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## FDS Preview Navigation and Training FAQs Now Available

As part of the conversion to asset management, the Department has been developing a new template for the Financial Data Schedule (FDS). PHAs can now obtain a preview of the new FDS, along with new navigation tools, by viewing the following demonstration [here](#).

The preview demonstration walks the user through the new system simulating the necessary steps to complete an FDS submission. This review will be of particular interest to PHAs that have implemented fee-for-service and need to submit this information to FASS-PH for the first time. The demonstration discusses how to enter financial data by project, for the COCC and elimination column. Finally, the demonstration will give users a first look (or preview) at screen

navigation, visual design and general feel of the system. .

The Department has also published recent frequently asked questions (FAQs) that were generated during the live "electronic-chalkboard" training on the new FDS that was conducted on August 27, 2008. PHAs can access these FAQs [here](#).

*(The Department would also like to express its regrets, again, for the technical difficulties experience during this training. All PHAs that attempted to participate in that training are encouraged to view new FDS navigation training that is referenced in the previous paragraph.)* ♦

## Supplemental Information Regarding Year 3 Stop-Loss Submissions

On September 1, 2008, the Department issued guidance to PHAs that have submitted either the Year 1 or Year 2 Stop-Loss application and have not received notification of approval or denial from HUD.

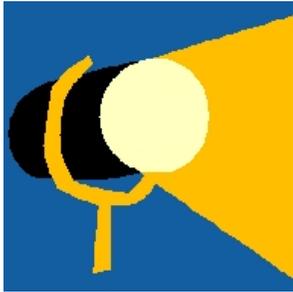
The Department plans to mail approval/denial letters for all Year 1 submissions by September 30, 2008. All Year 2 submissions will be notified of their approval/denial by December 31, 2008.

For PHAs that have already submitted abbreviated Year 2 applications and have not received notification of their Year 1 application, no additional information is required for Year 3. For additional details, including information on PHAs that have applied only in Year 2, please refer to the [guidance](#). ♦

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## PHA Spotlight: Housing Authority of the County of Monterey, California



*This edition's Spotlight features a "large" PHA that has just completed its first full year of project-based budgeting and accounting – the*

*Housing Authority of the County of Monterey (HACM) in Salinas, CA. The Spotlight spoke with HACM's Director of Housing Management, Jean Goebel, about its experience with the conversion to asset management.*

### **What is the size and make-up of the HACM's portfolio?**

*We operate quite a mix of housing. In addition to 615 units of Public Housing, we have 3,874 Housing Choice Voucher units. We manage over 130 units of housing for the State of California, of which 82 are housing for seasonal migrant farm workers. We have 56 transitional housing units under the CPD-Homeless Continuum of Care Supportive Housing Program and 204 units under the HOME Layering Project. We charged management fees to these properties that we managed for another owner.*

### **What impact did the conversion to asset management have on your diverse portfolio of affordable housing?**

*The conversion to asset management had minimal impact on our affordable housing projects. Because we were already implementing a version of asset management for the affordable housing projects we own or manage, the transition to asset management was made easier.*



### **How are your Public Housing units organized?**

*We have divided our 615 public housing units into 11 AMPs, which, of course, means that there are many "small" projects. The majority of these units are in the city of Salinas, the largest city in the county. Two of the projects are elderly and the remaining nine are family units. Within the next year, we will dispose of one of our family projects.*

### **Tell us about this disposition.**

*We have arranged a land-swap with the City of Gonzales. They wanted the land to build a community center next to the elementary school and high school. In return, they offered us a larger piece of land on which we have built 44 units, thus doubling our number of affordable units. The residents are excited and pleased since their property is 50 years old and has reached the end of its useful life. With the newly built property, the residents will have modernized units that have more space and a community room. The property is also a good location for families, since it is close to several stores.*

### **Does HACM assign a manager for each of its Public Housing projects?**

*No. Because the average size of our Public Housing projects is under 60 units, it would not be feasible to assign a full-time manager to each project. Instead, we use a "shared resource" arrangement, wherein the manager might be assigned several projects within a defined geographical area. Moreover, because we have such a diverse portfolio, our housing managers may be responsible for both Public Housing and other affordable housing projects. Still, we are very much "site-based" in that the managers are largely responsible for the day-to-day management of their projects.*

### **How did you organize your maintenance services?**

*As with the housing managers, we try to assign maintenance staff to a specific project; however, if a project is too small to afford a full-time worker, he/she may be shared across two or*

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more projects. We also maintain an emergency maintenance van that services all the projects, with the cost charged to each project based on work orders. We also have some floating maintenance personnel who fill in during vacations or sick leave or if there happens to be a lot of work in one site or an emergency that requires extra staff.

### **What areas do you charge a fee-for-service?**

Fee-for-service is charged for emergency maintenance, vacancy turnover, eligibility and waiting list, and unit inspections.

### **Your first full year of project-based budgeting and accounting ended 6/30/08.**

### **Looking back, what changes would you have made?**

We always had project-based budgeting and project-based reporting, so the transition had minimal impact in those processes. Knowing what we know now after a year of asset management, we would have accelerated the staff training process. We started the transition to asset management three years ago, about the time that HUD published the Final Rule on the Operating Fund Program. In the early stages of our transition, we spent a lot of time determining whether staff could be retrained to do different functions. Our struggles have not been whether staff had the ability to do different types of programs; instead, we struggled with broadening staff skill sets to make decisions and take on additional responsibilities in new areas, such as contracting and managing maintenance staff. Also, it was tough keeping up with HUD's evolving guidance, particularly over what is a site expense and what the COCC can charge projects directly, which made it difficult to frame training and make needed organizational decisions, especially given the nature of our stock. Our transition has taken time because we want to make every effort to retain staff, minimize any lay-offs, and re-train them to put them in a different position within the agency.



### **With regard to management fees, did you charge the normal management fees or did you choose either the phase-in approach or the allocated overhead approach?**

Because of our experience with our affordable housing projects, where we charge management fees, we never really considered maintaining the allocated overhead method. So, it was just a question of whether we would charge the normal management fees or go with the phased-in fee approach. When we looked at what we needed to support the central office, we saw that, initially, we were only a few dollars PUM higher than the normal fees. Therefore, we decided not to use the phase-in approach and instead simply charge the normal fees.

### **Were there significant changes to on-site staff responsibilities as a result of conversion to asset management?**

There were changes and we are still implementing some of those changes. The changes include adding a waiting list and eligibility functions for some projects. In addition, there were changes to staff responsibilities around maintenance monitoring, work order processing and purchasing. Our staff needed additional training as a result of these changes.

### **What specific training areas do you feel were most important?**

Budget management, procurement, maintenance management and supervision of subordinate staff are all critical areas in making the transition successful. We have utilized local training available at NAHRO conferences that focus on asset and real estate management. We have also participated in maintenance training from local vendors.

### **Did HACM encounter any challenges in its conversion to asset management?**

We were doing a software conversion at the same time that we were converting to asset management. It was difficult in that the staff had to learn different responsibilities at the same time

they were dealing with a learning curve related to the software conversion.

We also struggled with whether we should implement a centralized or site-based tenant eligibility process at our projects. Fifteen years ago, a review by the Office of Fair Housing and Equal Opportunity (FHEO) office resulted in a voluntary compliance agreement, because we had multiple site waitlists and FHEO felt that our sites were not integrated well enough. FHEO mandated that our agency have one wait list for Public Housing. We worked with our local HUD Field Office and we had a conference call with the FHEO to request guidance on how to proceed. We were allowed to have site-based waitlists, but we would have to do annual monitoring to document that we were not having any discrimination issues or disparate treatment of protected groups. To avoid getting similar results from another FHEO review, we have elected to implement centralized eligibility for our large family Public Housing projects in Salinas and do site-based tenant eligibility for those projects outside the city.

**Now that you have a year of experience under your belt, do you see the need to transfer funds from certain projects to others (i.e., fungibility)?**

Right now, we have loaded our budgets for Year 2 with the assumption that each can stand-alone; however, we will watch it closely. It appears that the senior projects may require more funding than provided under the formula.



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**What are your overall thoughts regarding HACM's first year of asset management?**

In the long run, our conversion to asset management went smoothly. The transition has been difficult because funding has been uncertain and, in the initial stages of the conversion, the changing guidance we received made the process even more challenging. However, I truly believe that managing properties like the private sector has its benefits.

To learn more about the Housing Authority of the County of Monterey, visit their website at <http://www.hamonterey.org/> or contact Jean Goebel, Director of Housing Management, [jgoebel@hamonterey.org](mailto:jgoebel@hamonterey.org) or Lynn Santos, Director of Finance [lsantos@hamonterey.org](mailto:lsantos@hamonterey.org). ♦

## Guidance on Requesting Operating Subsidy for New Projects/Units

Per paragraph 8J of [PIH Notice 2008-33](#), Public Housing Operating Subsidy Calculations for Calendar Year (CY) 2009, the Department has posted guidance on the funding of new projects or units. The guidance on the treatment of new projects/units for purposes of operating subsidies under the Operating Fund Program, issued on September 10, 2008, includes information for the following:

- ❖ Units that become eligible for subsidy between January 1 and the revisions deadline;
- ❖ New units that become eligible for subsidy between the revisions deadline and September 30; and
- ❖ New units that become eligible for subsidy between October 1 and December 31.

Under appropriations law, HUD must obligate all operating subsidies by September 30<sup>th</sup> each year.

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The revisions deadline is established by HUD based on the last date that HUD can reasonably process revisions within the obligation deadline.

A unit is eligible to receive operating subsidy once it is both placed under the Annual Contributions Contract (ACC) and occupied by a Public Housing-eligible family under lease.

The guidance also includes frequently asked questions that provide additional information to PHAs, including how to handle a “lag” in payment for projects/units that come on line after the initial subsidy submission and what determines the PEL for new projects. The detailed guidance can be read [here](#). ♦

## Explanation of Fourth and Final Obligation for CY 2008

The Department has obligated the fourth and final funding cycle for Operating Fund subsidies covering the last three months of CY 2008, from October 1 through December. Funding was loaded in eLOCCS on September 24, 2008.

Final eligibility proration for CY 2008 is 88.96%, in accordance with the \$4.194 billion in operating subsidies for CY 2008 provided in the Consolidated Appropriations Act of 2008 (P.L. 110-161) and the final total program eligibility for CY 2008 of \$4.712 billion.

For additional information, including how the Department has applied the eligibility proration to the fourth and final obligation funding for each PHA project, please click [here](#).

In addition to the standard obligation letters and approved subsidy forms, the Department has prepared a “reconciliation” worksheet for each PHA that reconciles operating subsidy funding for all projects within a PHA. For more information on this reconciliation worksheet, please refer to "[Final Calendar Year \(CY\) 2008 Operating Subsidy Obligation: Reconciliation Methodology](#)". A copy of the obligation letters, reconciliation worksheets, and approved subsidy forms for each PHA will be posted by Tuesday, September 30, 2008 and can be accessed [here](#). ♦

## Importance of EIV Reports

On September 18, 2008, the Department sent a letter to all PHAs reiterating the importance of using the Enterprise Income Verification (EIV) System. The letter specifically mentions using the following EIV reports to assist PHAs in ensuring that correct household composition and rental assistance for each eligible family is updated in the PIC system.

- ❖ Deceased Tenants Reports
- ❖ Income Discrepancy Report
- ❖ Failed Verification Report
- ❖ Failed EIV Pre-screening Report

The Department strongly encourages PHA staff members who are responsible for either conducting annual/interim reexaminations or entering information on the form HUD-50058 to review the above reports and update the information in the PIC system. Staff may obtain free EIV system training via webcasts [here](#) and access training materials [here](#). ♦

## AMP Physical Inspections

The Department has begun auctioning the independent REAC physical inspections for PHAs with fiscal years ending 6/30/08, 9/30/08, and 12/31/08. In accordance with PIH Notice 2007-28, these inspections will be conducted based on Asset Management Project (AMP) groupings. They will not be conducted according to "old" development configurations. Accordingly, PHAs should be prepared to provide the contract inspector with AMP-specific rent rolls. PHAs should also make sure that they have a point of contact for the inspector (likely, the housing manager for the AMP) that is familiar with the project.

Also, for PHAs impacted by recent storms, please indicate to the contract inspector if the inspection is inconvenient and should be re-scheduled. The contract inspector will then report back to HUD the need to establish a new inspection schedule.

PHAs are encouraged to visit the following web sites for information regarding AMPs and physical inspections:

- ❖ <http://www.hud.gov/offices/react/products/prodpass.cfm> for information regarding "Preparing for REAC Inspection."
- ❖ <http://www.hud.gov/offices/pih/programs/ph/am/amp.cfm> for information regarding Identification of "Projects for Asset Management." ♦

## Asset Management Help Desk: A List of Questions

**Question:** *On our year-end financial statements, we include, in accordance with GAAP, depreciation expense. How should we handle depreciation in preparing project-level budgets?*

*Answer: Operating budgets are typically cash-flow statements and, as such, you would generally not include depreciation (a non-cash expense) in operating budgets. Because HUD does not prescribe a specific format for operating budgets, and because HUD does not approve operating budgets, PHAs can choose to include depreciation if they desire, but it would not be consistent with common practice.*

**Question:** *From time-to-time, the COCC utilizes the services of project personnel – say, for general cleaning of COCC office space. How should those services be billed?*

*Answer: The COCC should pay for any services that it receives from project personnel. The affected project can either charge a fee or it can treat the work like a "shared resource." For example, assume that the burdened rate of a janitor is \$500/week (\$26,000/year). The COCC uses the project's janitor for the equivalent of one week during the year. On the project's books, the PHA could either show that the project incurred 51 weeks of labor for that janitor (with the remaining week picked up by the COCC) or the project could reflect 52 weeks, but then revenue from the COCC for the week where the janitor was utilized.*

**Question:** *Please provide guidance on how ROSS grants are treated on the Financial Data Schedule (FDS). Should it be included with project revenues and expenses?*

*Answer: ROSS grants will be reported in separate columns on the FDS, just like they have in the past. Please refer to the following site for information about financial reporting under the new FDS:*  
<http://www.hud.gov/offices/pih/programs/ph/am/fds.cfm>.

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**Question:** *On the new FDS for asset management, will separate balance sheets be maintained for both the Operating Fund and the Capital Fund at the project level?*

*Answer:* No. While the PHA will provide a separate income statement for the Operating Fund and Capital Fund, by project, there will only be one, consolidated balance sheet for each project.

**Question:** *Consistent with HUD guidance, our PHA has chosen to use allocated overhead (in lieu of management fees) through 2011. Will we still report a Central Office Cost Center (COCC)?*

*Answer:* Unless the PHA utilizes fee-for-service (i.e., management fees) for other programs that it administers, it will not report a COCC if it uses cost allocation for overhead. ♦

## Upcoming Dates on the Asset Management Calendar

- ❖ **September 30, 2008:** Comment period ends on proposed form HUD-5834, Management Review of Public Housing Projects.
- ❖ **October 1, 2008** – Required Board approval for all project budgets for October 1 PHAs (Year 2)
- ❖ **October 15, 2008:** Stop Loss Year 3 Submission Deadline
- ❖ **October 20, 2008:** Comment period ends on proposed PHAS rule.

## What's New on the Website?

- ❖ [FAQs Asset Management FASS-PH Submitting a Financial Data Schedule](#)
- ❖ [Calendar Year 2009 Subsidy Processing](#)
- ❖ [FASS-PH Submitting an FDS Pre-view Demonstration](#)
- ❖ [Explanation of Fourth and Final Obligations under Operating Fund Program for Calendar Year \(CY\) 2008 and related worksheets and related worksheets](#)

- ❖ [Guidance on the Funding of New Projects/New Units for the Purposes of Operating Subsidies](#)
- ❖ [Supplemental Information Regarding Year 3 Stop-Loss Submissions](#)

## Resources and Useful Links

For more information, please visit the HUD-PIH Asset Management Website [here](#). Click on the following hyperlinks for detailed information surrounding the key building blocks of asset management:

- ❖ [Project-Based Funding](#)
- ❖ [Project-Based Budgeting](#)
- ❖ [Project-Based Accounting](#)
- ❖ [Project-Based Management](#)
- ❖ [Project-Based Oversight](#)

Within each building block you may find specific topics of interest, including: [AMP Groupings](#), [Stop-Loss](#), [Subsidy and Grants Information System \(SAGIS\)](#), etc. ♦

## Contact the Editor

Do you have an article idea, question, or comment for the editor? The Office of Public and Indian Housing (PIH) is the editor of this monthly e-Newsletter. Please send all inquiries by email to [AssetManagementNewsletter@hud.gov](mailto:AssetManagementNewsletter@hud.gov), with the subject line "Question/Comment for the Editor."

