \text{ ACC units} \times 12 \text{ months} \times 96\% \text{ Occupancy} = \underline{\$30,309}$

Diff \$6,791

## FDS Example 12

### CFFP Financial Reporting

- Loan \$400,000
- Term 15 years
- Interest Rate 5%, compounded annually
- Annual Principle & Interest Due \$38,536.92
- CFP paying debt service \$38,536.92

## FDS Example 12 (continued)

Year	Debt Servicing Payment	Interest Expense	Reduction to Loan Principal	Outstanding Balance
				\$400,000.00
1	\$38,536.92	\$20,000.00	\$18,536.92	\$381,463.08
2	\$38,536.92	\$19,073.15	\$19,463.77	\$361,999.31
3	\$38,536.92	\$18,099.97	\$20,436.95	\$341,562.36
4	\$38,536.92	\$17,078.12	\$21,458.80	\$320,103.56
5	\$38,536.92	\$16,005.18	\$22,531.74	\$297,571.82
6	\$38,536.92	\$14,878.59	\$23,658.33	\$273,913.49
7	\$38,536.92	\$13,695.67	\$24,841.25	\$249,072.24
8	\$38,536.92	\$12,453.61	\$26,083.31	\$222,988.93
9	\$38,536.92	\$11,149.45	\$27,387.47	\$195,601.46
10	\$38,536.92	\$9,780.07	\$28,756.85	\$166,844.61
11	\$38,536.92	\$8,342.23	\$30,194.69	\$136,649.92
12	\$38,536.92	\$6,832.50	\$31,704.42	\$104,945.50
13	\$38,536.92	\$5,247.27	\$33,289.65	\$71,655.85
14	\$38,536.92	\$3,582.79	\$34,954.13	\$36,701.73
15	\$38,536.81	\$1,835.09	\$36,701.72	\$0.00

## FDS Example 12 (continued)

### Accounting & Reporting Treatment

#### Under respected AMP column:

- The PHA would report \$38,536.92 in grant proceeds (706.1)
- CIP would be reported as construction continues (167)
- The PHA would report \$20,000 in interest expense and \$18,536.92 in principle payments (343-010/351-010 & 96720)
- The PHA would reclassify a portion of the liability from long-term to short-term, annually
- Annual Debt Principle Payment – memo account (11020)

# FDS Example 13

## COCC & Sale of Restricted Asset

### Just the facts:

- Building sold for \$220,000
- Book (salvage) value \$10,000
- Fully depreciated
- Historical cost of building \$110,000
- Building assigned to COCC, but purchased with Federal money (program cash)

# FDS Example 13 (continued)

FDS Line #	Account	Amount
162	Buildings	\$110,000
166	Acc. Depreciation	\$100,000
160	Net fixed assets	\$ 10,000

## FDS Example 13 (continued)

- **Debit**
- Cash Restricted:                     \$220,000
- **Credit**
- Building, net of A/D                 \$ 10,000
- Gain on sale of F/A                 \$210,000

Account #	Description	Other AMP	COCC
10010	Op. Trans. In	\$220,000	
10020	Op. Trans. Out		\$220,000

## FDS Example 13 (continued)

- Proceeds may be used as authorized by the Special Applications Center (SAC) related to the approved disposition of an asset. Proceeds are recorded in a cash-restricted account, unless HUD removes that restriction.

Account #	Description	Other AMP
113	Cash Restricted	\$220,000
511.1	Restricted Equity	\$220,000

# Capital fund



## CFP & the American Recovery & Reinvestment Act

### Determination of Funding Amounts

- The formula was computed based on data on buildings and units as reported in the PIC system as of September 30<sup>th</sup> of the prior fiscal year which is “the reporting dated” designated by HUD.
- Funding based on the same formula that was used to calculate Capital Fund grants in 2008.

# CFP & the American Recovery & Reinvestment Act

## Certification of Accuracy of Data in PIC

- The certification process was described in PIH Notice 2008-7.
- The formula is calculate based on regulation 24 CFR 805.10
- PHA's are required to accurately report data in the PIC system in accordance with Section 15(B) of the CACC, HUD Form 53012A.

# CFP & the American Recovery & Reinvestment Act

## Funding Distribution

- Signed ACC was due March 9, 2009 by local HUD office
- Had to send 3 originals
- The PHA has the responsibility that capital and management activities will be carried out in accordance with all HUD regulations including 24 CFR 905, 941 and 968 and other requirements applicable to the CFP program with the PHA's current 5 Capital Fund Plan a well as the ARRA requirements. Including 24 CFR 50 and 58.

## CFP & the American Recovery & Reinvestment Act

- If the PHA is required to submit a Capital Fund Annual Statement, Parts I & II (HUD Form 50075.1) for the ARRA funding amount.
- If the PHA added new work items that are not in the Capital Fund Annual Plan or the Five Year Plan, then the PHA is required to obtain Board approval. The public hearing notice was shortened to 10 days per PIH Notice 2009-12.
- Due date was April 10, 2009

## CFP & the American Recovery & Reinvestment Act

- New acronym “CFRG” – Capital Fund Recovery Grant
- New area created in ELOCCs for this funding
- Cannot be used for:
  - 1406 Operations
  - 1492 MTW
  - 1501 Collateral Exp/Debt Service
  - 9000 Debt Reserves
  - 9001 Bond Debt Obligations
  - 9002 Loan Debt Obligations
  - 1490 Replacement Reserve
    - DOES NOT EXIST SINCE CFP 2008

## CFP & the American Recovery & Reinvestment Act

### Use of Funds Must:

- Be in PHA Annual/Five Year Plan
- Give priority consideration to rehabilitation of vacant units
- Give priority to capital projects, that are already underway and require additional funds, or are included in the 5 year Action plan
- PHAs must use the funds provided in this grant to supplement expenditures
- Must provide a Physical Needs Assessment

## CFP & the American Recovery & Reinvestment Act

### Funds could be used to address:

- Replace obsolete systems and equipment with energy efficient systems
- Code compliance
- Correction of environmental issues
- Rehabilitation & Modernization activities that have been delayed due to lack of funding
- Any CFP eligible activity, including demo and relocation
  - See exceptions

## CFP & the American Recovery & Reinvestment Act

- Funds cannot be used for operations or rental assistance activities
- PHA's can only substitute work items in the Annual or Five-Year Plans to the Recovery Grant that are not obligated to an open Capital Fund grant.
- BLI 1410 is budgeted at 10% of the total grant. The PHA may draw 10% of each expenditure reimbursement for administration.
- With F.O. approval, a PHA may draw beyond 10% of the expenditure if the PHA demonstrates that it has already incurred the admin expense.

## CFP & the American Recovery & Reinvestment Act

- Management Improvements (BLI 1408) cannot exceed 20% of the total grant and cannot be used for operations, or rental assistance such as staff training, resident assistance and maintenance staff salaries unless applies to force account work on capital projects
- Funds must be used in accordance with 1604 of the Recovery Act, which prohibits use of these funds for any casino or other gambling establishment, aquarium, zoo, golf course or swimming pool.
- *“None of the funds appropriated or otherwise made available in this Act may be used by any State or local government, or any private entity, for any casino or other gambling establishment, aquarium, zoo, golf course, or swimming pool.”*

# CFP & the American Recovery & Reinvestment Act

- **Obligation Period**
  - 1 Year
- **Expenditure Period**
  - 60% within two years – At the two year date if less then 60% is expended, all un expended funds will be recaptured
  - 100% within three years
- Start Date – March 18, 2009
- No Extensions will be granted

# Questions?

