

HUD ASSET MANAGEMENT E-NEWSLETTER

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PHA Spotlight – Interview with Frank Aggazio, Executive Director, Allegheny County Housing Authority (ACHA), Pennsylvania



Allegheny County, located in Western Pennsylvania, has a population of 1.3 million persons living in 130 municipalities within 731 square miles. Centered within the county is the city of Pittsburgh. The Housing Authority owns and manages 3,300 units, administers over 5,000 vouchers, has three HOPE VI developments and 22 mixed finance properties. Realizing that the agency stood to lose \$2.8 Million under Stop Loss, the Allegheny County Housing Authority (ACHA) converted to asset management at the earliest opportunity. This month, the Spotlight editor interviews Frank Aggazio, Executive Director.

Your agency converted to asset management over three years ago. How prepared were you for the transition?

Frank—On-site staff were already doing initial eligibility, inspections and working on the capital fund process. And our finance department was already undergoing a measuring and monitoring program where many expenses such as utilities and payroll were tracked by



Pleasant Ridge, Allegheny County, PA

property name. It was self-evident that this tracking was important before mandatory measures came along due to Stop Loss. By having this historic information readily available, we were able to speed up the process, empowering the managers to track and manage what is spent at their properties.

We began training our staff well before the first deadline. We had too many maintenance supervisors and not enough managers so our original plan was to train existing staff to become managers and assistant managers. Although a number of former maintenance supervisors became assistant property managers, only a couple applied for the AMP manager positions. We had to bring in people with private sector experience. The people we recruited were already familiar with project-based management and were important in encouraging other folks to buy in early and embrace the changes. We completed hiring everyone by September 2006. Our agency leadership made it clear that there was no going back to the old way of doing things. So, with asset management, we experienced change, but not radical change.

Can you give us an example of a system or process that's working better now under asset management?

Frank—We have seen a big change in our budgeting and financial reporting processes, which has led to much greater control over expenses. Previously, budgeting and financial reporting involved mostly just the finance department; now, every manager has financial responsibility. At the beginning of the transition period, we had managers and prospective managers meeting one-on-



Uansa Village, Allegheny County, PA

one with our finance people. This was a hands-on, live exercise with the budgets and how to use them. Now, monthly budget vs. actual meetings are a norm and we have a smooth process for developing the annual budgets (see sidebar). Managers are keeping better track of expenditures, our budgets are approved well in advance of the start of each fiscal year, and we're saving money!

What was your greatest challenge?

Frank—We had to figure out how our skilled trades persons (electricians, boiler mechanics, plasterers, plumbers, and such), who all answered to different union leadership, would fit in with project based management. Clearly, the unskilled laborers, includ-

ing maintenance aides and groundskeepers, would be assigned as project employees. But for those skilled trades persons who were not needed full time at any one site, and yet we still needed that specialty, we created a centralized fee-for-service program. Now, site managers call for this work, when needed. We conducted market comparability studies to determine the rate and we only charge for actual work performed (we've been able to keep them busy, with approximately 80% of their time now "billable"). The members of this central crew embrace the notion that they have to operate like a business. Right now, we turn a small profit on this business center.

Summary of the Budget Process—Allegheny County Housing Authority

1. Five to six months prior to the end of the fiscal year, the AMP manager receives a budget packet. It includes a cover memo, instructions, and an Excel workbook with numerous worksheets and links. The workbook contains various features including historic information, current budget vs. actual data, and ability to annualize year-to-date information.
2. Managers develop their expense and capital portions of the budget. The Modernization Department provides considerable input on the costs of the capital items. The Excel workbooks are returned to the Finance Department.
3. The Finance Department enters income data.
4. Budget meetings commence between the managers and the finance department as the budget is fine-tuned and the appropriate bottom line achieved. Priorities are set if everything cannot be accommodated within the income stream.
5. Once a balanced budget is achieved, the executive staff reviews the proposed budget.
6. The budgets are then presented to the Board for approval approximately one month prior to the start of the new fiscal year.
7. Managers receive approved budgets and manage accordingly.

What changes have you noticed at the properties as a result of the transition?

Frank—Results from our quality control program indicate improved resident satisfaction since the transition to asset management. The managers and the supervisors of the skilled crafts follow up on work done at the properties, plus the central office does surveys on about 5% of the work-orders. Ninety percent of the responses indicate very good results. Survey results tell us that residents feel they are treated with respect and that the jobs are done well. Employees receive the feedback, good or bad. We have a couple of incentive programs in place. Every month, an employee is chosen for the Employee of the Month award and he or she receives a plaque from the Board and a gift certificate or check. We also have annual recognition awards. But I must say that our people seem very self-motivated and want to do a good job, especially when they see the interest (quality control) from the central office.

Another change that we noticed is that the transition forced people to communicate more than they had to do in the past. That is a good thing, but may have been a bit daunting for some people at the outset. There is much more communication between the Central Office and the AMP manager in the budget process, in identifying and explaining report discrepancies, and in discussing procurement issues. For example, although the procurement department bids out and awards the cleaning and painting contracts, there is much back and forth discussion concerning specific project needs. Once the contract is awarded, the manager is in control.



Dalton's Edge, Allegheny County, PA



Homestead Apartments, Allegheny County, PA

Aside from training, what tools are you using to promote effective asset management?

Frank—Since there is no longer a central warehouse and properties have limited storage, we find that our micro purchasing system provides flexibility and saves time. Each site has a credit card with a site-specific account number. The managers have authority to use them as needed, within guidelines that limit dollars spent per day and per month. The expenditures are tracked on a daily basis online so that we see the activity for each card and corresponding project. This system is a direct result of the conversion to asset management.

We try to think outside the box and use technology as much as possible, which is especially important because we have a number of smaller properties spread out over a large area. We organize our AMPS geographically, and each AMP manager has a laptop computer with air cards so that information is readily available at any time from any location. This system provides great flexibility for those AMP managers that have multiple buildings and properties. The manager can pull up information on occupied units, payments, re-certifications, or anything from the network or Internet that is needed.

How do the managers like the new system?

Frank—They're thrilled to be able to track how their properties are doing and to know what it costs to operate a specific site. This wasn't possible before the conversion.



Groveton Village, Allegheny County, PA

It looks like your success has brought you some new opportunities.

Frank—We try to be a progressive, outward-looking housing authority and have found that the specific knowledge gained from the asset-based tracking has facilitated our ability to grow as an agency. We are actively seeking and developing mixed use and HOPE VI projects. We've also been asked by our local field office to provide training to many smaller PHAs in asset management.

A new profit center?

Frank—Well, for now, let's just say we're proud to be asked and happy to provide the help to others.

Contact Information

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Nominations for Spotlight



Have a great story to tell about your PHA's transition to asset management? Or perhaps you know about another PHA that overcame obstacles and used creative solutions to make the transition? The Asset Management E-Newsletter editor is accepting nominations for the spotlight feature article for upcoming issues. Please send your nominations to Greg Byrne with a few brief sentences outlining the story. We will be happy to explore the story in detail and share it with the newsletter readers.

Upcoming Dates on the Asset Management Calendar

December 31, 2009, Audited Financial Statement due for FY 12/31/2008

January 11, 2010, PHAs with under 1,000 units will have SAGIS access (PHAs with 1,000 or more units had access beginning 12/07/09).

March 1, 2010, CY 2010 PHA submissions due for subsidy requests

What's New on the Web site?

- **Asset Management Technical Assistance for Public Housing Agencies**
- **Calendar Year 2010 Subsidy Processing**

Resources and Useful Links

General Information About Asset Management

For more information, please visit the HUD-PIH Asset Management Website. 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, and Stop-Loss.

Specific Links In This Issue

Links for specific materials referenced in this issue are shown in **blue bold typeface**, and are placed throughout this issue for ease of reference. When this newsletter is viewed as an electronic file, you may click on these links to be taken to the referenced materials.

Asset Management Help Desk—Questions and Answers

The Asset Management Help Desk can be reached at 1-800-955-2232 or by email at assetmanagement@deval.us Please use this phone number and email address to send inquiries regarding asset management.

Management Fees

Q Have the 2010 management fees been published yet?

A The Department anticipates posting the 2010 management fee table in late December or early January. In the event that the fees are posted after the beginning of the year, the fees are retroactive to the start of the year.

Q Can a PHA charge a management and bookkeeping fee for the Supportive Housing for Persons with Disabilities (Section 811) Program (CFDA# 14.181)?

A Yes. For applicable fees for this program, refer to HUD Handbook 4381.5, REV-2, the Management Agent Handbook.

Q I attended one of the Public Housing Asset Management Conferences sponsored by HUD this year and one of the professors said that we were allowed to charge a management fee to Section 8 for the Portable Vouchers. Where can I find this information?

A HUD encourages the adoption of a fee-for-service methodology for the HCV Program for the treatment of overhead costs. For PHAs that elect to use a fee-for-service methodology for the HCV Program for overhead/indirect costs, HUD will consider a management fee of up to 20% of the administrative fee or up to \$12 PUM per voucher leased, whichever is higher, as reasonable. PHAs can also charge the HCV Program a \$7.50 PUM bookkeeping fee for the program accounting function in addition to the management fee.

For port-outs (i.e., a PHA's voucher holder uses the voucher in a community outside the PHA's jurisdiction), the initiating PHA should charge as a management fee the lesser of: (1) the eligible management fee and bookkeeping fee as allowed in the Supplement to PIH Notice 2007-9 or (2) the difference between the total administrative fee earned by the initiating PHA and the administrative fee paid to the receiving PHA. For example, assume that the administrative fee that the initiating PHA receives from HUD to operate the voucher program is \$40 PUM. The receiving PHA receives 80% of that fee, or \$32 PUM. The amount remaining is \$8 PUM. The PHA could retain that amount, \$8 PUM, as a management and bookkeeping fee for the section 8 program because it is not more than the normal management and bookkeeping fee that the PHA could earn on a voucher unit.

For port-ins, the receiving PHA earns 80% of the administrative fee (\$32 in the previous example). Of that amount, the PHA can charge the higher of 20% or \$12 PUM as a management fee and can also charge a bookkeeping fee of \$7.50 PUM. The remaining amount is considered admin fee/equity of the HCV Program.

Legacy Costs

Q How does HUD recommend the recording of legacy costs associated with various Other Post Employment Benefit (OPEB) liabilities? Prior to asset management, most of our employees were centralized and not assigned to specific properties.

A OPEB benefits incurred prior to asset management are treated as a legacy cost (a prior program liability where there is no current funding plan). These amounts can be paid with project funds. The Department recommends that both the long-term liability of these legacy costs, as well as any annual payment associated with these costs, be charged directly to each project (or allocated to each project) based on reasonable allocations. Previously, the Department had suggested that these legacy costs be recorded at the COCC, with payment from the projects, in that it was considered that such reporting would simplify accounting; however, the Department has learned that reporting these legacy costs in the COCC has not simplified the accounting and has led to distortions of financial ratios. Hence, the Department now recommends that the legacy costs associated with the public housing program be reasonably allocated to each project.

SOURCE: Supplement to Financial Management Handbook, Chapter 4 Page 15, as included with PIH Notice 2007-9.

FDS Line Item Definition and Crosswalk Guides

Q I'm confused. On the FASS page there are two links for "FDS Line Item Definition and Crosswalk" Guides. One is dated September 5, 2006, and the other is dated November 2008.

A The FDS Line Definition Guide dated November 2008 is for all 6/30/08 and subsequent submissions (click [here](#)). However, for PHAs that are still addressing submissions for 3/31/08 and prior, they should refer to the September 5, 2006, FDS Line Definition Guide (click [here](#)).

Cash Investments

Q Are brokered certificate of deposit programs (BCDs) permitted investment instruments for program funds? Our PHA has approximately \$6 million in project funds that we'd like to invest in certificate of deposits (CDs). Given current FDIC limits (\$250,000), we would need to open 25 separate CD accounts under 25 separate financial institutions. A BCD program would allow us to deal with one primary depository institution.

A Yes. PHAs may participate in BCD programs with program funds. Generally, participation in such a program allows a PHA to invest in multiple CDs with its participating depository institution through an account registry service. The registry service acts to re-invest depositor funds into CDs issued by multiple participating financial institutions. In this manner, the

PHA invests funds into FDIC-insured CDs. The PHA's primary depository institution must be a participant in such a network of participating depositories. In essence, the PHA's participating depository institution is the beneficiary on the PHA's behalf, while a third-party bank acts as Trustee, holding the original CD on the PHA depository bank's behalf. PHAs should refer to their respective state statutes with respect to participation in BCD programs.

Contact the Editor

Do you have an article idea, question, or comment for the editor? The Office of Public and Indian Housing is the editor of this monthly e-Newsletter.

Please send all inquiries to assetmanagementnewsletter@deval.us, with the subject line "Question/Comment for the Editor."