



HCV FINANCIAL MANAGEMENT TIPS

Texas Housing Association Annual Conference

BRIAN D. ALTEN, CPA

PARTNER

August 2017

BDO BDO PHA FINANCE



Please Turn off
Cell Phone Ringers

Thank You!

A bar chart constructed from colorful wooden blocks. The chart has four bars of increasing height from left to right. The first bar is made of a green rectangular block with a red square block on top. The second bar consists of a green rectangular block with a yellow rectangular block on top. The third bar is the tallest, made of a green rectangular block with a red rectangular block on top, which is topped with a red triangular block. The fourth bar is made of a blue rectangular block topped with a blue triangular block. A yellow triangular block lies on the surface to the right of the fourth bar. A red vertical bar is visible on the far left edge of the slide.

Important Concepts

Background Information for the Section 8 Program

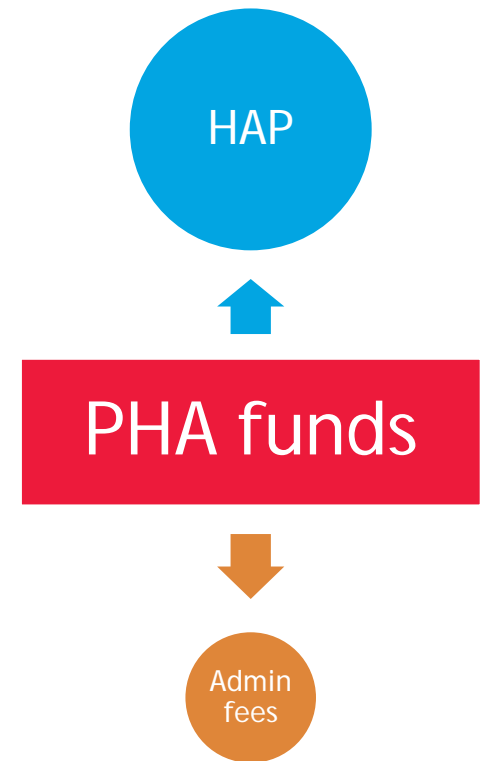
Financial basics: What is HCV

- ▶ Units owned primarily by private landlords
- ▶ PHA is **not** responsible for:
 - Maintenance of units
 - Marketing units
 - Security of units
 - Will inspect units to meet physical standards



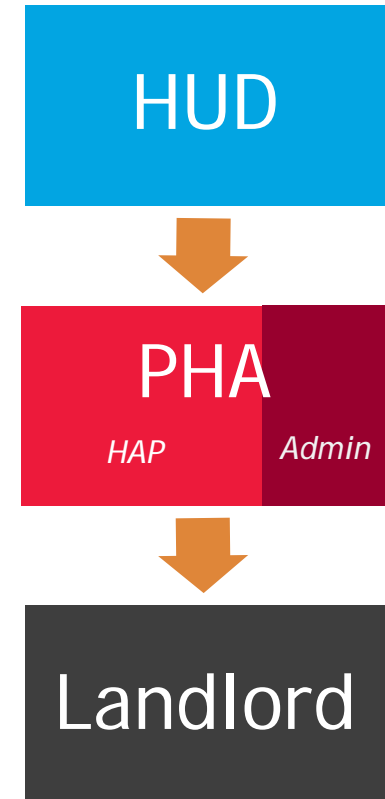
Financial basics: HAP and admin subsidy

- ▶ The majority of the HCV program money passes through the PHA as HAP
 - It has a specific use
 - This money is Restricted
- ▶ Some of the money we receive from HUD stays at the PHA
 - We may spend this money, for day-to-day operations
 - These are our Admin Fees
 - This money is Unrestricted



PHA's role in the HCV program

- ▶ Funds come from the Federal Government
- ▶ The PHA acts as a "middle man"
- ▶ Most of these funds pass through the PHA and go on to Section 8 Program landlords



Financial Basics: Housing Assistance Payment (HAP) Funding



- ▶ PHA provides HAP to private landlords on behalf of eligible families
- ▶ UAP utility assistance payments assists tenants with energy bills
- ▶ FSS escrow payments for tenants in the FSS program

Administrative fee

- ▶ The Administrative Fee is what the PHA receives as revenue to operate the day to day operations of the HCV program
- ▶ Fee paid by HUD to the PHA for administration of the program
 - See 24 part 982.152
- ▶ Reported as Pre-2004 and Post 2003



Financial basics: maximizing admin fees

- ▶ HUD will pay an Administrative Fee based on the units leased as calculated on the 1st day of each month
 - This calculation only occurs on the first of the month
- ▶ Therefore, it is the PHA's goal to have 1,200 unit months leased (UML) for the entire year
 - Or, all of the 100 units leased each month on the 1st of each month



Administrative fees

PHAs receive an Admin Fee for their duties administering HCV program:

- ▶ Take applications, maintain waiting list & process families for admission
- ▶ Verify facts related to income and rent
- ▶ Issue vouchers
- ▶ Inspect units
- ▶ Determine whether rent requested by landlord is reasonable
- ▶ Re-examine income & re-inspect units once each year
- ▶ Pay HAPs to landlords for leased units



Financial basics: Baseline & UMA

- ▶ The **baseline** number of vouchers refers to the number of voucher units a PHA has in their ACC
 - The baseline is expressed as a total number of vouchers and as a total number of unit months available
- ▶ For example, if the baseline number of units a PHA's ACC is 100 (and these units are available for 12 months) then the PHA has 1,200 **Unit Months Available (UMA)** to lease

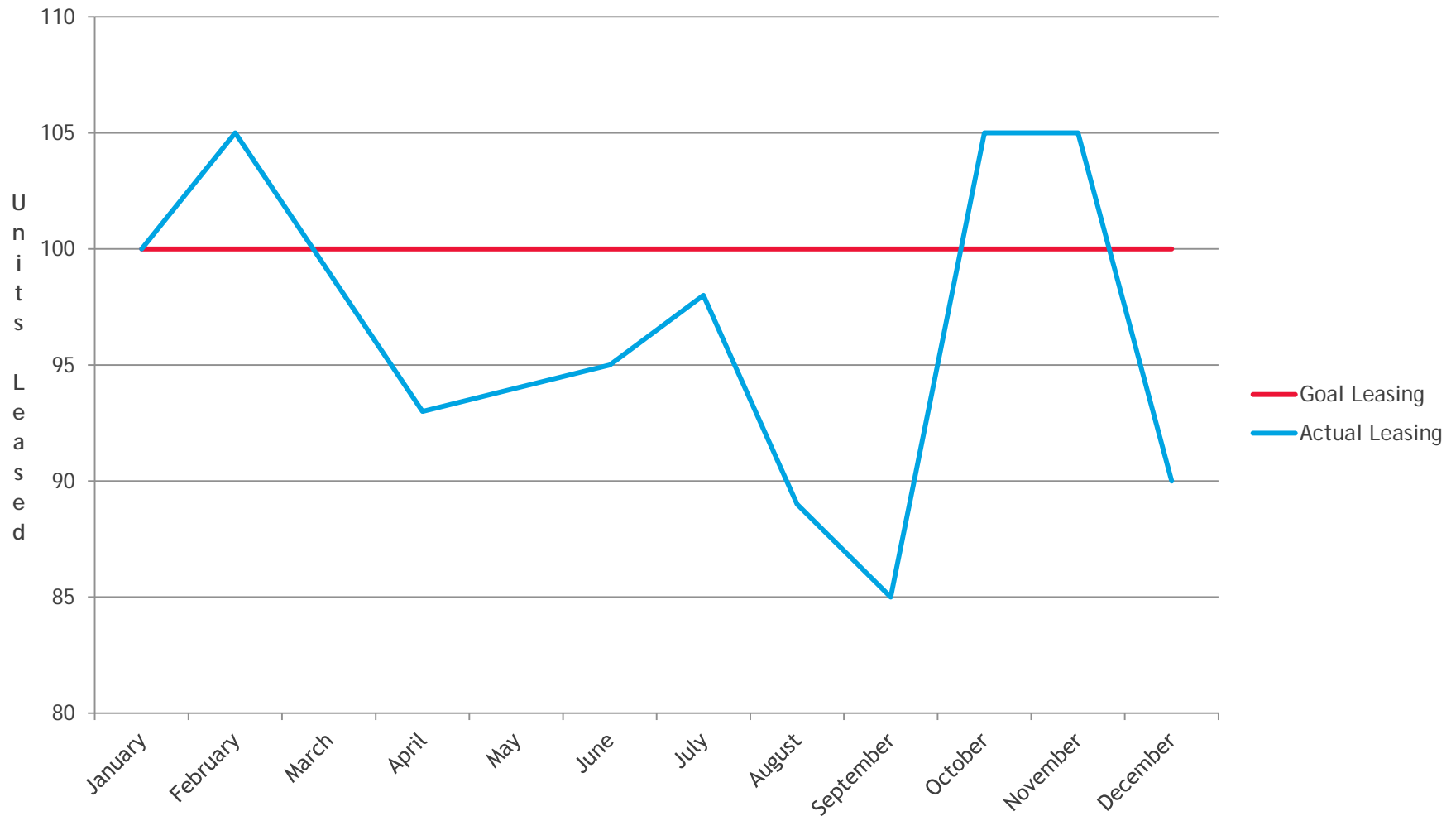
$$100 \text{ units} \times 12 \text{ months} = 1,200 \text{ UMA}$$

Financial basics: 100% lease up

- ▶ What is the likelihood of meeting 100% of leasing on the 1st of each month, each and every month?
 - Not very likely ☹️



Financial basics: Typical leasing chart



Financial basics: Over-leasing

- ▶ PHAs **can** over-lease unit months on a fiscal year
 - 3/31, 6/30, 9/30
- ▶ PHAs **cannot** over-lease unit months on a calendar year
 - 12/31



Financial basics: Section 8 program funding overview

- ▶ Funding is awarded to PHAs on a calendar year basis regardless of the PHA's fiscal year
 - HAP
 - Admin Fee



Financial basics: Annual budget authority



- ▶ The amount of formula-driven HAP that a PHA is entitled to each Calendar Year is called the Annual Budget Authority (ABA)
 - PHAs *used to be* funded so they could lease up to their baseline number of unit months
 - This is no longer necessarily the case

Financial basics: HCV program funding

- ▶ PHAs are funded for HAP based on a formula and **not** on a per unit basis
 - If a PHA has 100 units in their baseline or 1,200 UMA, the PHA *may not* be able to lease 100% of the UMA

The image shows handwritten mathematical derivations for the HCV program funding formula. The derivations are as follows:

$$\begin{aligned} \frac{d}{dx} \ln(f(x)) &= \frac{1}{f(x)} \cdot f'(x) \\ &= \frac{1}{\frac{1}{\sigma^2 + (\bar{x} - \mu_0)^2}} \cdot \frac{2(\bar{x} - \mu_0)}{\sigma^2 + (\bar{x} - \mu_0)^2} \\ &= \frac{2(\bar{x} - \mu_0)}{\sigma^2 + (\bar{x} - \mu_0)^2} \end{aligned}$$
$$\frac{d}{dx} \ln(f(x)) = \frac{d}{dx} \left(\ln\left(\frac{1}{\sigma^2 + (\bar{x} - \mu_0)^2}\right) \right) = \frac{d}{dx} \left(-\ln(\sigma^2 + (\bar{x} - \mu_0)^2) \right)$$
$$= -\frac{1}{\sigma^2 + (\bar{x} - \mu_0)^2} \cdot \frac{d}{dx} (\sigma^2 + (\bar{x} - \mu_0)^2)$$
$$= -\frac{1}{\sigma^2 + (\bar{x} - \mu_0)^2} \cdot 2(\bar{x} - \mu_0)$$
$$= \frac{-2(\bar{x} - \mu_0)}{\sigma^2 + (\bar{x} - \mu_0)^2}$$

Financial basics: Appropriations calculation

For calendar year



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-5000

OFFICE OF PUBLIC AND INDIAN HOUSING

June 28, 2017

Dear Executive Director:

Subject: Housing Choice Voucher Program Calendar Year (CY) 2017 Renewal Funding Allocation

The purpose of this letter is to advise public housing agencies (PHA) of the CY 2017 Housing Assistance Payments (HAP) renewal funding allocations for the Housing Choice Voucher Program (HCVP). The funding allocations described herein are based on the requirements of the Consolidated Appropriations Act, 2017, (P.L. 115-31) referred to hereafter as "the 2017 Act," enacted on May 5, 2017. HUD will publish a PIH Notice that describes the implementation of the 2017 Act in detail. This Notice will be posted at the following link:
http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/notices/pih.

Financial basics: Appropriation calculation

- ▶ HUD used VMS data from January to December of the prior calendar year
 - Capping percentage

- ▶ HUD will make adjustments for the first-time renewal of certain vouchers
 - These include tenant protection vouchers and special purpose vouchers such as Veterans Affairs Supportive Housing (VASH) vouchers
 - First time increments not initially funded for twelve months will receive the additional funding required, as identified on the funding enclosures of the affected PHAs

Financial basics: Future funding periods

- ▶ Funding is made available to PHAs on a calendar year basis, future funding periods (future calendar years) cannot be used for current year expenditures
 - For example, if a PHA utilizes all of their Annual Budget Authority (ABA), HUD-held Reserves and Restricted Net Position for HAP by November 2016, the PHA cannot borrow money from future funding for December 2016 HAP and pay it back from January 2017 funding

Financial basics: Section 8 program funding overview

S8 funding to the PHA is broken into two portions, which must be carefully and separately monitored:

- ▶ Housing Assistance Payment (HAP)
- ▶ Administrative Fee (Admin Fee)



Financial basics: flow of funds

Funds From HUD

- HAP Subsidy
- ADMIN Subsidy

PHA

- HAP subsidy spent on HAP
- Admin subsidy spent on operating costs

Equity "Net Position"

- Excess HAP subsidy will go to equity at year-end
- Excess Admin subsidy will go to equity at year-end
- Reduction of UNP is realized immediately

Financial basics

Restricted vs. *Unrestricted*

HAP FUNDING
(considered restricted)

excess
HAP
funding
not used
goes to

Restricted Net
Position

ADMINISTRATIVE FEE FUNDING
(considered unrestricted)

excess
Admin
funding
not used
goes to

Unrestricted Net
Position

Financial basics: types of reserves

HAP

- ▶ There are two types:
 1. HUD-held Reserves – program reserves
 2. Restricted Net Position – PHA held reserves
- ▶ These reserves can only be used to pay for HAP expenses

Administrative (Admin)

- ▶ There are two types:
 1. Net Investment in Capital Assets
 - Fixed Assets
 2. Unrestricted Net Position
 - Excess Admin Fee Reserves

Financial Basics: “Net” terms

- ▶ Restricted Net Position (RNP) is formally Net Restricted Assets (NRA)
- ▶ Unrestricted Net Position (UNP) is formally Unrestricted Net Assets (UNA)

GASB 63



Financial basics: Restricted net position

- ▶ Restricted Net Position (RNP) typically consist of excess HAP funding since January 1, 2005 that the PHA has accumulated in **PHA-held** reserves that has not been recaptured though funding offsets
- ▶ Could include:
 - FSS Escrow Forfeitures
 - Typically ½ of Fraud Recovery
 - Excess HAP funding received
- ▶ Amounts should be minimal since the implementation of Cash Management in CY 2012

Financial basics: Unrestricted net position

- ▶ UNP can also be referred to as “Administrative Fee Reserve”
- ▶ Funds are to be used for the day-to-day operations of the HCV program
- ▶ These funds do not have a contractual restriction on their use
 - Administrative Fees
 - Unrestricted Interest Income
 - ½ of Fraud Recovery
 - Portable Income

Financial basics: Pre-2004 & post-2003 admin fees

Post-2003 Administrative Fee Funds

- ▶ Administrative fees funded from the FFY 2004 Appropriations Acts and subsequent appropriations require that administrative fee reserves provided from these appropriations shall only be used for activities related to the HCV Program, including related development activities
 - Examples of related development activities could include: unit modifications to HCV units to provide accessibility features or project-based voucher development costs

Financial basics: Pre-2004 & post-2003 admin fees

Pre-2004 Administrative Fee Funds

- ▶ If funds in the administrative fee reserve are not needed to cover PHA administrative expenses (to the end of the last expiring funding increment under the consolidated ACC), the PHA may use these funds for other housing purposes permitted by State and local law
- ▶ However, HUD may prohibit use of the funds for certain purposes

PIH Notice 2011-59

Financial basics: Cash management

- ▶ The process of disbursing only the funds required for current HAP costs will result in the establishment of HUD-held program reserves
- ▶ HAP funds will remain obligated but undisbursed at the HUD level rather than held by the PHAs





Financial basics: HUD-held reserves

- ▶ The remaining ABA that is not provided to the PHA is considered HUD-held reserves or “Program Reserves”
- ▶ These reserves are rolled forward to the next year and can be used to fund HAP in the following year

Financial basics: FSS program

- ▶ Family self-sufficiency program
- ▶ The program established by a PHA in accordance with 24 CFR part 984 to promote self-sufficiency of assisted families, including the coordination of supportive services

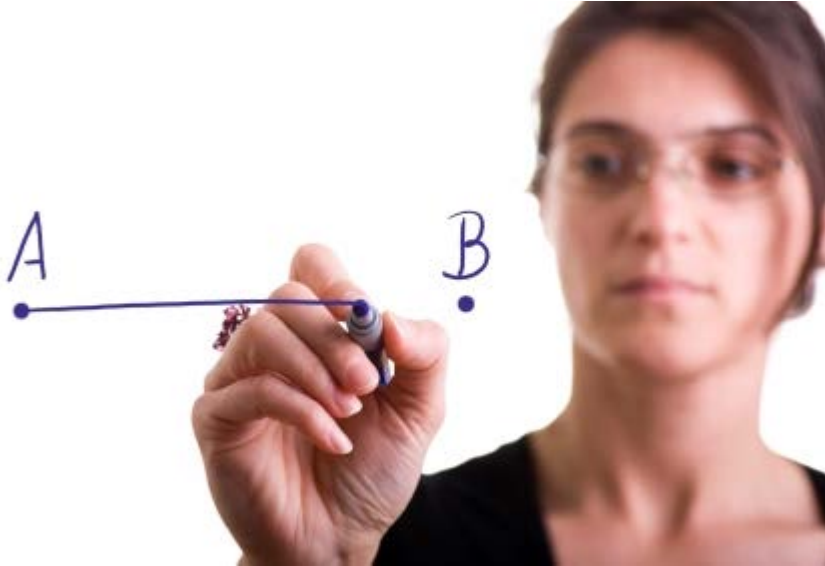


Financial basics: Portability

- ▶ Renting a dwelling unit with Section 8 tenant-based assistance outside the jurisdiction of the initial PHA
 - An eligible family issued a housing choice voucher may use that voucher to lease a unit anywhere in the United States where there is a housing agency operating a housing choice voucher program



Financial basics: Initial and receiving PHAs



- ▶ **Initial PHA** - Where tenant originates
- ▶ **Receiving PHA** - Where tenant moves to

Financial basics: Portability - initial PHA

The Initial PHA as a concept refers to both of the following scenarios:

- ▶ A PHA that originally selected a family that later decides to move out of the jurisdiction of the selecting PHA
- ▶ A PHA that absorbed a family that later decides to move out of the jurisdiction of the absorbing PHA

Financial basics: Portability - receiving PHA

- ▶ A PHA that receives a family selected for participation in the HCV program of another PHA
- ▶ The receiving PHA issues a voucher and provides program assistance to the family



Budget

Budgeting for Section 8

How much funding is available for HAP?

The elephant in the room ...

Do we have enough HAP funding to maximize Administrative Fees?



How do we determine funding for HAP?

1. Appropriation calculation for the calendar year
2. Restricted Net Position (RNP)
3. HUD-held Reserves
4. Set-Aside Funds
5. UNP**



***UNP is available, but is generally not used to pay HAP*



1. Appropriations

ABA

Appropriations calculation

For calendar year



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-5000

OFFICE OF PUBLIC AND INDIAN HOUSING

June 28, 2017

Dear Executive Director:

Subject: Housing Choice Voucher Program Calendar Year (CY) 2017 Renewal Funding Allocation

The purpose of this letter is to advise public housing agencies (PHA) of the CY 2017 Housing Assistance Payments (HAP) renewal funding allocations for the Housing Choice Voucher Program (HCVP). The funding allocations described herein are based on the requirements of the Consolidated Appropriations Act, 2017, (P.L. 115-31) referred to hereafter as "the 2017 Act," enacted on May 5, 2017. HUD will publish a PIH Notice that describes the implementation of the 2017 Act in detail. This Notice will be posted at the following link:
http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/notices/pih.

Appropriation calculation

- ▶ HUD used VMS data from January to December of the prior calendar year
 - Capping percentage
- ▶ HUD will make adjustments for the first-time renewal of certain vouchers
 - These include tenant protection vouchers and special purpose vouchers such as Veterans Affairs Supportive Housing (VASH) vouchers
 - First time increments not initially funded for twelve months will receive the additional funding required, as identified on the funding enclosures of the affected PHAs

Appropriation calculation

- ▶ HUD will apply an inflation factor
 - 2017's inflation factor was approximately 2.5%
- ▶ In 2017 HUD prorated HAP funding at approximately 97%



Sample renewal funding attachment

Enclosure A

Calculation of Calendar Year 2017 Renewal Funding Housing Choice Voucher Program

1	HA Number:	MD999	
2	HA Name:	TERRAPIN HOUSING AUTHORITY	
<u>CY 2017 Renewal Funding</u>			
3	CY 2017 HCV Renewal Funding after Offset and Amounts Owed HUD	\$5,496,791	
<u>CY 2017 Non-Renewal Funding</u>			
4	CY 2017 Non-Renewal Funding (TPVs, VASH, etc.) to Date	\$0	
5	CY 2017 Estimated RAD 1 Funding For First Full Year After Conversion	\$0	
6	Total CY 2017 HCV Renewal and Non-Renewal Funding		\$5,496,791
<u>ELIGIBILITY</u>			
7	Total Unit Months Leased per VMS - CY 2016	7,793	
8	Total Unit Months Available - CY 2016	8,148	
9	Capping Percentage	100%	
10	Total CY 2016 HAP Expenses per VMS	\$5,523,192	
11	Total CY 2016 Capped HAP Expenses (Line 10 x Line 9)	\$5,523,192	
12	Renewal Funding Inflation Factor	1.026	
13	Inflated Eligibility Sub-Total (Line 11 x Line 12)	\$5,666,795	
14	First Time Renewals - Appendix II	\$0	
15	Transfers In or Out	\$0	
16	Total DHAP Eligibility	\$0	
17	Total Renewal Eligibility (Line 13 + Line 14 + Line 15 + Line 16)	\$5,666,795	
18	Proration Factor		0.97000
19	Prorated Eligibility (Line 17 x Line 18)		\$5,496,791

Sample renewal funding attachment

OFFSET

Calculation on Appendix I

- 20 Offset Amount (Calculations on Appendix I)
 21 Total CY 2017 Renewal Funding after Offset (Line 19 - Line 20)

\$0
\$5,496,791

FUNDING

- 22 Total CY 2017 Renewal Funding after Offset
 23 Renewal Funding Obligations, January through June 2017
 24 Remaining to Obligate for CY 2017 prior to reduction for funds due HUD (Line 22 - Line 23)
 25 Reduction for Funds due HUD
 26 Remaining to Obligate for CY 2017 after reduction for funds due HUD (Line 24 - Line 25)
 27 Total Obligations Due Through June, 2017 (Line 22 x 50%)
 28 Additional Obligations Due Through June, 2017 (Line 27 - Line 23, if Line 27 is higher; else 0)
 29 Excess Obligations Through June, 2017 (Line 23 - Line 27, if Line 23 is higher; else 0)
 30 CY 2017 Inflated Per Unit Cost
 This value is calculated as total inflated VMS Expenses, minus HAP Costs After the First of the Month, divided by total Unit Months Leased.

\$5,496,791
\$2,858,262
\$2,638,529
\$0
\$2,638,529
\$2,748,396
\$0
\$109,866
\$725.12

- 31 Comments

Sample renewal funding attachment

CY 2017 Offset Reallocation		Appendix I
CY 2016 End of Year Reserves		\$29,453
<u>PROTECTED CATEGORIES</u>		
A.	Difference between the PHA's Eligibility and Prorated Eligibility	\$170,004
B.	CY 2016 Amounts needed to fully lease VASH units	\$0
C.	Difference between higher of December 2016 UMLs x 12 or CY 2016 UMLs up to baseline on units under ACC	\$83,389
D.	CY 2016 New incremental BA- 1/2 of Eligibility	\$0
E.	CY 2016 Set Aside Protection- 1/2 of Eligibility	\$0
F.	Portion of CY 2017 Renewal Eligibility (Based on units under ACC):	\$226,672
	4% - 500 and above units	
	6% - 250 to 499 units	
	12% - Less than 250 units	
Total Funds Available for Offset		\$0
Offset Amount (Total Funds Available for Offset x 14.601%)		\$0
Prorated Eligibility After Offset		\$5,496,791
PHA's that received 2016 Shortfall Set-Aside funds are exempt from this offset.		



2. Restricted Net Position

“PHA held” reserves

Restricted net position

- ▶ Restricted Net Position(RNP) typically consist of excess HAP funding since January 1, 2005 that the PHA has accumulated in **PHA-held** reserves that has not been recaptured though funding offsets
- ▶ It includes:
 - FSS Escrow Forfeitures
 - Typically ½ of Fraud Recovery
 - Excess HAP funding
 - Amounts should be minimal since the implementation of Cash Management in CY 2012



3. HUD-held reserves

Program reserves

HCV cash management procedures

- ▶ Since CY 2005, PHAs have been accumulating RNP to pay for future HAP costs
 - This amount has exceeded \$1.5B in FY 2012
- ▶ 2012 brought two new changes:
 1. HUD will also instituted the new Cash Management procedures outlined in PIH Notice 2011-67
 2. Established HUD-held Reserves



Cash management

- ▶ The process of disbursing only the funds required for current HAP costs will result in the re-establishment of HUD-held program reserves, whereby excess HAP funds will remain obligated but undisbursed at the HUD level rather than held by the PHAs
- ▶ New BA will be moved into the HUD-held reserves if it is not needed for current costs

Cash management procedures

- ▶ Monthly HAP funding will be based on the higher of
 - Calculated need based on VMS expenses from the most recently validated month or
 - Available funds (monthly renewal obligation plus HUD-held Reserves)



Disbursement procedures

Chart assumes beginning HUD-held reserve balance of \$0.

Date	HAP Received	VMS Reporting Period	ABA
			\$ 4,000,000
1/1/2016	\$ 300,000	October VMS 2015	3,700,000
2/1/2016	300,000	November VMS 2015	3,400,000
3/1/2016	300,000	December VMS 2015	3,100,000
4/1/2016	325,000	January VMS 2016	2,775,000
5/1/2016	325,000	February VMS 2016	2,450,000
6/1/2016	325,000	March VMS 2016	2,125,000
7/1/2016	330,000	April VMS 2016	1,795,000
8/1/2016	330,000	May VMS 2016	1,465,000
9/1/2016	330,000	June VMS 2016	1,135,000
10/1/2016	335,000	July VMS 2016	800,000
11/1/2016	335,000	August VMS 2016	465,000
12/1/2016	335,000	September VMS 2016	\$ 130,000
	<u>\$ 3,870,000</u>		



*Program Reserves for CY 2016

HUD-held reserves

- ▶ The remaining ABA that is not provided to the PHA is considered HUD held reserves or “Program Reserves”
- ▶ These reserves are rolled forward to the next year and can be used to fund HAP in the following year





HUD-held reserves

- ▶ Just because your PHA is not receiving funding from HUD doesn't mean that your PHA doesn't have funds in HUD-held Reserves or Annual Budget Authority (ABA)

You must track your ABA and HUD-held Reserves monthly to ensure you are receiving the proper funding to administer your program!

HUD-held reserves & restricted net position

- ▶ Any HUD-held Reserves and RNP that are rolled forward to the next year can be subject to an offset for funding
 - Use them or lose them!!
- ▶ HUD will combine your RNP and HUD-held Reserves at calendar year-end to determine your total reserves and use that number to determine a possible offset of funding



Additional funding requests

- ▶ PHAs whose monthly costs exceed the disbursements may submit a request for an additional advance/frontload to their Financial Analyst at the FMC
- ▶ The request should include leasing and expenses data for any month(s) not yet reported in VMS and the PHA's projected HAP expenses for the month to which the request applies
 - Please note that advances are limited to available funding, which includes BA eligibility and available RNP

Final reconciliation

- ▶ A final reconciliation will be performed at the end of the year
- ▶ This reconciliation will include updating actual HAP expenses for the year, as PHAs may have revised their prior VMS submissions after monthly reconciliations were completed





Set-Aside Funding

HAP & Admin Funding



Typical set-aside funding

From appropriations

\$75 Million Provided (For CY 2017, PIH 2017-10)

1. **Prevention of terminations due to insufficient funding (two scenarios)**
2. Split into two subcategories:
 - a) 2a - Unforeseen circumstances
 - b) 2b - Portability cost increases
3. Project Based Vouchers
4. HUD-VASH

Prohibited “outside” sources of funds

To expand the HCV program

- ▶ HOME Funds
- ▶ Net Proceeds from Demo/Dispo of LIPH
- ▶ COCC Funds
- ▶ State Funds
- ▶ Donations
- ▶ Mod Rehab Admin Fees
- ▶ Current Year HCV Admin Fees

PIH Notice 2013-28



Reporting prohibited funds



- ▶ If a PHA did use any of these sources of funds to increase HCV leasing, the PHA **cannot** report the costs nor their associated leasing in the VMS
 - This is to prevent “inflated” funding renewals in the following year

Prevention of current resident termination

- ▶ There is an exception:
 - Despite taking reasonable cost-saving measures, the PHA is in a HUD-confirmed shortfall position and need additional funds **in order to prevent the termination of current participants**
 - In this instance, PHAs may use outside sources of funds as listed on the prior slide
- ▶ Prior HUD approval is required
- ▶ Amount would be reported in the VMS and built into renewal funding

So ... what comes next?

How many units can we lease to determine administrative fee revenue we need to budget for the year?

- ▶ UMA to lease based on funding
- ▶ "A" rate & "B" rate
- ▶ CY 2017 Proration estimated @ 77%
- ▶ What to consider?

Description	Amount
ABA	\$4,937,431
RNP	5,000
HUD-held Reserves	300,000
Total funds for HAP	\$5,242,431
Latest PUC - from latest HAP register	\$580
Total unit months available to lease	9,038

An illustration of a hand holding three gold bars. The hand is rendered in a stylized, light brown color. The gold bars are stacked vertically and have a metallic sheen. A small white starburst is visible on the top bar. The background is a dark green circle with a fine, horizontal line pattern.

Typical Offset Methodology

Reduction of HAP Reserves to Provide Current Year Funding

Offset methodology

- ▶ The Act provides that HUD may offset PHAs' Funding allocations based on the excess amounts of PHAs' Restricted Net Position (RNP), including HUD-held Reserves (in accordance with VMS data from the prior calendar year that is verifiable and complete), as determined by the Secretary



What does an “offset” mean?

- ▶ For example, at end of calendar year 2016, the Terrapin HA had \$600,000 in combined RNP and Program Reserves.
 - Terrapin HA had \$400,000 in excess reserves
- ▶ When HUD calculated the CY 2017 ABA (funding) they determined it be \$2,400,000 before the offset
- ▶ Terrapin HA will only receive \$2,000,000
 - $\$2,400,000 - \$400,000 = \$2,000,000$

Hud-held reserves and restricted net position

- ▶ Any HUD-Held reserves and RNP that are rolled forward to the next year can be subject to an offset for funding
 - Use them or lose them!!
- ▶ HUD will combine your RNP and Program Reserves at calendar year-end to determine your total reserves and use that number to determine a possible offset of funding



2017 offset methodology exclude

- ▶ Amounts required to self-fund the difference between the PHA's eligibility and the prorated eligibility
- ▶ Amounts needed to fully lease VASH units under CACC for Calendar Year 2016
- ▶ If the PHA's leasing for December, 2016, is higher than the average leasing for CY 2016, amounts sufficient to fund the difference between 12 months of the December 2016 leasing and CY 2016 leasing
- ▶ For PHAs that received 2016 set-aside awards (other than Shortfall) protect $\frac{1}{2}$ of their set-aside eligibility amount (not the award amount)

2017 offset methodology exclude

- ▶ Amounts equal to ½ of CY 2016 New incremental BA (RAD1 CPT units, RAD 2, TP and VASH) effective after February 1, 2016, in order for the PHA to have the opportunity to fully lease these new units in CY 2017
- ▶ A portion of CY 2017 eligibility for increasing costs and continued operation of the PHA in the amounts of 4% for PHAs with 500 or more units under ACC, 6% for PHAs with 250 to 499 units under ACC, and 12% for PHAs with fewer than 250 units under ACC



2017 offset calculation

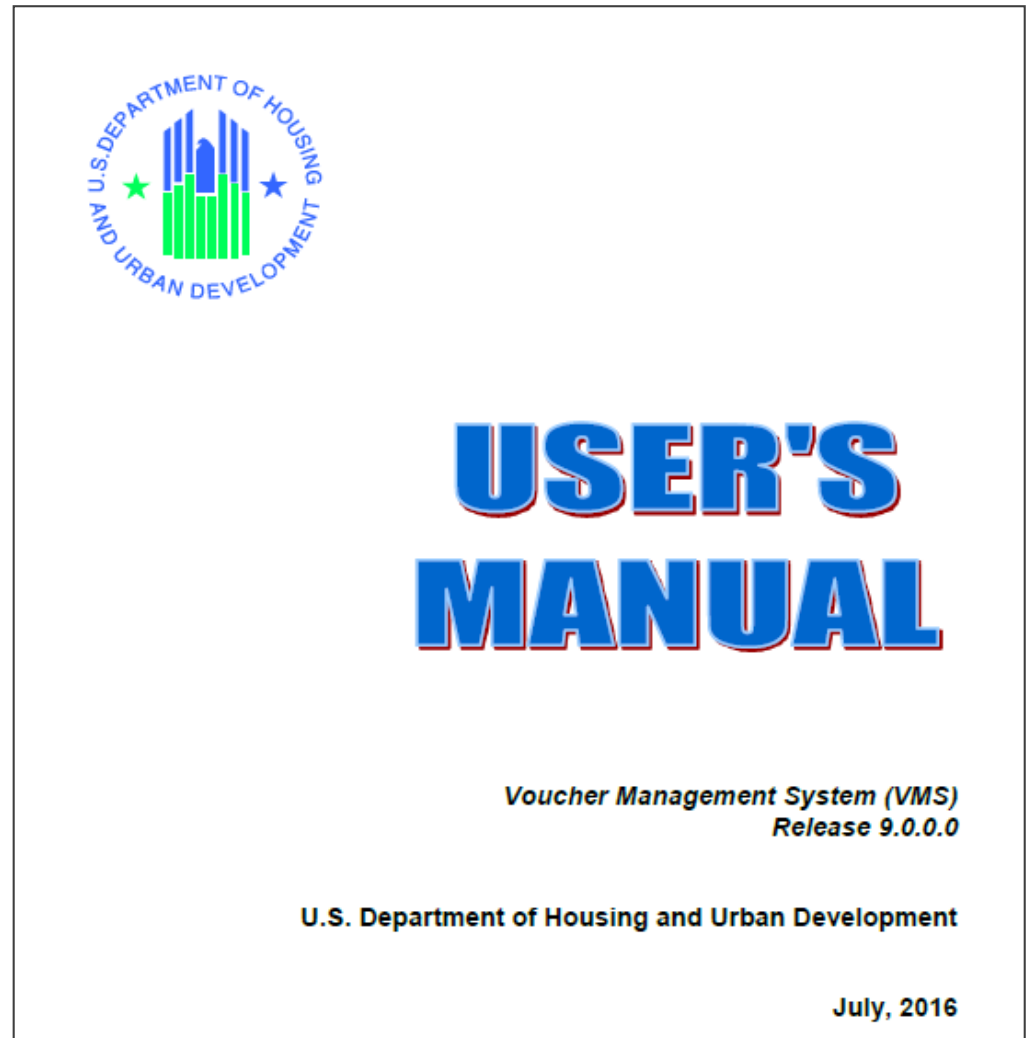
CY 2017 Offset Reallocation		Appendix I
CY 2016 End of Year Reserves		\$10,738,274
<u>PROTECTED CATEGORIES</u>		
A.	Difference between the PHA's Eligibility and Prorated Eligibility	\$2,613,475
B.	CY 2016 Amounts needed to fully lease VASH units	\$159,151
C.	Difference between higher of December 2016 UMLs x 12 or CY 2016 UMLs up to baseline on units under ACC	\$546,223
D.	CY 2016 New incremental BA- 1/2 of Eligibility	\$58,302
E.	CY 2016 Set Aside Protection- 1/2 of Eligibility	\$0
F.	Portion of CY 2017 Renewal Eligibility (Based on units under ACC):	\$3,484,633
	4% - 500 and above units	
	6% - 250 to 499 units	
	12% - Less than 250 units	
Total Funds Available for Offset		\$3,876,490
Offset Amount (Total Funds Available for Offset x 14.601%)		\$566,006
Prorated Eligibility After Offset		\$83,936,339
PHA's that received 2016 Shortfall Set-Aside funds are exempt from this offset.		



The Voucher Management System

VMS users guide

- ▶ Last updated as of July 2016
 - Version 9.0.0.0





Business rules for monthly submissions

- ▶ Each submission includes data for the specified month only
- ▶ Enter data for the specified month only
- ▶ Enter all leasing and expense data in positive whole numbers without any punctuation marks or symbols (commas, dollar signs, and decimal points)

Business rules for monthly submissions

- ▶ PHA is responsible for ensuring that all information is correct, and that wrong or missing Official HA data is updated in the PIC information system for future data collection use
- ▶ The fields that are official HA Data and come from PIC are:
 - Name of Authorized HA Official
 - Official Housing Authority E-mail Address

Business rules for monthly submissions

- ▶ If your PHA has no report for a field, or if the reported value is zero (0), tab through the field and leave it blank; the exceptions are the following fields which do accept entries of zero:
 - Net Restricted Assets (NRA) [now called RNP]
 - Unrestricted Net Assets (UNA) [now called UNP]
 - Vouchers Leased End of Month
 - All Voucher HAP Expenses After the First of Month
 - Vouchers issued but not under HAP contract as of the last day of the month
 - Cash/Investments as of the last day of the month
 - Administrative Expenses - Non-MTW
 - MTW- HCV Administrative Expenses

Business rules for monthly submissions

- ▶ The following fields can accept rules negatives for monthly submissions
 - Restricted Net Position (RNP)
 - Unrestricted Net Position (UNP)



Business rules for monthly submissions

- ▶ Vouchers administered on behalf of another PHA under the portability provisions, and for which HAP is reimbursed to your PHA, should not be reported by you as part of your leasing – they will be reported by the PHA that is paying the HAP
 - These are commonly referred to as “Port-Ins”
 - Not “true” HAP expenses of administering PHA

Business rules for monthly submissions

Port-ins continued

- ▶ They will be reported by the PHA that is paying the HAP
- ▶ There is a separate section in VMS called “Portables Vouchers Administered,” with line items for reporting “Portable Units Administered” and “HAP for Portable Units Administered”
- ▶ These are the fields for reporting those vouchers for which HAP is reimbursed to your PHA

Business rules for monthly submissions

- ▶ A voucher under lease must be reported in one, and only one, main category
 - Exceptions: Vouchers reported under the sub-categories “New Homeowners This Month” and “Enhanced Vouchers” are also reported under the main categories of “Homeownership” and “Tenant Protection,” respectively
- ▶ If a leased voucher could appropriately be reported in more than one category, it should be reported in the category that reflects how the participant initially qualified for the voucher

Business rules for monthly submissions

- ▶ However, if a participant initially qualified under “All Other Vouchers,” and later qualified under another category, that participant would be reported under the new category
 - A participant initially qualified for a voucher under “All Other Vouchers” and later entered the Homeownership program
 - That participant would be reported under Homeownership
 - A participant qualified for a voucher under the VASH program; that participant later ported
 - The PHA that initially qualified the participant under VASH would report that voucher as VASH rather than Port Vouchers Paid

VASH exception

- ▶ When a VASH Voucher gives up case management, then the Voucher would be reported as an AOV



RAD component 1 and 2

- ▶ Effective with April 2016 submissions, RAD component 1 and 2 vouchers under lease should be reported in the appropriate RAD 1 and 2 fields and **should no longer** be reported in the Tenant Protection field



Business rules for monthly submissions

- ▶ All HAP expense data is to be reported in the voucher categories as of the first day of the month
- ▶ HAP expenses should be entered under the month to which they **apply** rather than under the month in which they are **paid**



HAP reporting example

Month	April HAP	MAY HAP	Revised April	MAY Actual
April	\$300,000		\$315,000	
MAY		\$305,000		\$290,000

- ▶ For example, actual HAP/UAP checks paid per the general ledger totaled \$300,000 for April
- ▶ Actual HAP/UAP checks paid in May were \$305,000 per the general ledger
 - Of the \$305,000 of HAP/UAP checks that were paid in May, \$15,000 is applicable for April HAP
- ▶ The PHA must revise the April VMS submission for HAP and UAP expense and increase the about to \$315,000
- ▶ May VMS will only report \$290,000
- ▶ The PHA must also update the RNP for April

Business rules for monthly submissions

- ▶ Contracts on hold are not reported as units leased as of the first day of the month
- ▶ Contracts on hold are defined as a contract that has been entered into the PHA's system but for which the PHA is awaiting a landlord signature
- ▶ Units are not reported as under lease until the HAP contract is negotiated
- ▶ Once the contract is signed, if the monthly submission is completed, the PHA should enter such units as a Prior Month Correction

Business rules for monthly submissions

- ▶ Abated units are units that are currently under lease, but for which the HAP is being withheld for specific reasons, such as the unit failing to pass HQS inspection
 - The PHA should enter the UML during the abatement period; the unit is under contract
- ▶ If the abatement is reversed, then the PHA can enter a Prior Month Correction for HAP for those months attributable to the abatement period
 - Failure by the PHA to report the abated UML will skew the leasing and per unit costs for this agency

Business rules for monthly submissions

- ▶ A separate line item on the Voucher UML and HAP tab, called "Voucher HAP Expenses for New Contracts Effective After the First of the Month," collects HAP costs incurred for new HAP contracts effective after the first of the month
 - These costs are not reported elsewhere
- ▶ PHAs should include as HAP in the appropriate categories any amounts expended for utility reimbursements

Business rules for monthly submissions

- ▶ The 5-Year Mainstream program (prior to 2015) is governed by different appropriation law and funded separately from the Voucher program
 - Therefore, the 5-Year Mainstream program is NOT a category within the Voucher program in VMS
- ▶ In VMS, there are specific lines provided for 5-Year Mainstream Units Leased and HAP Expenses only
 - These values are not included in the Voucher Leasing and HAP totals

Business rules for monthly submissions

- ▶ If a value greater than zero (0) was entered in any field under “Voucher Units,” a value greater than zero (0) must be entered in the corresponding “Voucher HAP Expenses” field
- ▶ Question Mark (?) - For every field containing this symbol, a pop up description of the data entry required for the field, or an explanation of the field will be provided
 - This field description appears only once for the many occurrences of the (?) Box symbol



Business rules for monthly submissions

- ▶ Leasing and HAP expense data for each category of voucher are now reported on the same line
- ▶ Fields that have been grayed out are prefilled by HUD and are not editable
 - Data used for these fields reflect the current system information, and are automatically updated when changes are made to prior months

Business rules for monthly submissions

- ▶ The PHA must report UMLs for “Zero HAP” Units
 - These are units for which the HAP has been calculated to be \$0
 - The units are to be reported in the same voucher category as they would if the HAP was a positive dollar amount
- ▶ After 180 days at \$0 HAP, the HAP contract terminates automatically
 - Refer to 24 CFR 982.455 for termination

Business rules for monthly submissions

- ▶ Tenants who were in place at the time of a **RAD Conversion** have \$0 HAP and should be reported in VMS as long as the family is in place.
- ▶ The 180 day limit does not apply to them
- ▶ Tenants leased after the conversion are limited to 180 limit for \$0 HAP



TAB 2 - Other income & expenses

Unrestricted Net Position (UNP) as of the last day of the month

UNP is equal to total Administrative Fee (AF) revenue minus total HCV administrative expenses and any AF used for housing assistance payments (HAP) or other activities for Section 8 Tenant Based related purposes

- UNP (referred to as “Administrative Fee Reserve” in the HCV program regulations) is the amount by which administrative fees paid by HUD for a PHA fiscal year exceeded the PHA administrative expenses for the fiscal year, plus any interest earned on the AF reserve
- No additions permitted during CY
- Will only include interest and ½ fraud recovery

Cash/Investments as of the last day of the month - Voucher Program only

Cash/Investments as of the last day of the month are the total amount of HAP and AF cash and investments for the HCV program

- Amounts reported include all cash and investments as they relate to RNP and UNP balances as of the last PHA FYE, do not include FSS cash and other current liabilities

VMS & unrestricted net position

- ▶ Note that the total Admin Fee revenue used to calculate the UNP reported in this field **does not include** AF received during the current PHA FY, because excess AF received does not accumulate to the UNP until the end of the PHA's FY
 - The excess fees received during the PHA's current FY **will not be reported in the UNP field until after the PHA's FYE**

VMS & unrestricted net position

- ▶ Monthly, the PHA reports the total of (1) the most recent PHA FYE UNP balance plus (2) any interest earned and fraud recovery allocated to the UNP through the end of the reporting period, minus (3) any funds expended from the UNP through the end of the reporting period
- ▶ This includes all funds held in the Administrative Fee Reserve prior to the establishment of the UNP

VMS & unrestricted net position

UNP example 1

Line	Description	Amount
1	PHA's Beginning Balance (FY)	\$300,000
2	Add: Interest Earned	30
3	Add: Fraud Recoveries	500
4	Less: Funds Expended	0
5	PHA's Ending Balance for Reporting Period (VMS)	\$300,530

- ▶ This example will only report an increase for interest and fraud recovery (admin portion)
- ▶ If admin fees earned are greater than admin expenses, we don't increase the VMS's UNP by the amount of excess admin fees

VMS & unrestricted net position

UNP example 2

Line	Description	Amount
1	PHA's Beginning Balance (FY)	\$300,000
2	Add: Interest Earned	30
3	Add: Fraud Recoveries	500
4	Less: Funds Expended	(1,000)
5	PHA's Ending Balance for Reporting Period (VMS)	\$299,530

- ▶ This example will only report an increase for interest and fraud recovery (admin portion)
- ▶ Since the PHA utilized Admin Fee reserves to pay for admin expenses, we must report the reduction in the UNP

Common VMS reporting errors

- ▶ Not reporting as of the first of the month
- ▶ Including Port-In in UML as “all other vouchers” as well as related HAP expense
- ▶ Reporting Vouchers in more than one category
- ▶ Reporting under incorrect voucher type
 - VASH Vouchers are reported as VASH regardless whether tenant Ports out
 - Once tenant protection – always tenant protection

Common VMS reporting errors

- ▶ Including Vouchers leased after first of the month as being under lease on first of month
- ▶ Including Vouchers on hold
 - Issued but not under HAP contract
 - In contrast, HAP Vouchers in abatement *are* included
- ▶ Incorrect “remaining under lease at end of month” data
 - Should include all Vouchers remaining under lease on last day of month



Common VMS reporting errors

- ▶ Including Port-Out administrative fees as HAP expense
- ▶ Reporting on the “after first of the month HAP” line item all HAP paid with mid-month check run, rather for those vouchers leased after the first of the month
- ▶ Reducing HAP expenses by fraud recovery and FSS forfeitures

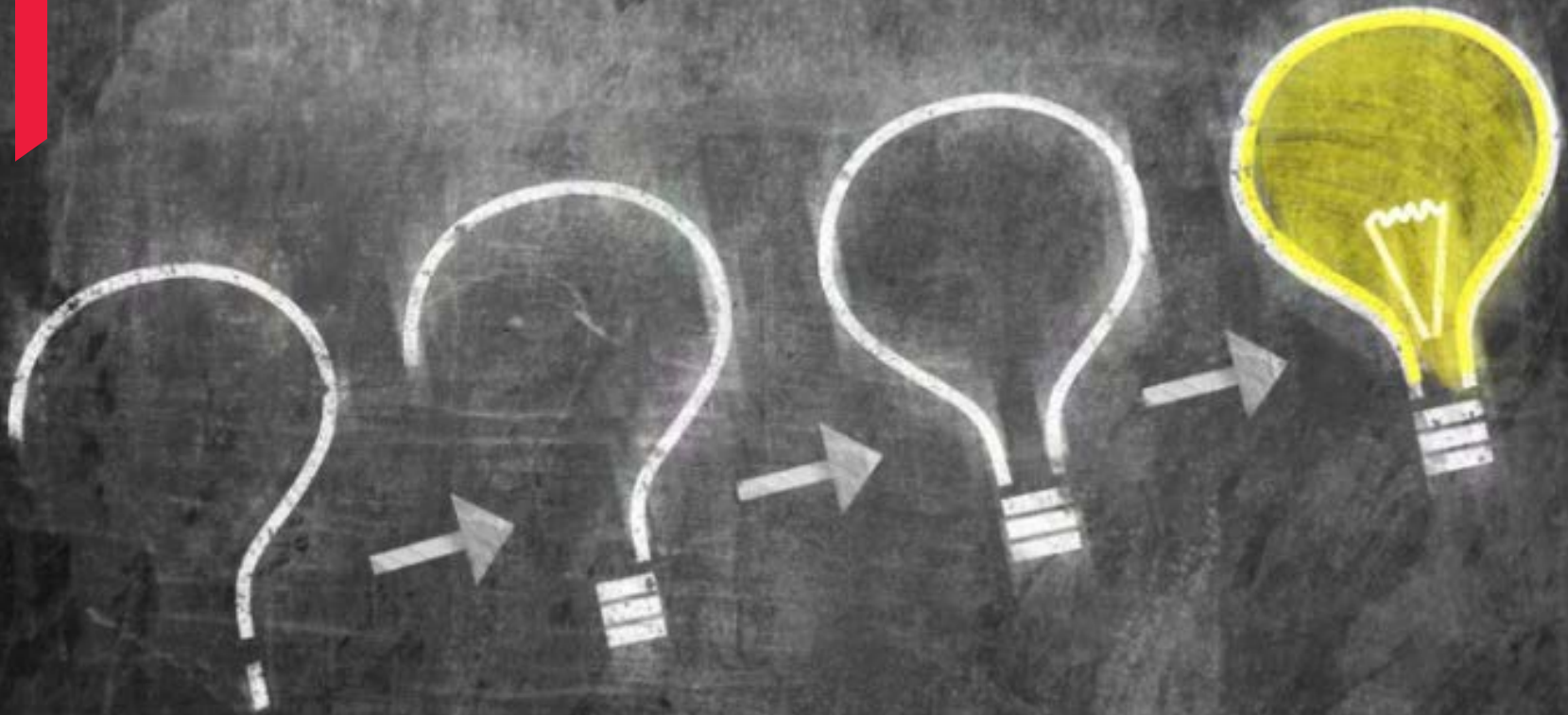


Common VMS reporting errors

- ▶ Reporting HAP under more than one category
 - Duplicate HAP reporting
- ▶ Reporting HAP on a Cash basis in VMS rather than an Accrual basis
 - Retro-active Vouchers

Common VMS reporting errors

- ▶ Reporting 100% of fraud recovery collected
- ▶ Reporting total fraud recovery receivables as fraud recovery collected
 - Total amount of repayment agreement
- ▶ Reporting \$0 in fraud recovery, keeping 100% as UNP without justification
- ▶ Incorrect reporting cash & investments
- ▶ Failing to report RNP and UNP



QUESTIONS?