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Case Studies of Effective Management Practices within Public Housing Agencies

Volume 4

Finance and Accounting

**CASE STUDIES OF EFFECTIVE MANAGEMENT PRACTICES
WITHIN PUBLIC HOUSING AGENCIES**

Volume 4:

FINANCE AND ACCOUNTING DEPARTMENT OF HOUSING
AND URBAN DEVELOPMENT

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Decision Information Systems Corporation

for

Office of Policy Development and Research
U.S. Department of Housing and Urban Development

November 1985

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Harvey Dickerson
Project Director
November 1985

INTRODUCTION

OVERVIEW

The purpose of the contract under which this report has been prepared is to document, in a series of case studies, the effective management practices of selected well-managed public housing agencies (PHAs), such that other PHA managers can make assessments, and, where applicable, implement similar practices at their agencies. The series includes eighteen case studies that are presented in volumes addressing six functional categories of public housing operations:

- Volume 1--procurement and inventory
- Volume 2--maintenance and custodial
- Volume 3--rental and occupancy
- Volume 4--finance and accounting
- Volume 5--general administration
- Volume 6--security.

Generally, within each of the six functional categories, three case studies have been developed that address practices at a small (1-499 units), a medium (500-1249 units), and a large (1250+ units) PHA. There are two exceptions to this organization, as follows. The rental and occupancy category contains only two studies, which address practices at a medium and a large PHA. And second, an additional report has been prepared for a very large PHA in the area of finance and accounting, bringing the total in this functional category to four.

It must be emphasized that the effective practices described herein are not perfect. Within the universe of public housing agencies, they may not even be the "best" practices. However, the programs and activities that follow have proven to be effective for the agencies which have implemented them. These practices are offered to the public housing community as a potential means for improving agency functions, especially if a PHA has identified a particular problem area of its operation.

For further guidance in improving agency operations, the reader is referred to the Insider's Guide To Managing Public Housing (HUD-PDR-638, August 1983), the Troubled Public Housing Handbook (7475.14), and the Field Office Monitoring of Public Housing Agencies Handbook (7460.7 REV).

The case studies described herein reflect the state and local laws and federal regulations which were in effect at the time that the management practices were documented. Prior to any attempt to replicate these practices, the reader is advised to consult current applicable laws and regulations to ensure compliance.

ORGANIZATION OF THIS REPORT

This report addresses the finance and accounting functional category and contains four case studies. Each study is similarly organized into three chapters. Chapter I provides a detailed review of the effective management practice. Chapter II describes why the practice is effective and has improved agency operations. And Chapter III discusses the transferability of the practice to other agencies and key considerations in doing so. Additionally, each study is prefaced by an executive summary that provides a quick overview.

OVERVIEW OF THE FINANCE AND ACCOUNTING FUNCTION

The functional area of finance and accounting involves the oversight of the flow of resources among the agency's administrative and operating divisions, and between the agency and the outside world. This functional area can be broken down into three subfunctions: maintaining books and records; providing financial and budgetary control; and managing cash flow and maximizing income.

Maintaining Books and Records

Maintaining books and records is the "nitty-gritty" of finance and accounting. Reports, inventories, ledgers, books,

accounts, and other records must meet minimum specified HUD standards and definitions. Accurate books and records constitute the foundation upon which the entire edifice of financial control, budget development and monitoring, auditing, and management information is built. Hence attention to the accuracy and appropriateness of books and records is essential in preventing confusion, fraud or budget misallocations.

Providing Financial and Budgetary Control

Providing financial and budgetary control involves establishing mechanisms to ensure that financial commitments meet the agency's goals and objectives, that proposed expenditures are within the budget, that costs are accurately forecasted, and that purchases are satisfactory before payment is made. This subfunction is linked to the area of general administration when it involves budget formulation, analysis and adoption.

Managing Cash Flow and Maximizing Income

Managing cash flow and maximizing income entails having an accurate projection of cash needs over the next several months (as opposed to budgetary projections for the next year). These needs are analyzed so that temporary cash surpluses can be invested at maximum yield, and so that temporary cash deficits can be avoided. This subfunction also involves making deposits quickly and timing disbursements of all kinds. Since rents provide a large part of an agency's revenue, this subfunction is closely linked to the rental collection subfunction of the rental and occupancy functional area.

ABOUT THE FINANCE AND ACCOUNTING STUDIES

This document contains case studies describing practices at: Beaufort Housing Authority in Beaufort, South Carolina, a small agency; the Housing Authority of the City of Meridian, Mississippi, a medium-sized agency; the Norfolk Redevelopment

and Housing Agency in Norfolk, Virginia, a large agency; and the Housing Authority of Baltimore City, Maryland, a very large agency.

The Beaufort Housing Authority (BHA) recently implemented improved cash flow projection and rental collection systems. These improvements as well as various smaller management improvements are the subject of the first case study. BHA found that these changes have contributed to a one-hundred-fold increase in interest earnings, improved the agency's cash flow and helped to strengthen overall finances.

The Housing Authority of the City of Meridian (MHA) also has exemplary cash management and rent collection systems. MHA's cash flow projection technique is more complex than Beaufort's. It covers a more expanded time horizon and is more suitable for adoption by larger agencies seeking to improve their cash flow projection techniques. MHA's rent collection system provides a good example of an effective system implemented at a medium-sized agency.

The Norfolk Redevelopment and Housing Agency (NRHA) has implemented several effective financial management practices, highlighted by a lock box system and a zero balance account. The lock box system involves the centralized deposit, receipt, handling, accounting, and investing of 6000 rental payments per month by a local commercial bank. This system has expedited deposit and accounting of these funds, and has permitted the agency to earn substantial interest income. The zero balance account (or revolving fund) is a mechanism that allows NRHA to transfer funds automatically from a consolidated interest-bearing account to a separate disbursement account. This allows the agency to earn interest on all funds up to the time they are needed to cover agency checks that are presented for payment against the disbursement account each day.

The Housing Authority of Baltimore City (HABC) has installed a budget hearing process that intimately involves tenant representatives in HABC's project-based budget preparation pro-

cess. In these hearings, a tenant from each project convenes with the project manager, the project maintenance supervisor, and a central office budget analyst to review each line item in the capital and operating budget requests. In the capital portion, the items are ranked in the preferred order of funding priority respectively by the tenant, project manager, and maintenance supervisor. This system would be quite useful to other agencies with project-based budget preparation processes, particularly if tenants are uninvolved with or unaware of the budget process and its impacts.

With this brief overview of the finance and accounting function, four case studies are presented in the remainder of this document.

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FUNCTIONAL AREA:

Finance and Accounting

EFFECTIVE MANAGEMENT PRACTICES:

**Rent Collection; Cash
Management**

AGENCY:

Beaufort Housing Authority

SIZE:

Small

1941

1942

1943

1944

1945

1946

1947

1948

1949

EXECUTIVE SUMMARY

This case study analyzes the general management and two effective management practices of the Beaufort Housing Authority (BHA), located in southeastern South Carolina. Page I-5 provides an overview of BHA's operations.

In the late 1970s and early 1980s, BHA had substantial problems in the financial management area: the agency had very low reserves (around ten percent of allowable levels); and the agency earned virtually no interest income. The housing agency has turned this situation around over the last three years through the use of good general business practices and two particularly effective financial management practices. These two practices are: a vigorous rent collection and eviction process; and an effective yet simple cash management system. As a result of these practices, the PHA now has collection losses averaging only between one to three percent, has increased its interest earnings fifty- to one-hundred-fold, and has established a reputation for good management.

As described in Chapter II, the rental collection process at BHA is effective because of a number of factors. These are: 1) active, in-person follow-up by project managers; 2) the use of "warrants of distress" to seize delinquent tenants' valuables; 3) very responsive local courts; 4) charging tenants stiff penalties for overdue rents; and, 5) very streamlined eviction procedures. The cash management process at BHA is effective because it is simple and fast to use; because it allows the agency to capture all vendor discounts; and because maximizing interest income is a high management priority.

Many aspects of BHA's rent collection system are highly transferable to other agencies, as described in Chapter III. These aspects include the implementation of stiff delinquency penalties and an accelerated eviction process. Other agencies should be aware of three distinguishing characteristics of BHA that significantly contribute to the effectiveness of the rent collection process. These are: the small size of the agency and the resultant intensive personal contact between project managers and tenants that is permitted; the likelihood that some states will not permit or encourage use of warrants of distress, a legal mechanism used by BHA; and the probability that many other court systems will not be as responsive to management as the Beaufort-area courts. The cash management system employed in Beaufort should be readily transferable to other small agencies. However, it does not appear appropriate for larger PHAs or those that require a multi-month cash planning horizon.

BEAUFORT AT A GLANCE

CHARACTERISTICS

DATA

Total Stock:

231 LIPH units in 3 developments and 1 scattered site project. BHA also subsidizes 161 Section 8 existing units.

- Projects For Families:

None designated as such; family and elderly units are in both projects.

- Projects For Elderly Tenants:

None designated as such (44 LIPH units are occupied by elderly tenants)

Unit Sizes:

efficiency	6.9 percent
one-bedroom	21.6 percent
two-bedroom	28.6 percent
three-bedroom	33.8 percent
four-bedroom	7.8 percent
five-bedrooms	1.3 percent

- Largest Project:

Hilton Head (80 units)

- Smallest Project:

Port Royal (38 units)

- Oldest Project:

Scattered Beaufort units (1976)

- Newest Project:

Yemassee (1985)

Demographics:

- One-Parent Households:

70 percent

- Minority Tenants:

70 percent

- Children Under 18:

45 percent

Operations:

- Operating Expenditures:

\$143.01 (PUM)

- Dwelling Rentals:

\$120.11 (PUM)

- Operating Reserve:

100 percent of allowable level

- Staffing:

11 employees: 3 administrative; 3 project management; 5 maintenance

STATE OF NEW YORK

DEPARTMENT OF THE COMMISSIONER

IN SENATE,
JANUARY 1, 1891.

REPORT OF THE COMMISSIONER OF THE GENERAL LAND OFFICE,
FOR THE YEAR 1890.

ALBANY:
J. B. LIPPINCOTT & CO.,
PRINTERS, 1891.

THE COMMISSIONER OF THE GENERAL LAND OFFICE,
ALBANY, N. Y.

ALBANY, N. Y.,
JANUARY 1, 1891.

ALBANY, N. Y.,
JANUARY 1, 1891.

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I. BHA's EFFECTIVE MANAGEMENT PRACTICES

This chapter provides essential background information on Beaufort Housing Authority, discusses its general good management practices, and reviews two specific practices: the rent collection system; and the cash management system.

BACKGROUND

Receipts and Expenditures

Until recently, BHA has had serious financial problems, particularly in the areas of interest income and low operating reserve. Exhibit I-1 provides an historical perspective on these key financial indicators. As shown, in FY 1979 and 1980 the agency's operating reserve stood at only about ten percent or less of the maximum allowable level. Interest on investments were also quite low in FY 1979 and 1980, standing at less than one percent of dwelling rentals.

This situation began to change in FY 1980, with the imposition of better management practices. At about this same time, the agency also began the construction of a new project of thirty-eight units in Port Royal, a short distance from the BHA headquarters. This new construction increased the size of the PHA by about fifty percent and brought in a substantial amount of additional revenues. The agency was also able to manage the new units with existing staff. This factor clearly contributed to a dramatic improvement in the agency's finances. Additionally, in 1982 and 1985, BHA added more units. An eighty-unit site was constructed in Hilton Head and a fifty-unit project was built in Yemassee. These two new projects brought in additional operating revenues, which helped to further improve the financial situation. However, it should be noted that with the construction of the distant Hilton Head site, and subsequently the Yemassee site insert

EXHIBIT I-1

KEY ITEMS FROM THE STATEMENTS OF
OPERATING RECEIPTS AND EXPENDITURES--FY 1979-FY 1984
(all figures in dollars)

FISCAL YEAR

ITEM	FY 1979	FY 1980	FY 1981	FY 1982	FY 1983	FY 1984
Total Operating Receipts Exclusive of HUD Contributions	\$ 70,093	\$ 75,719	\$153,100	\$220,919	\$262,578	\$318,918
Total Operating Expenditures, Including Prior Year Adjustments and other Deductions	71,658	79,962	130,368	199,820	289,849	311,559
Residual Receipts (or Deficits) Before HUD Contributions	(1,565)	(4,242)	22,732	21,029	(27,271)	7,358
Provision for Operating Reserve	(499)	1,118	55,987	80,229	28,581	52,247
Operating Reserve	2,623	3,741	59,728	139,957	168,538	220,758
Maximum Operating Reserve	35,500	35,500	N/A	N/A	N/A	159,920
Accounts Receivable, Tenants in Occupancy	55	909	30	0	0	1,455
Accounts Receivable, Vacated Tenants	0	0	0	0	0	2,613
Dwelling Rents	57,109	58,348	120,335	155,316	202,478	260,880
Interest on General Fund Investments	470	463	7,569	44,130	25,366	22,736

in 1985, BHA's executive director decided to decentralize some project management operations. This change was opted for because it can take fifty minutes to drive from headquarters to the Hilton Head site and up to forty minutes to drive to the Yemassee site (see Exhibit I-2).

While the additional revenues (rents and HUD subsidy) derived from the new developments are an important element in BHA's improved financial status, it is clear that improved management practices also contributed to the financial turnaround. This point is illustrated in Exhibit I-1, which showed that starting in FY 1981, BHA's operating reserve increased substantially, and earned interest on operating funds increased almost 100-fold from FY 1980 to FY 1982. Highlights of the new management practices are described in the following sections.

GENERAL MANAGEMENT PRACTICES

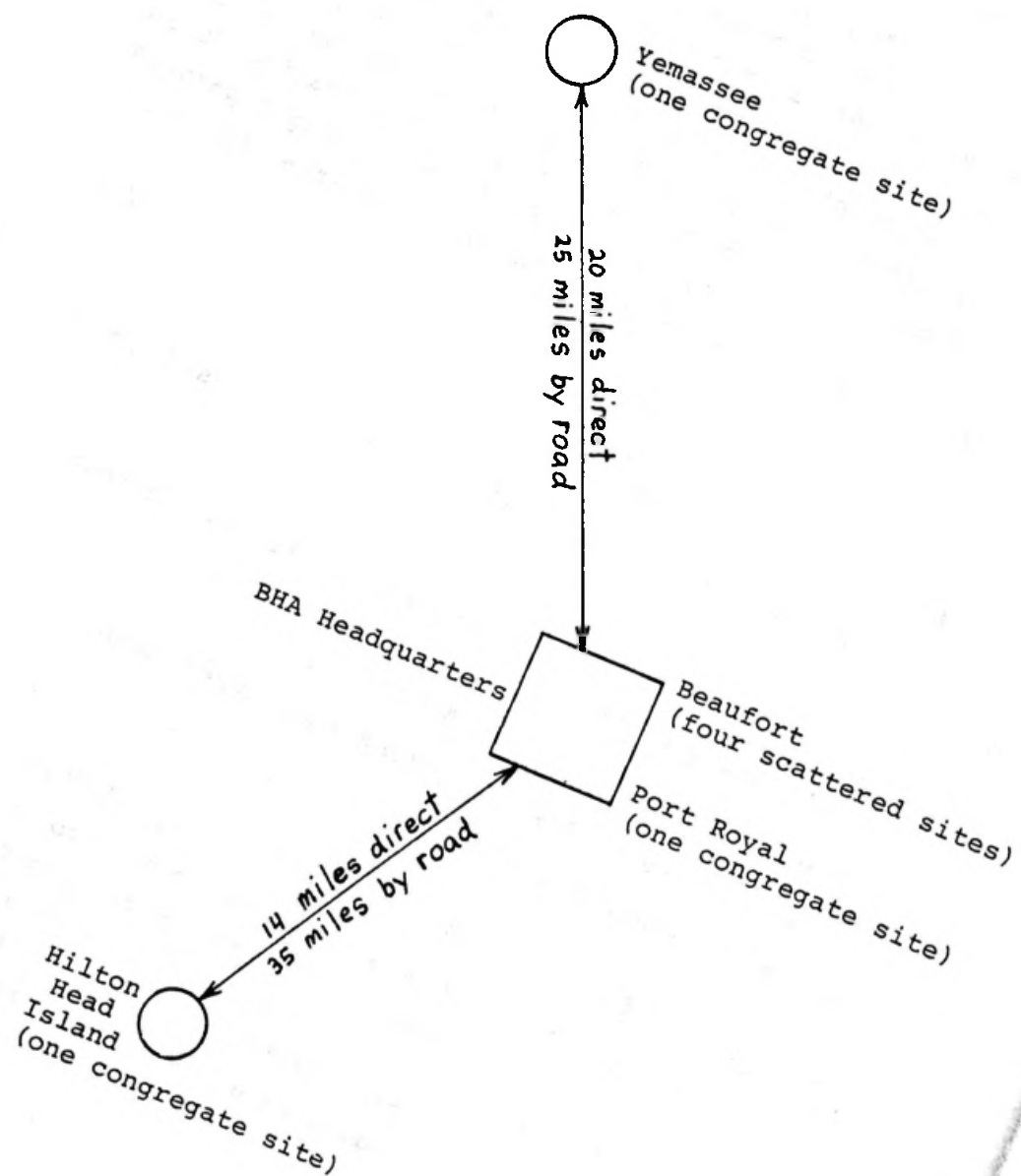
BHA's general management practices are discussed in four topical areas:

- changing from a fee accountant to an in-house accounting system;
- staff organization/key actors;
- monitoring of key management indicators; and
- miscellaneous items.

Changing from a Fee Accountant to an In-House Accounting System

For BHA, changing from a fee accountant to an in-house accounting system was an important factor in turning the agency's finances around. This section discusses the functions of the fee accountant system, the disadvantages of the fee accountant system, and the way the accounting system now works.

EXHIBIT I-2
LOCATIONS OF BHA HOUSING SITES



It should be noted that although the in-house system works best for Beaufort, a similar change is not recommended to other PHAs under all circumstances. BHA was fortunate to have an executive director with a background that enabled him to take over all the fee accountant's functions. The current executive director is a certified public housing manager with a B.S. in psychology and a B.S. in accounting. Also, the fee accountant relationship had some unique disadvantages, which are discussed below. These two factors significantly constrain any attempts to make generalizations about BHA's experience, and whether they could be applied to other situations.

Functions of the Fee Accountant. In 1977, BHA hired an independant accountant to work on a fee-for-services basis. His primary functions were to prepare all required HUD financial forms, reconcile monthly bank statements, close out each month's transactions, and maintain the general ledger and appropriate registers and schedules.

BHA officials and the accountant signed a contract listing the services the accountant would perform and specifying the fees to be charged. The fee structure was a complex mix of one-time fees, unit-based fees, and daily rates. The total cost of these various charges across all categories for 1982 was approximately \$5,500.

The fee accounting system required BHA to send data to the accountant on a monthly basis. The data included:

- a copy of each bank deposit slip, with a breakdown of the items deposited;
- a voucher copy of each check written, with an explanation of the expense;
- a copy of each contract entered into;
- a copy of each bank statement; and
- a list of all non-renewable equipment purchased.

Disadvantages of the Previous System. Although the fee accountant was doing a good job and he was providing all services promised, BHA decided to switch back to an in-house accounting system in 1983. The reasons were four-fold.

First, informal day-to-day, face-to-face, contact was impossible because the accountant was located over 250 miles from Beaufort. However, the executive director felt he needed to have an intimate grasp of all finances, and that this could only result from frequent interaction with the accountant, or doing the accounting himself.

Second, it took too long for BHA to receive its monthly statements and reports because the data had to be mailed. Even if BHA staff immediately sent their records at the end of the month, they generally did not receive their statements and reports until the fifteenth of the following month. (Federal Express and Express Mail were ruled out because of their high cost.) Although a fifteen-day turnaround was reasonable under the circumstances, Beaufort managers felt that not having the report by the tenth of the month caused major problems that could affect their cash flow calculations. (As discussed below, the tenth of each month is a critical date in Beaufort's cash management system.)

Third, sending the data elsewhere interfered with the ability of BHA's staff to develop intimate and accurate knowledge of the agency's finances. Now that he performs the accounting in-house, the executive director can immediately answer any questions about particular expenditures or financial reports. (This intimate knowledge was a contributing factor in the turnaround of BHA's finances.)

Fourth, BHA did not have to hire new staff to do the accounting after dropping the fee accountant. Thus, the fee accountant's charges of \$5,500 per year were saved.

Division of Labor under the Current Financial Management System. Currently the executive director does virtually all of the financial management. This means that he:

- Closes out each month's transactions and reconciles all bank statements.
- Prepares monthly income and expense statements. Monthly reports are not required by HUD, but are prepared to allow constant monitoring of BHA's financial condition. The forms used each month are simply year-end standard HUD forms, with year-to-date figures used instead of year-end ones. An in-depth analysis is done nine months into the fiscal year, to ensure that year-end budget targets will be met. This analysis involves straight-line trend projections from the ninth month through the year-end, modified by any known upcoming large expenditures or savings.
- Prepares quarterly financial statements, including quarterly Statements of Development, Cost Control, and Modernization Costs.
- Prepares semi-annual HUD reports on non-routine expenditures and operating receipts and expenditures.
- Prepares annual HUD reports on income and expenses, accruing contributions and PILOT.
- Prepares the budget, after consulting with each project manager. (Budgeting is partially project-based, to facilitate the calculation of the proper PILOT to each of the different jurisdictions in which the projects are located. Specifically, rental income, collection losses and utilities are budgeted on a project basis.)
- Prepares an annual balance sheet and other required HUD reports.
- Reviews internal management reports prepared by the project managers, namely reports on tenants owing more than one month's rent; the rental change report; the detailed rent register; and the number of maintenance work orders done by project each month. The first three of these are discussed in the following section on rent collections; copies of all four reports are presented in Appendix A.

The only financial data the executive director does not prepare are the tenants' and Section 8 accounts, close-outs, and reports. He has trained the Section 8 coordinator and project managers to perform these tasks.

When the executive director first took over the fee accountant's functions, it took him about ten days per month to complete all the required forms, ledgers and registers. And subsequently, when he delegated the Section 8 paperwork to the Section 8 coordinator he saved two to three days per month of his time. With experience documenting the low-rent conventional housing finances, the director now spends only three days a month on these tasks. (Recall that with 231 units, BHA is still a very small agency, thus reducing the paperwork burden.)

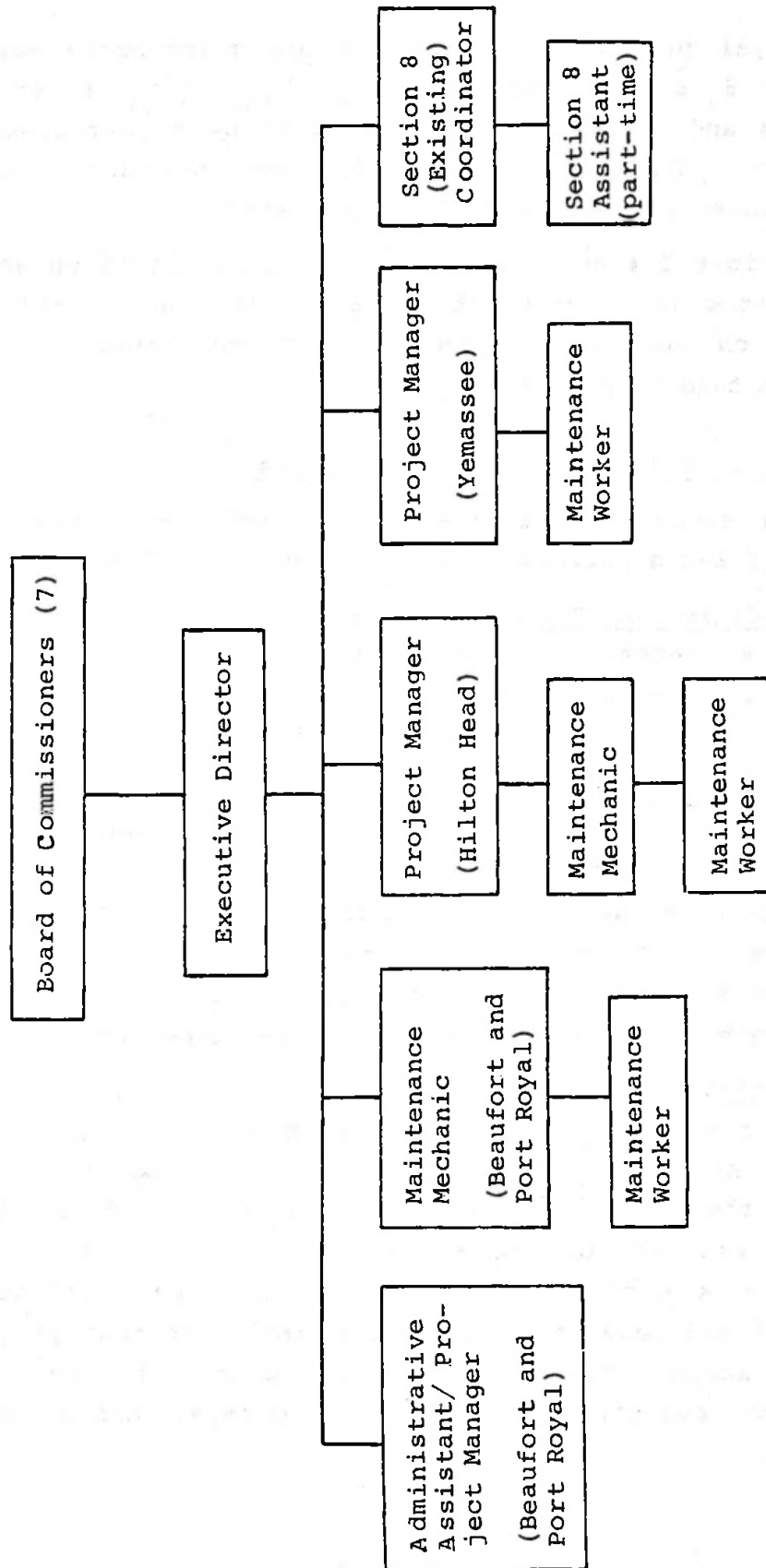
To maintain appropriate accountability in this "one man show," the chairman of the BHA board and the executive director sign all checks, and the chairman reviews all major purchases requested by the executive director and agency staff before they are made.

Staff Organization

The two driving forces behind BHA's organizational structure are its small but talented staff, and the geographic layout of its sites, as described above. Exhibit I-3 presents BHA's table of organization. Note that of the eleven staff persons, four are permanently located at the two distant sites, and seven work out of headquarters. With such a small headquarter's staff, the organizational structure is much less rigid than in a larger organization, and staff often "pitch in" and work beyond their assigned job titles to get the work done. In general, the executive director and the administrative assistant perform all the core administrative tasks. As mentioned above, the executive director undertakes most of the financial functions. The administrative assistant welcomes visitors, answers the phone, does the non-Section 8 typing, and also serves as project manager for the Beaufort and Port Royal projects. (Her background is secretarial, clerical, and varied business management.) The Beaufort area maintenance mechanic maintains the Beaufort and insert

EXHIBIT I-3

ORGANIZATION CHART OF BHA



Port Royal projects and oversees one maintenance worker. The Section 8 coordinator handles all Section 8 applications, finances and reports, and is assisted by a part-time Section 8 assistant. The Hilton Head and Yemassee on-site project managers each supervise their own maintenance staff.

Exhibit I-4 provides additional information on who performs the various key management functions at BHA. (Exhibits giving details on rent collection and cash management are presented later in this chapter.)

Monitoring of Key Management Indicators

The executive director closely watches several key indicators of BHA's performance, including the following.

Condition of Properties. Each unit is formally inspected every six months. Each month the number of units passing and failing inspection is recorded and submitted to the executive director on a simple form (see Appendix A).

Number of Vacant Units. The executive director monitors the rental register report (see Appendix A) each month and notes the number of vacancies. He also keeps in close oral contact with the project managers during the month, to note any vacancies and to ensure that clean-up, repainting and releasing is expedited.

Cash Balances in Low Yield Accounts. As will be described below, cash balances are reviewed three times per month.

Maintenance Accomplished. Each project manager completes a monthly report on maintenance work orders accomplished (see Appendix A). The executive director reviews this, and often divides the number of work orders completed by 1.7 (HUD's informal estimate of the average number of hours to complete a typical work order). He then compares the quotient with the number of maintenance work hours expended at that project during the last month. If the numbers vary widely, he investigates the causes by consulting the project manager and/or maintenance employee.

EXHIBIT I-4

FUNCTIONAL RESPONSIBILITIES AT BHA

<u>Function</u>	<u>Activities</u>	<u>Relevant Forms of Special Interest*</u>
Budget Preparation	<ul style="list-style-type: none"> • Executive director consults project managers annually and throughout the year. • Executive director prepares annual budget. 	
Expenditure/ Budget Monitoring	<ul style="list-style-type: none"> • Executive director prepares monthly income and expense report. • Executive director does required semi-annual HUD report on income and expenses. • Executive director does a nine-month budget review. • Executive director keeps books and prepares reports on all development accounts, as required. • Administrative assistant checks all vendor invoices against purchase orders and receiving slips. • Executive director reconciles bank statements monthly. 	
Rent Collections	<ul style="list-style-type: none"> • Project managers prepare and submit to the executive director a detailed monthly rent register report, showing all activity by unit. • Project managers deposit rent receipts into the same bank account at branches across the county. • Project managers send copies of the deposit slips to the executive director each day that rents are collected. 	Rent Register Report

*See Appendix A.

EXHIBIT I-4 (continued)

<u>Function</u>	<u>Activities</u>	<u>Relevant Forms of Special Interest*</u>
Rent Collections (continued)	<ul style="list-style-type: none">• Project managers prepare and submit to the executive director monthly rental change reports, which summarize rental income by unit.• Project managers prepare and submit to the executive director monthly reports on tenants owing more than one month's rent.• Executive Director reconciles copies of the bank deposit slips with the originals and rent register each month.• Executive director monitors project managers' efficiency by reviewing daily deposit slips.	Rent Change Report Report on Tenants Owing More Than One Month's Rent
Investments/ Cash Management	<ul style="list-style-type: none">• Executive director monitors cash position on the 10th, 20th and 30th of each month.• Executive director purchases CDs on the 10th, 20th and 30th of each month depending on cash position• Administrative assistant prepares checks as needed (approximately once a week)• Executive director and board chairman sign checks.• Executive director maintains 3-month cash projection sheet monthly.	
Maintenance	<ul style="list-style-type: none">• Project managers perform maintenance and housekeeping inspections twice a year at each unit..• Project managers and maintenance personnel fill out work orders.• Project managers make a report on the number of work orders completed each month.	Inspection Form Report on Monthly Work Orders

*See Appendix A.

Average Rents. The executive director develops a "solvency plan" for each project, specifying a target number of \$10, \$20, and \$30, etc. rent payments that each project can accomodate and still achieve the overall budgetary goal of nearly "breaking even." Project managers are responsible for monitoring their rent rolls, indentifying major divergencies from the "solvency plan," and reporting them to the executive director.

The executive director, in parallel, monitors each project by calculating the overall average rent by project each month using the detailed rent register report. Significant drops in the average rent amounts are followed-up by a phone call to the project manager. In FY 1984 the average rent was \$120.11; this was much higher than in FY 1982 and 1983 and reflected the agency's careful attention to this item. It should be noted that this system is solely used to monitor rent invoices at the project level, and is not used in any way to determine individual tenant rent payments.

Rental Change Reports. Each month the project managers complete and forward to the executive director a "rental change report" (see Appendix A). The report details each tenant's old rent, new rent, and reason for the change. This allows the director to carefully monitor all rent changes, especially decreases.

Actual Expense PUM. The executive director calculates monthly the actual expenses per unit month (PUM) for each project using the monthly income and expense report. BHA-wide PUMs are also calculated. These figures are compared to the current year's budgeted PUMs, to detect any significant trends in operating performance.

Miscellaneous Items

Various miscellaneous items which have been used to generally improve BHA's management environment include the following:

- Painting--tenants who leave after only one year in residence are charged 66.7% of the actual cost of repainting, plus a 15% overhead fee. Tenants who leave after two years are charged 33.3% of the actual cost plus 15%. Tenants who leave after three years are not charged.
- Screens--previously all BHA screens were homemade, looked cheap, were weak, and took a long time to manufacture. The current executive director began a policy of buying heavy-duty commercial screens for \$4.00 each. They lasted longer, looked better and freed up the maintenance staff for more important duties.
- Annual reexaminations--much of the employment of tenants in Beaufort county is seasonal; this is especially true on Hilton Head Island. Hence most incomes are recertified at the beginning of the summer season, when wages are at their highest. Rents are adjusted during the year, of course, to reflect any changes to tenant incomes.

BHA'S RENTAL COLLECTION SYSTEM

This section describes BHA's highly successful rent collection system. BHA management exercises a very simple yet tough rental collection policy to avoid large amounts of overdue rents. As a result of this policy, long-term overdue rents and charges average only one to three percent of total charges payable.

The rental collection process can be conveniently broken down into four topical areas:

- Key actors
- The rental cycle
- Vacated tenants
- Payment methods.

Key Actors

The actors involved in the overall collection process include the executive director, the administrative assistant, the project managers, the magistrate's court, the county sheriff and the tenants. The detailed functions of each of these actors are discussed in the next section.

The Rental Cycle

Exhibit I-5 presents a flow chart of the rental cycle, showing individual responsibilities at each step in the cycle. The cycle is fairly self-explanatory, but eight items deserve highlighting.

First, a late fee of \$5.00 is levied (by the administrative assistant) on the sixth day of the month. A \$1.00 fee is also levied for each additional late day.

Second, in hardship cases where, for example, the tenant has lost a job or is severely ill, the project manager and the tenant may sign a payment schedule agreement specifying exactly when payment is to be made. These agreements (see Appendix A) are reviewed by the executive director. (This process is not shown in Exhibit I-5.)

Third, BHA's project managers "lobby" their tenants very hard during days one through ten to submit their rent payments. In very difficult cases the executive director may become involved, upon the project manager's request.

Fourth, BHA moves quickly to evict and seize the property of delinquent tenants. BHA attempts to have such tenants evicted by the end of the month, although sometimes the process carries over to the first few weeks of the next month.

Fifth, no magistrate has ever ruled against BHA, and tenants know this. Hence no actual evictions have taken place in several years. Most tenants pay or leave voluntarily. Tenants may request a jury trial, but none have ever done so.

Sixth, BHA's unique threat of the "warrant of distress" is quite effective (see Appendix A). Generally BHA only asks the court and sheriff to seize luxury items such as TVs and stereos, not household furniture. This property is sold at auction by the sheriff on the courthouse steps. (Garnishment of wages is not used, because the practice is not legal in South Carolina.)

EXHIBIT I-5

BHA's RENTAL CYCLE

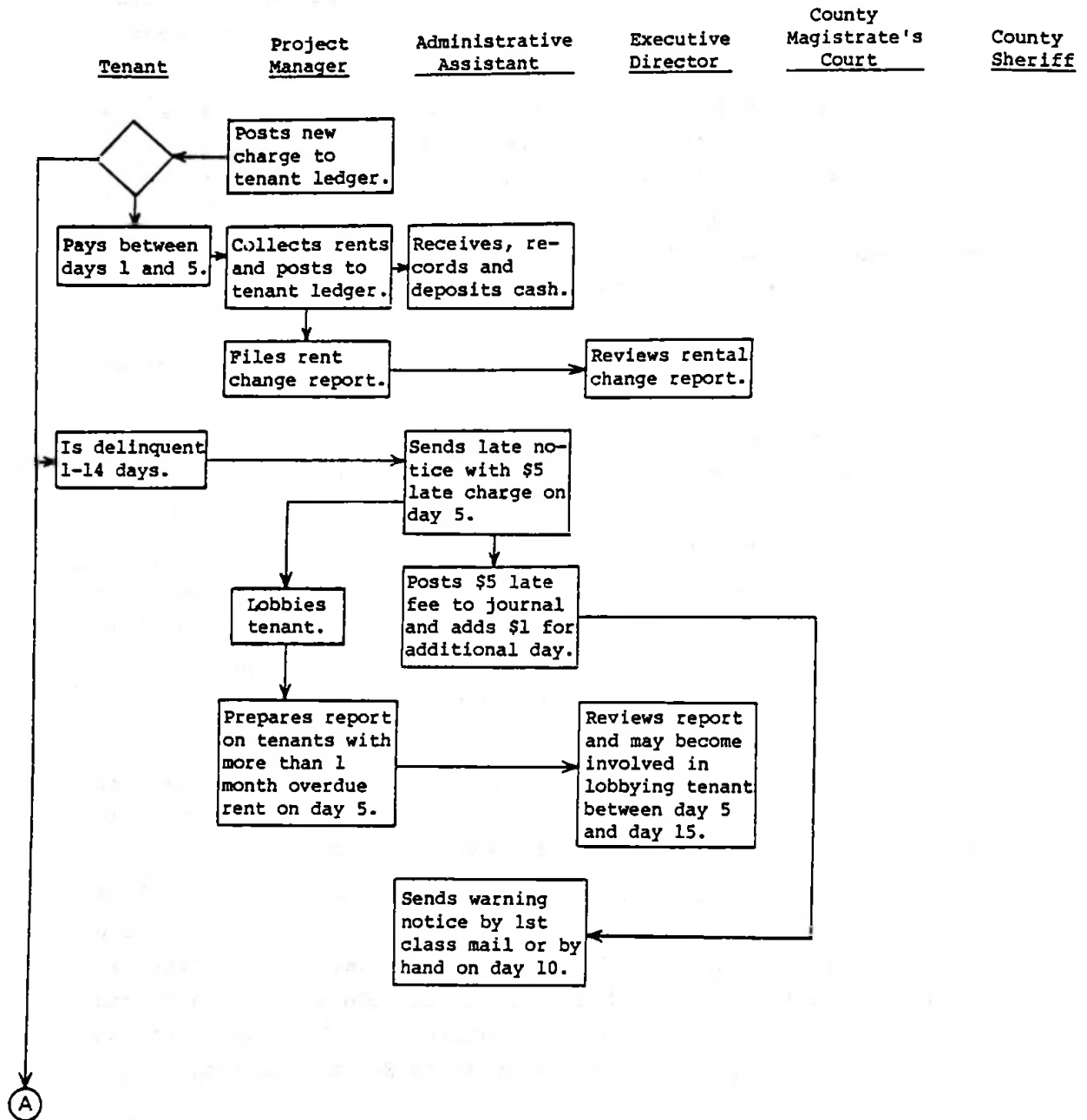
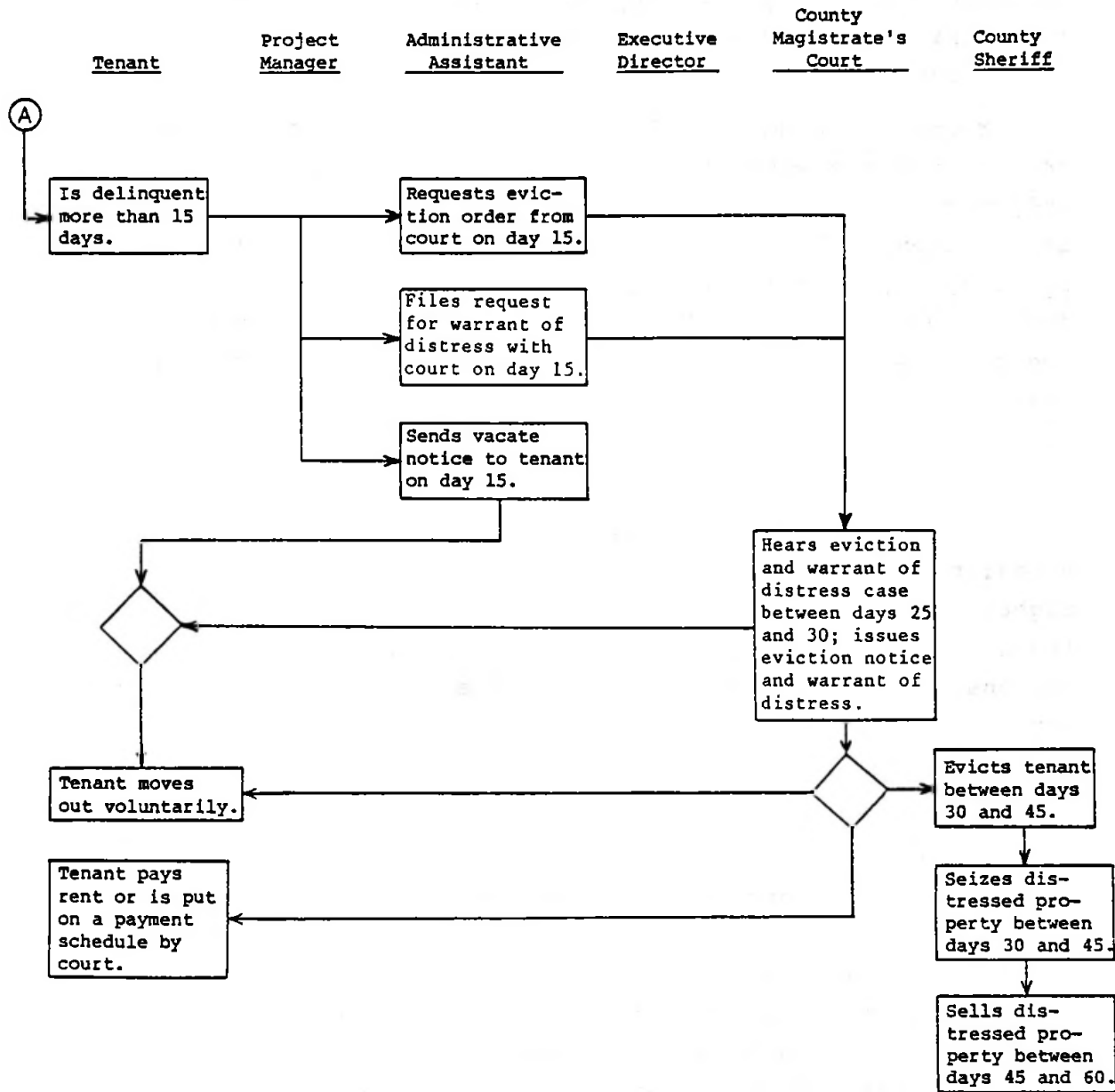


EXHIBIT I-5 (continued)



Seventh, it is noteworthy that usually the executive director does not get intimately involved, except in monitoring the overall outcomes of the process. This frees him up for other management functions.

Eighth, BHA moved to speed up the process even more by sending out the warning letter on day eight instead of day ten, and by asking the court for an eviction on day ten, instead of day fifteen. This process became effective in May 1985. BHA's lease specifies the HUD requirement that the tenant be given a fourteen-day notice of the eviction. Under the new procedure, the court would not act until about day twenty-two, thus meeting the HUD requirement.

Vacated Tenants

Tenants who leave owing money to BHA lose their security deposits, which are set at \$100 or one month's rent, whichever is higher. BHA's administrative assistant also notifies such tenants that a national credit bureau will be advised of their actions. If the tenants remain in the area, the administrative assistant may also seek warrants of distress to seize and sell their belongings.

Payment Methods

Tenants in Port Royal or Beaufort may pay by mail or in person at BHA headquarters. Cash, checks, or money orders are accepted, since they can be protected in a large vault. These tenants may also use a night deposit slot that leads directly into the vault, which is a very popular payment method. Tenants in Hilton Head or Yemassee may only pay with checks or money orders, since no vault is available for holding cash at these projects.

BHA'S CASH MANAGEMENT SYSTEM

This section discusses BHA's cash management system in three parts: BHA's cash management, policies; its use of interest bearing accounts; and its cash flow cycle.

BHA's Cash Management Policies

BHA used to have virtually no cash management system. There was no written or informal cash flow policy, and up to \$50,000 had sat idle for months in low-interest bearing accounts. BHA has made the investment of idle funds a major priority. There is now a written policy that states that all BHA funds will earn some interest at all times, and that the highest feasible interest rate will be obtained on idle funds, consistent with HUD regulations governing permissible investments. It is also official BHA policy to take advantage of all discounts and to carefully time all disbursements. As a result of the implementation of these policies, BHA's interest income increased over one-hundred fold between FY 1980 and FY 1982 (from about \$400 to \$44,000).

In addition to placing a high priority on investing idle funds, BHA implemented several other policies that contributed to its improved financial status. First, the agency is extremely careful with accounts payable, ensuring that receiving slips and all other paperwork are in order before making payments. Second, the agency coordinates investment maturities with large payments. Once, BHA held up \$200,000 in payments for work on a major construction job, because of unsatisfactory performance. By the time the problems were rectified and the payment was made, BHA had earned approximately \$20,000 in interest. In all cases, earned interest on modernization funding is used to reduce the costs of these programs. Third, the agency has increased its reserves to one-hundred percent of the allowed maximum, thus providing increased funds that can be invested at very high rates of return.

Interest-Bearing Accounts

Currently, all of BHA's funds are in interest-bearing accounts. BHA keeps about \$4,000 to \$5,000 for operating expenses in a NOW account earning some five percent to six percent interest. The remainder is kept in money market accounts or in certificates of deposit (CDs) at local banks.

Although BHA used CDs extensively in FY 1982 and FY 1983, it proved to be a time-consuming activity. In FY 1984, money market accounts became the primary investment vehicle. Purchasing a CD in Beaufort usually requires two to three hours to check rates at two to three different banks, do the paperwork, and visit the bank for the purchase. With only the executive director and the administrative assistant available to do this, BHA could not afford to devote that much time to the activity, especially since CD interest rates average only about 0.25 percent above money market rates in Beaufort.

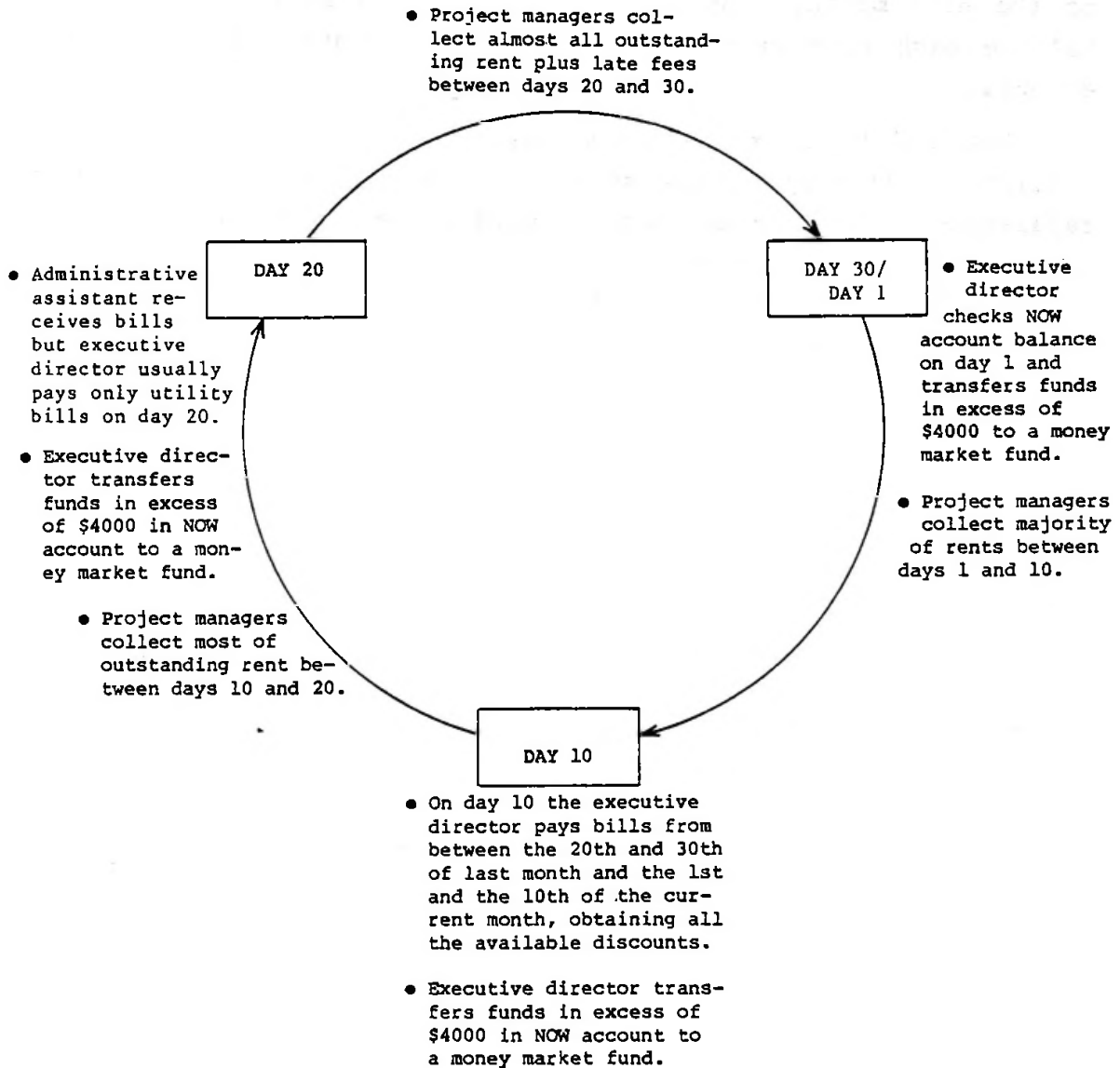
Cash Flow Cycle

The monthly cash flow cycle typically works as follows. (For a schematic summary see Exhibit I-6). During the first ten days of the month the project managers collect most of the rents and the administrative assistant and project managers deposit the money in the NOW account. Experience has shown that this provides enough to pay virtually all the monthly bills except those for utilities. On the 10th of the month, the executive director pays all the bills received in the last part of the previous month and the first part of the current month. By paying early, he ensures that BHA will receive all discounts available for prompt payment. He then reviews the balance in the NOW account, subtracts the checks just written, and transfers all but about \$4,000 (which he leaves for minor expenses) to the higher-yielding money market account or to a CD.

On the twentieth of the month, he follows the same procedure. By this time, utility bills usually have been received, and he pays them on the 20th to avoid late charges or interest

EXHIBIT I-6

BHA's MONTHLY CASH FLOW



payments. He then transfers excess funds to high-yielding accounts.

On the thirtieth he again checks the cash balance and transfers funds, although any minor bills that have arrived between the 20th and 30th will probably wait for payment until the 10th of the next month. The executive director also checks the cash balance each time he makes a major disbursement--on payday, for example.

BHA maintains three-month cash-projection sheets, as HUD requires. Although these sheets are maintained to meet HUD's regulations, they are not heavily used since the system described above has proven to be sufficient.

II: REASONS FOR THE EFFECTIVENESS OF THE PRACTICES

This chapter discusses the reasons for the effectiveness of BHA's practices in three areas:

- General management practices
- Rental collections
- Cash management.

GENERAL MANAGEMENT PRACTICES

Several good general management practices were discussed in Chapter I. Those that require further explanation concerning why they are effective are:

- changing to an in-house accounting system; and
- BHA's staff organization.

Changing to an In-House Accounting System

This change was effective for three reasons. First, it allowed the executive director to develop the intimate grasp of the agency's finances that was required to improve BHA's financial status. Second, it permitted BHA to update its financial records in a timely fashion--by the tenth of each month, so the cash flow system could operate effectively. And third, it saved the agency the outside accountant's fees.

BHA's Staff Organization

BHA's modified staff organization plan is effective for two reasons. First, it reflects the geographic necessities of BHA's project locations. The Yemassee and Hilton Head projects, because of their dispersion, require isolated, semi-independent project management structures, while the Port Royal and Beaufort projects can be managed most effectively on a centralized, team

basis by the headquarter's staff. In sum, BHA's organizational structure reflects the operating environment within which it must function.

Second, the organization of the headquarter's staff takes advantage of the multiple talents of three key persons: the executive director; the administrative assistant; and the Section 8 coordinator. The fact that the executive director can handle executive and financial duties, that the administrative assistant can handle clerical and bookkeeping and project management functions, and that the Section 8 coordinator can handle coordination and financial functions, has allowed the organization to function very efficiently. Often it is inappropriate to design an organizational structure around the personalities and talents of the current individual staff members. But in this instance, in this small agency, this approach has worked well.

RENTAL COLLECTIONS

BHA's practices have resulted in a high collection rate for current charges and a very low rate of written-off receivables. In the last fiscal year, BHA reported only \$4,563 in collection losses, or \$2.10 PUM. BHA officials attribute this success to six factors. First, the policy of active follow-up by project managers, and in some serious cases by the executive director, has been a significant contributing factor. The small size of the projects (the largest is only eighty units) makes it easy for project managers to see or call tenants quite frequently. This level of personal contact has proven quite effective. Second, the warrant of distress is a rather intimidating device and the fear of losing possessions apparently provides tenants great incentive to clear arrearages or work out an acceptable payment agreement. Third, the courts are very responsive and sympathetic to the BHA position. Cases are usually heard within the same month in which papers are filed. Recall that no magistrate has ever ruled against the agency. Fourth, the policy of charging

\$1.00 per day until overdue rents are paid is quite persuasive. Fifth, the speed with which BHA can evict a tenant (30-45 days) for nonpayment quickly resolves these situations. And sixth, the night deposit slot in the headquarters vault makes it convenient for Beaufort and Port Royal tenants to pay their rent, and thus more likely they will do so.

CASH MANAGEMENT SYSTEM

BHA's cash management system is effective for three primary reasons. First, it is effective because maximizing interest income is one of the housing agency's top priorities. Second, the cash management system is clear and simple to operate. It does not burden the cash manager (here the executive director) with excessive paperwork, yet provides enough checkpoints throughout the month so that cash is monitored properly. And third, the system allows BHA to capture all available discounts and avoid all late fees because the timing of all significant recurring and nonrecurring payments are integrated into the cycle.

III: TRANSFERABILITY OF BHA's PRACTICES

This chapter considers factors in implementing the effective management practices described above at other PHAs.

GENERAL MANAGEMENT PRACTICES

Changing to an In-house Accounting System

Changing from a fee accountant to an in-house accounting system was useful at BHA, and contributed to its financial turnaround. However, there is no reason to believe that all small PHAs should abandon their fee accountants. After all, it would be impossible to hire an in-house finance director for the amount BHA paid its fee accountant. BHA was fortunate to have staff with the experience, the inclination, and the time to take over the financial function. Furthermore, the disadvantages of the fee accountant's geographical location provided BHA with additional incentives to do the work in-house.

The Beaufort director's accounting degree and experience unquestionably helped BHA's transition to an in-house system. But it is possible to take on all the financial functions of a PHA with much less experience. BHA's executive director felt that, given the inclination, an analytical background, a few courses in accounting or bookkeeping, and some training, any public housing director could do what he did. He recommended thirty days of on-the-job training spread over a three-month period, with the trainer doing most of the work in the first month, then looking "over the trainee's shoulder" in the second and third months. The trainer would have to be intimately acquainted with public housing accounting and HUD reports. Although a director could perform all the accounting functions after this kind of intensive training, it would be prudent to bring in a fee accountant to do the lengthy year-end closeout.

This observation should be tempered by two caveats. First, having an inexperienced executive director take over all the finance functions would only work in a small, uncomplex PHA. (In any case, in a much larger PHA a finance director would certainly be hired, making the question moot.) Second, the BHA executive director may be underestimating his own expertise, and overestimating the ability of others to do what he did. Thus, others should not underestimate the transition period.

Staff Organization

More than almost anything else, staff organization is an organic whole which is very difficult to replicate elsewhere under different conditions. As indicated earlier, BHA's organization reflects its geographic peculiarities and its staff's talents. With different project locations and different talents, the organization chart would change drastically. (Just as BHA's organization changed dramatically when the two isolated projects were built, and when the financial talents of the executive director were used to replace the fee accountant.) However, as at BHA, it may make sense to manage isolated, distant projects with a separate, semi-independent management structure.

RENTAL COLLECTION

There are some factors which should allow easy transferability of BHA's rental collection system, and some factors which are unique and thus mitigate against transferability.

First, the idea of charging \$1.00 per day until rents are paid should be easily transferable, barring any problems with state law. This daily fee is a constant reminder to tenants to pay. It appears superior to a system where there is a late fee on, say, the fifth day and the fifteenth day. Such a system provides no economic incentive for the tenant to pay between days 5 and 15. Only on days 14 and 15 does the economic incentive to avoid the second late fee become effective.

Second, other agencies could attempt to replicate the speed with which BHA evicts tenants who have not paid their rent. BHA does have the advantage of having friendly courts that are not backlogged, but even urban PHAs can usually find ways to speed up evictions.

Third, the night deposit slot idea could be readily used by other agencies. Recall that the night deposits are kept secure because the slot enters directly into a substantial vault. Other PHAs may have to appropriate some capital funds to replicate this facility.

Mitigating against transferability are three factors. First, the small size of BHA's projects and the small town atmosphere make it easier for BHA's project managers to know all their tenants, and exert friendly peer pressure on them to pay. (On the other hand, any project manager in any PHA should be trying to do this.) Second, the warrant of distress may not be legal in other states. Perhaps its availability is worth investigating, however, since it does appear effective. And third, many urban courts are unlikely to give their PHAs the kind of perfect won-loss record that BHA maintains.

CASH MANAGEMENT SYSTEM

BHA's cash management system should be readily transferable to other small PHAs. It does not appear appropriate for larger, more complex PHAs, where more emphasis must be placed on multi-month forecasting. Naturally, even a small PHA seeking to adopt BHA's system would probably have to make some modifications. For example, if an agency's utility bills tend to arrive in the first few days of the month, these may have to be paid by the tenth to avoid late fees.

APPENDIX A
RELEVANT REPORTS AND FORMS

EXHIBIT A-1

RENTAL REGISTER MONTHLY REPORT

Project No. SC 26-1

RENTAL REGISTER

For Month of April 1985

Page 244

Line No.	NAME OF TENANT	Effective Date of Lease	Termination Date of Lease	Monthly Rental Rate	Balance of Month's Rent	Charges for Rent			Other Charges			RENTS TO TENANTS			CREDITS TO TENANTS ACCOUNT			Balance at Month End
						Outstanding Rent	Extra Utilities	Other Charges	Unpaid Charges (Credit)	Total Income	Ref.	Amount	Ref.	Amount	Cap. Construction	Transfer to Other Accounts	Transfer to Other Accounts	
1	[REDACTED]			174.00	49.33					221.33								174.00
2	[REDACTED]			132.00	81.50					213.50								132.00
3	[REDACTED]			20.00	5.00					25.00								20.00
4	[REDACTED]			131.00	537.30	42.00				173.00								131.00
5	[REDACTED]	W		185.00	285.00	35.76				420.76								185.00
6	[REDACTED]	W		38.00	38.00					38.00								38.00
7	[REDACTED]			38.00	38.00					38.00								38.00
8	[REDACTED]			91.00	71.00					81.00								91.00
9	[REDACTED]	W		42.00	42.00					42.00								42.00
10	[REDACTED]			41.00	41.00					41.00								41.00
11	[REDACTED]	W		32.00	32.00					32.00								32.00
12	[REDACTED]	W		72.00	72.00					72.00								72.00
13	[REDACTED]	W		41.00	41.00					41.00								41.00
14	[REDACTED]	W		20.00	20.00					20.00								20.00
15	[REDACTED]	W		50.00	50.00					50.00								50.00
16	[REDACTED]			14.00	14.00					14.00								14.00
17	[REDACTED]			40.00	40.00					40.00								40.00
Total				844.00	844.00					844.00								844.00

TENANTS OWING ONE OR MORE MONTHS RENT

Month Ending April 30, 1985

IA-3

MONTHLY REPORT ON RENT CHANGES

MONTH: SEPTEMBER 1984

PROJECT 26-2

MONTHLY REPORT ON INTERIM RENT CHANGES

[illegible]

EXHIBIT A-4
MONTHLY REPORT ON APARTMENT INSPECTIONS

MONTHLY REPORT
APARTMENT INSPECTIONS

NUMBER OF UNITS INSPECTED: _____

PASSED: _____

FAILED: _____

EXHIBIT A-5

WARRANT OF DISTRESS

CIVIL CASE NUMBER _____

STATE OF SOUTH CAROLINA)
COUNTY OF _____)

IN THE MAGISTRATE'S COURT

_____,)
Plaintiff(s),)
vs.)
_____,)
Defendant(s).)

NOTICE OF PREDISTRESS
HEARING
(Distrain)

Upon the affidavit of _____,
plaintiff and landlord of the premises described as (address and
description of premises--apartment, house, etc): _____

You, _____, the defendant and
lessee of the premises, are delinquent in rent payments for the
above described premises in the amount of \$ _____,
plus \$ _____ in costs;

You are ordered to appear at a hearing in the office of
Magistrate _____, located at _____
_____, on the _____ day
of _____, 19____, at _____ o'clock
(am/pm), for the purpose of showing why your personal property should
not be seized in order to satisfy the debt owed to plaintiff for rent.

Failure to appear at the above scheduled time may result in
the issuance of a warrant of distraint for the prompt seizure of
personal property found on the premises of sufficient value to satisfy
the debt owed to the plaintiff.

Dated _____

Magistrate

EXHIBIT A-6

MAINTENANCE MONTHLY REPORT
(DAILY LOG OF WORK ORDERS COMPLETED)

Daily Log of Completed
WORK ORDERS

		1			2			3		
Date		SC 26-1			SC 26-2			Total		
1	3-1-85			5			2			7
2	3-4-85			3			4			7
3	3-5-85			10			1			11
4	3-6-85			4			1			5
5	3-7-85			4			3			7
6	3-8-85			3			1			4
7	3-11, 12, 13			5			9			14
8	3-14-85			16			2			18
9	3-15-85			1			1			2
10	3-18-85			1			7			8
11	3-19-85			3			3			6
12	3-20-85			3			3			6
13	3-21-85			9			2			11
14	3-22-85			4			5			9
15	3-25-85			6			6			12
16	3-27-85			3			1			4
17	3-28-85			1			3			4
18	3-29-85			5			2			7
19										
20										
21				8			8			16
22										
23										
24	21 x 16 = 336 Man Hours avail									
25										
26										
27	142 x 17 = 2414 ÷ 336 = 71.8% Efficiency									
28										
29										
30										
31										
32										
33										
34										
35	Total	Total								
36										
37										

EXHIBIT A-7
RENT EXTENSION FORM

BEAUFORT HOUSING AUTHORITY	
BEAUFORT, S. C. 29902	
EXTENSION RECEIPT	
DATE	_____ 19 _____
EXTENSION REQUEST FROM	_____ ACCOUNT NO. _____
ADDRESS _____	
EXTENSION FOR	_____ DAYS DATE RENT DUE _____
REASON FOR EXTENSION _____	

<input type="checkbox"/> APPROVED	Project Mgr. _____
<input type="checkbox"/> DISAPPROVED	Tenant _____

FUNCTIONAL AREA:

Finance and Accounting

EFFECTIVE MANAGEMENT PRACTICES:

**Cash Flow Management and Rental
Collection Systems**

AGENCY:

**Meridian Housing Authority
(Meridian, MS)**

SIZE:

Medium

EXECUTIVE SUMMARY

This case study analyzes two effective management practices implemented at the Meridian Housing Authority (MHA). An overview of MHA appears on the following page. The practices discussed involve a cash flow management system that has yielded remarkable interest income for the agency, and a rent collection system that has enabled MHA to collect 99.8 percent of payments due. Both of these practices have been in effect for more than fifteen years.

The key features of the cash flow system are: a highly accurate three-month forecast of cash needs and receipts; investment of all funds on-hand in interest-bearing accounts; investment of all funds not needed in the next few weeks into high yielding Certificates of Deposit (CDs); and a negotiated bank agreement that provides CDs at interest rates slightly higher than the latest ninety-one day Treasury bill rate. The highlights of the rental collection system are: vigorous personal follow-up of delinquent accounts by project managers, their supervisor, and by on-site project maintenance workers; daily monitoring of collections by the executive director; vigorous attempts to garnishee wages of tenants who have "skipped;" and implementation of numerous other policies that support a high percentage of collections.

The effectiveness of the management practices is addressed in Chapter II. MHA's cash flow management system is effective for several reasons. First and foremost is the agency's firm policy of maximizing the yields from its investments. Dedicated staff, from the executive director down to the account clerks, play exemplary roles, which contributes to a smooth flowing system. The system also features clear channels of communication--by telephone and by mail--between MHA and local banks.

Similarly, MHA's rental collection system is effective primarily because this functional area is a top priority of the executive director, and therefore the agency. The combination of personal contact between agency staff and tenants, tight internal controls, and local courts sympathetic to MHA adds up to a sound system for collecting rents.

Chapter III discusses the transferability of MHA's cash management and rental collection systems. There are no reasons why other PHAs could not adopt Meridian's cash management system or certain aspects thereof. Even under less favorable circumstances, other PHAs could realize improved interest yields. MHA's rental collection system is based on tough policy tempered by personal contact--practices easily adaptable by other agencies. However, Meridian's project-based management system and favorable legal climate, which enhance the collection of rent, do not exist universally.

MERIDIAN AT A GLANCE

CHARACTERISTICS

DATA

Total Stock:

1,272 units of assisted public housing (444 of Section 23 leased housing and 828 LIPH units) in 22 projects. (MHA also administers the contract on 360 units of other subsidized housing.)

- Projects for Families: 20 projects; 1131 units
- Projects for Elderly Tenants: 2 projects; 141 units
- Unit Sizes:
 - efficiencies 0 percent
 - one-bedroom 31 percent
 - two-bedroom 34 percent
 - three-bedroom 25 percent
 - four-bedroom 8 percent
 - five-bedroom 2 percent
- Largest Project: Eastern Gardens (194 units)
- Smallest Project: St. Andrew (4 units)
- Oldest Project: Highway Village (1941)
- Newest Project: Sowashee Courts (1984)

Demographics:

- One-Parent Households: 49 percent
- Minority Tenants: 88 percent
- Children Under 18: 65 percent

Operations:

- Operating Expenditures: \$149.39 (PUM)
- Dwelling Rentals: \$119.57 (PUM)
- Operating Reserve: 76 percent of allowable level
- Staffing: 42 permanent, 53 MOD construction workers

I. THE EFFECTIVE MANAGEMENT PRACTICES

INTRODUCTION

Chapter I of this case study discusses two effective management practices of the Meridian Housing Authority: its cash flow management and rent collection systems. For more than a decade, these management practices have enhanced the strength and stability of MHA's finances. The agency's sound financial condition is largely the result of policies formulated and implemented by the executive director. These policies and the staff responsible for following them are detailed below.

KEY ACTORS

The key actors in this case study are the executive director, the deputy director/controller, an accountant, two accounting clerks, and the eleven project managers. (For purposes of this discussion, the designation project managers includes housing managers.) Exhibit I-1 shows MHA's table of organization. As of November 1984, there were forty-two permanent and fifty-three MOD construction workers at the agency.

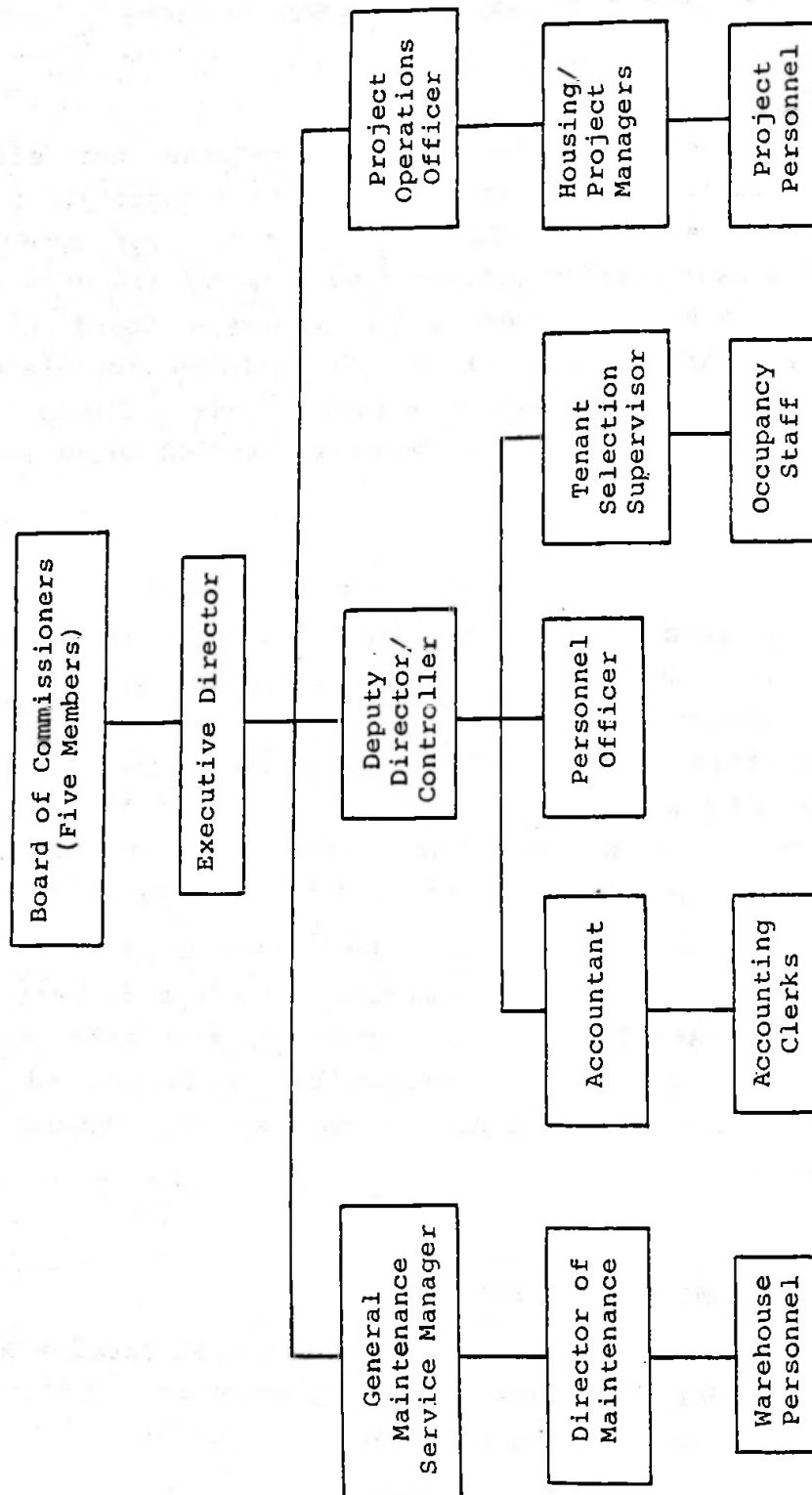
Meridian uses a project-based management and rent-collection system. Fourteen of the administrative staff and twenty-one of the maintenance staff are clearly tied to, and responsible for, particular projects. Each project has a designated project manager, and the majority of project managers are responsible for only one project.

MHA's CASH FLOW MANAGEMENT SYSTEM

MHA's cash management system has achieved notable success, and is a model for other public housing agencies. Highlights of the agency's accomplishments include:

EXHIBIT I-1

TABLE OF ORGANIZATION



- a negotiated agreement under which a local bank provides certificates of deposit (CDs) to MHA at a rate higher than that of the latest 91-day Treasury bill (T-bill);
- investment of all available funds in interest-bearing accounts at all times; and
- interest income in 1983 of \$157,000, compared to \$919,000 in dwelling unit rentals and \$1,128,000 in total operating receipts exclusive of HUD contributions. (All figures are rounded to the nearest thousand.)

This section discusses MHA's cash flow system in five parts:

- Overall philosophy
- Information flow, key actors, and principal forms
- Additional forms used
- A typical investment decision
- The bank agreement.

Overall Philosophy

MHA's cash flow philosophy has two main thrusts: to retain as much cash as possible for the largest period of time; and to invest available cash in the most attractive investment vehicles, consistent with future cash requirements. For example, on the Section 23 Leased Housing Program, the conventional procedure calls for the trustee firm to hold certain escrowed funds. MHA insists on holding these funds, thereby maximizing the agency's interest income. MHA keeps all of its cash in interest-bearing accounts all the time, and keeps as much as possible in high-yielding CDs. And, earned interest on modernization funding in all cases is used to reduce these program costs.

Information Flow, Key Actors, and Principal Forms

Exhibit I-2 provides an overview of the information flow in the cash management system. In the first week of each month, the accountant starts the information flow by spending two to three hours filling out the system's key form, the "90-Day Forecast of Cash Position." (Exhibit I-3 provides an example of this form.) The form is designed to allow an accurate forecast of the actual cash flow requirements and revenues during the next three months.

The accountant delivers the form to the deputy director/controller, who checks the figures and reviews the projections, discusses any issues with the accountant, and delivers the form to the executive director for final approval. A bottom-line balance in the upcoming month of more than what MHA currently has invested in CDs is a signal to roll those CDs over as they mature. A balance of less than the current amount invested in CDs is a signal to redeem some of the CDs or, perhaps, to roll them over for a very short period. (Under the bank agreement, MHA can purchase CDs for periods ranging from fourteen to ninety days.)

The option indicated by the balance becomes the tentative investment plan for the month. However, a final decision is not reached until a written notice from the bank arrives, advising MHA that the CDs are due to mature in two or three days. At this point, the accountant recomputes the figures and submits them up the chain of command. During the month, the executive director has been monitoring the T-bill rate, the economy, and the investment advice of various experts; and he brings this information to bear on the decision. After a final decision by the executive director, the deputy director telephones the bank officials and instructs them to roll over or to redeem the CDs. Within a few days, the bank sends written confirmation of these instructions and the execution of the transaction.

EXHIBIT I-2

KEY ACTORS AND WORKFLOW IN THE CASH MANAGEMENT SYSTEM

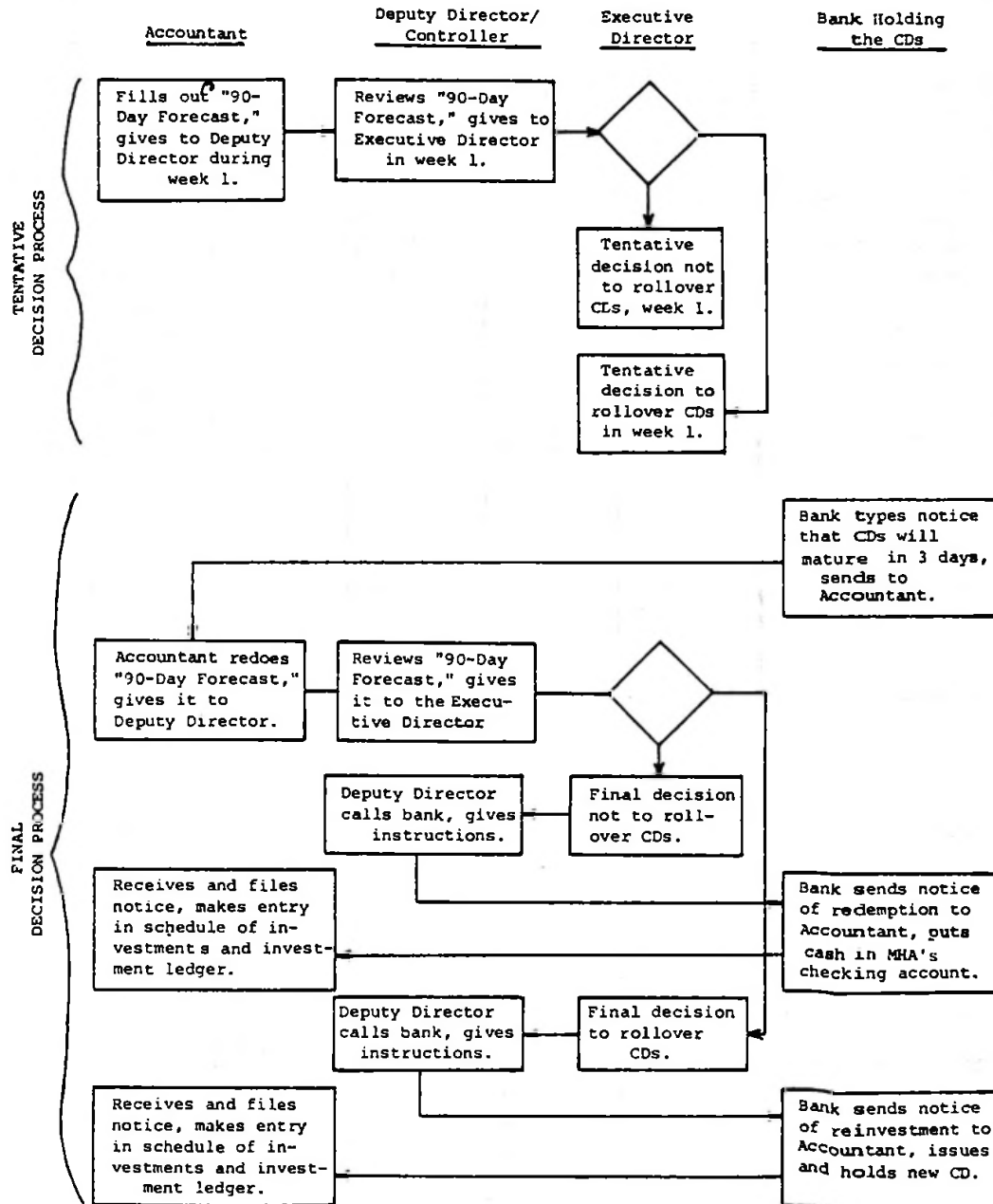


EXHIBIT I-3

90-DAY FORECAST OF CASH POSITION

Categories	August		September		October	
<u>Available Funds</u>						
Cash Balances						
Bank #1	\$ 16,258					
Bank #2	96,649					
Bank #3	1,012					
Estimated Rental Income	137,424		\$137,424		\$137,424	
Excess Utilities	7,837		7,837		7,837	
Maturing Investments	425,000		600,000		600,000	
Income on Investments	10,643		15,453		15,697	
Other Income	2,500		2,500		2,500	
Prepaid Accounts	44,164		44,164		44,164	
Operating Subsidy						
Monthly	6,958		6,958		6,958	
3-Month	0		88,911		0	
TOTAL AVAILABLE		\$748,445		\$903,247		\$814,580
<u>Cash Requirements</u>						
Routine Operations	81,158		59,831		71,131	
Plus 10% Contingency	8,116		5,983		7,113	
Utility Expense	74,500		79,000		77,000	
PILOT	0		68,942		0	
Insurance	378		19,685		0	
Repairs & Maintenance	25,000		29,785		30,901	
Replacement	92		0		0	
Contract	4,000		4,000		4,000	
Rent to Owners	42,998		42,998		42,998	
Other	17,852		21,887		18,261	
TOTAL REQUIRED		254,094		332,111		251,404
<u>Adjustments</u>						
Excess Cash or (Deficit)						\$563,176
in 3rd Month						
Adjustment for 3rd Month						
Deficit*				0		
Adjusted 2nd Month Cash						
Position				\$571,136		
Adjustment for 2nd Month						
Deficit*		0				
Adjusted 1st Month Cash						
Position (Amount Tenta-						
tively Available for						
Investment)		\$494,351				
Amount Actually Invested		\$425,000				

* Zero for surplus.

EXHIBIT I-3 (continued)

Categories	August		September		October	
<u>Routine Operations</u>						
Administrative Salary	\$ 23,321		\$ 15,548		\$ 15,548	
Legal	400		400		400	
Staff Training	100		100		100	
Travel	800		400		2,200	
Accounting & Auditing	675		675		675	
Sundry	2,500		2,000		2,000	
Tenant Service Salary	3,654		2,436		2,436	
Tenant Service Contract	3,000		3,000		3,000	
Maintenance Salary	37,908		25,272		25,272	
Other Salary*	8,800		10,000		19,500	
TOTAL		\$ 81,158		\$ 59,831		\$ 71,131
<u>Utilities</u>						
Water	12,000		12,000		12,000	
Electricity	49,000		53,000		50,000	
Gas	13,500		14,000		15,000	
TOTAL		74,500		79,000		77,000
<u>Payment of PILOT</u>	0		68,942		0	
TOTAL		0		68,942		0
<u>Insurance</u>						
Prepaid Insurance	0		19,685		0	
Other Insurance	378		0		0	
TOTAL		378		19,685		0
<u>Repairs & Maintenance</u>						
Casualty Loss	0		0		0	
Material	7,000		7,000		7,000	
Other*	18,000		22,785		23,901	
TOTAL		25,000		29,785		30,901
<u>Replacement of Land, Structure, & Equipment</u>	92		0		0	
TOTAL		92		0		0
<u>Contract Payments</u>	4,000		4,000		4,000	
TOTAL		4,000		4,000		4,000
<u>Rent to Owners</u>	42,998		42,998		42,998	
TOTAL		42,998		42,998		42,998
<u>Other Disbursements</u>						
Accounts Payable	6,000		6,000		6,000	
Terminal Leave	0		0		0	
Employee Insurance	2,808		2,808		2,808	
Employee Benefits	9,044		13,079		9,453	
TOTAL		17,852		21,887		18,261
TOTAL EXPENSES		\$245,978		\$326,128		\$244,291

* Extraordinary maintenance.

Funds that are not invested in CDs and are needed for expenditures during the month are kept in five NOW (Negotiated Order of Withdrawal) and Super NOW accounts at three local banks. (MHA maintains accounts at all three of the local banks in Meridian, thus maintaining important contacts.) These accounts were paying 5.25 to 8.50 percent interest in August 1984, whereas the CDs were paying 9.750 to 10.785 percent. Exhibit I-4 provides a summary of MHA's investments and bank accounts for that month.

EXHIBIT I-4

MHA's INVESTMENTS (as of August 10, 1984)

<u>Investments</u>	<u>Interest Rate</u>	<u>Dollars (in thousands)</u>
Bank of Meridian Super NOW	7.00%	\$ 282
Citizens National NOW	5.25%	27
First United Money Funds (3 separate accounts) to 8.50%	8.37%	119
First United CDs (8 separate accounts) to 10.785%	10.41%	2,125
Bank of Meridian CD	9.75%	200

Funds for different programs currently are kept in separate accounts, although MHA is contemplating the creation of a concentrated investment account in 1985. Under such a system, the existing accounts would probably be retained, but their balances would be "swept" each day into the investment account by the bank. (These types of accounts are becoming more popular, and are now available even to individual investors through the large brokerage houses.) The monies in this concentrated account would then be invested, but careful accounting procedures would

serve to keep track of the principal and interest that the account "owes" each of the separate program accounts. This device gives MHA the advantage of having one very large "pot" of money available so the agency can obtain the high interest rates offered to the largest investors--while it meets the legal requirements of keeping funds in separate accounts. MHA plans to solicit formal, detailed bids from the local banks before establishing an account of this type.

Additional Forms Used. In managing its cash flow, MHA uses various other forms and reports, including the following: (1) a schedule of investments showing the various active checking accounts and CDs, maturity dates, interest rates, and amounts (prepared monthly for the director); (2) an analysis of CDs, which the comptroller uses for reference as reminder of upcoming maturity dates and rollover decisions (see Exhibit I-5); and (3) an investment ledger kept by the accountant, with a separate page for each CD, showing all transactions.

The Bank Agreement

In 1983, MHA negotiated an agreement on short-term investments with the First United Bank of Meridian. The agreement consisted of an exchange of letters; no formal contract was signed. The agreement provides that MHA may purchase CDs by telephone, in minimum amounts of \$100,000 for fourteen days, and that the rate paid will be the "average 91-day T-bill discount auction rate, as of the most recently completed auction, plus 0.375 percent, or the bank's current CD rate, whichever is higher." Initially, the bank wanted to charge a \$50.00 per month safekeeping fee for holding the CDs, but this fee was waived in subsequent negotiations. (Other normal fees that have been waived

EXHIBIT I-5

ANALYSIS OF CERTIFICATES OF DEPOSIT

DATE OF MATURITY	NO. OF DAYS	DATE OF PURCHASE	CD RATE	S. & R. NO.	AMOUNT	GENERAL FUNDS	DEVELOPMENT COST	MODERNIZATION FUNDS
7/2	1							
	2							
	3							
	4							
	5							
9/2	6	6/7/84	6.25	5387	403,000.00			400,000
	7							
	8							
	9							
	10							
	11							
10/7	12	7/10/84	9.75	2427	200,000		200,000	
10/7	13	5/15/84	12.45	5442	125,000	125,000		
10/7	14	5/15/84	12.45	5397	300,000	300,000		
	15							
	16							
	17							
	18							
	19							
	20							
	21							
	22							
	23							
	24							
	25							
	26							
	27							
	28							
	29							
10/4	30	8/2/84	10.75	5549	100,000			100,000
	31							

Remarks: (1) reinvested, maturing on 9/5/84; (2) reinvested, maturing on 9/12/84; (3) reinvested, maturing on 9/4/84; 4) reinvested, maturing on 11/11/84; (5) deposited to account.

by the bank include charges for printing or processing checks, bad checks, stop-payment orders, and night deposits. As will be detailed later, MHA has a great deal of leverage in dealing with the Meridian banks, due to the fact that MHA controls sixty percent of the town's rental stock.

Collateral is provided by pledges of qualifying securities, "as described in HUD regulations." Recently, some questions have arisen about the validity of collateral pledges to public agencies by banks, given Federal Deposit Insurance Corporation (FDIC) rulings in recent bank failure proceedings. MHA is investigating these rulings and their applicability. (The reader is advised to consult with HUD regulations to determine acceptable types of investment instruments.)

MHA has no special agreements regarding any of its NOW and Super NOW accounts.

A Typical Investment Decision

Examining the decision made in August 1984 to roll over a \$425,000 CD, based on the information on the "90-Day Forecast," should illuminate MHA's cash management system.

The forecast of revenue is done by the accountant by adding up the available cash balances in the NOW and Super NOW accounts, identifying maturing investments and expected HUD subsidies, and estimating rental income. Rents are re-estimated at one hundred percent of the rent roll, which is continuously updated to reflect tenants moving in or out, or having their incomes recertified. HUD subsidies are generally paid via a letter of credit. MHA can draw on the letter of credit after only one day, which precludes delays that could affect cash flow from this source.

The need for cash is estimated as part of the 90-day forecast. The second page of Exhibit I-3 provides a breakdown of the anticipated cash requirements. The accountant identifies the number of payrolls that will occur in the month (August 1984 had

but 0.1873 percent of the rents and charges due since 1967. Put another way, of the \$12.7 million due, MHA has collected more than 99.8 percent. This remarkable record has resulted from a very vigorous collection policy, which originates with the executive director, from the persistence and overtime work by the staff, and from several other policies and programs. This section discusses rent payment policies, the monthly cycle of rent collection, additional reports generated in the collection system, and other practices that enhance collection.

Rent Payment Policies

According to MHA's standard lease, rents are "due and payable in advance on or before the first day of each calendar month, and in no event later than the seventh day of each calendar month..."

Rents may be paid in cash or by check, and tenants pay their respective project managers (PMs), assistant managers, or project maintenance workers in person at the projects. This policy contributes to the on-going personal contact and detailed knowledge of tenants' situations by managers. Over time, this policy has led to a few problems, although the total number of incidents is quite low. Once, in the past ten years, a project manager was robbed in her office, and about \$200 was taken. On three occasions, project managers stole cash from the rents, but each time the thefts were discovered by MHA accountants within three days. Immediate restitution was demanded and received, and the guilty parties were fired. MHA's top managers feel that the benefits of having the tenants pay the project managers in person, and of allowing tenants to pay in cash, outweigh the few problems and incidents that arise now and then. Other agencies wishing to follow this practice should obtain fidelity bonding protection for all employees who will handle significant amounts of cash transactions.

Tenants who find monthly payments inconvenient may sign up for a weekly or biweekly rent payment program. Under this

program, for example, rents for July are paid in four (or two) installments in June. This program is suggested by MHA projectmanagers to tenants who are chronically delinquent or who are paid weekly or biweekly.

The Monthly Cycle Of Rent Collection

Tracing the rent collection and eviction procedures through a typical month provides a detailed picture of MHA's approach to these problems. Exhibit I-7 shows the key dates and activities in one rent-month cycle. These activities can be conveniently grouped into four parts:

- The rent roll
- Tenants' statements
- Lobbying for payment
- Delinquencies.

The Rent Roll. Activity for rent-month B actually begins early in month A. Throughout month A, changes in individual rents due to tenants moving in or out or having their incomes recertified, as well as changes due to HUD regulations or other causes, are entered on the computerized rent roll. This roll is printed on the twenty-fifth of each month along with individualized tenant statements. Exhibit I-8 contains an example of a rent roll, and Exhibit I-9 provides a tenant statement.

Tenant's Statements. These statements are grouped by project, and the project operations officer gives them to the appropriate project managers. The PMs distribute the statements to tenants by the twenty-seventh or twenty-eighth of month A. (If tenants are not at home, statements are left in doors or slipped through mail chutes.)

EXHIBIT I-7

MONTHLY RENT COLLECTION CYCLE

MONTHLY RENT COLLECTION CYCLE

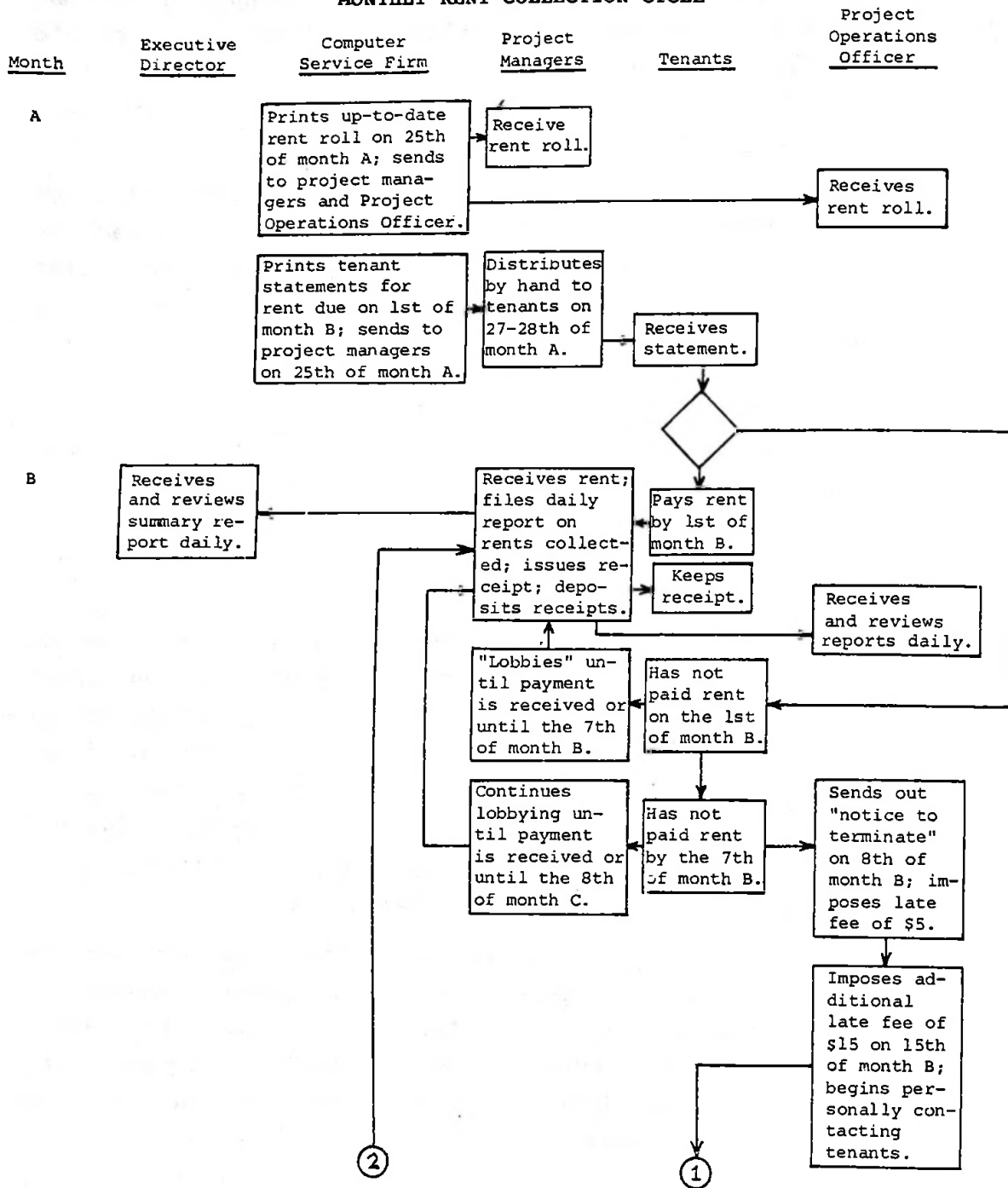


EXHIBIT I-7 (continued)

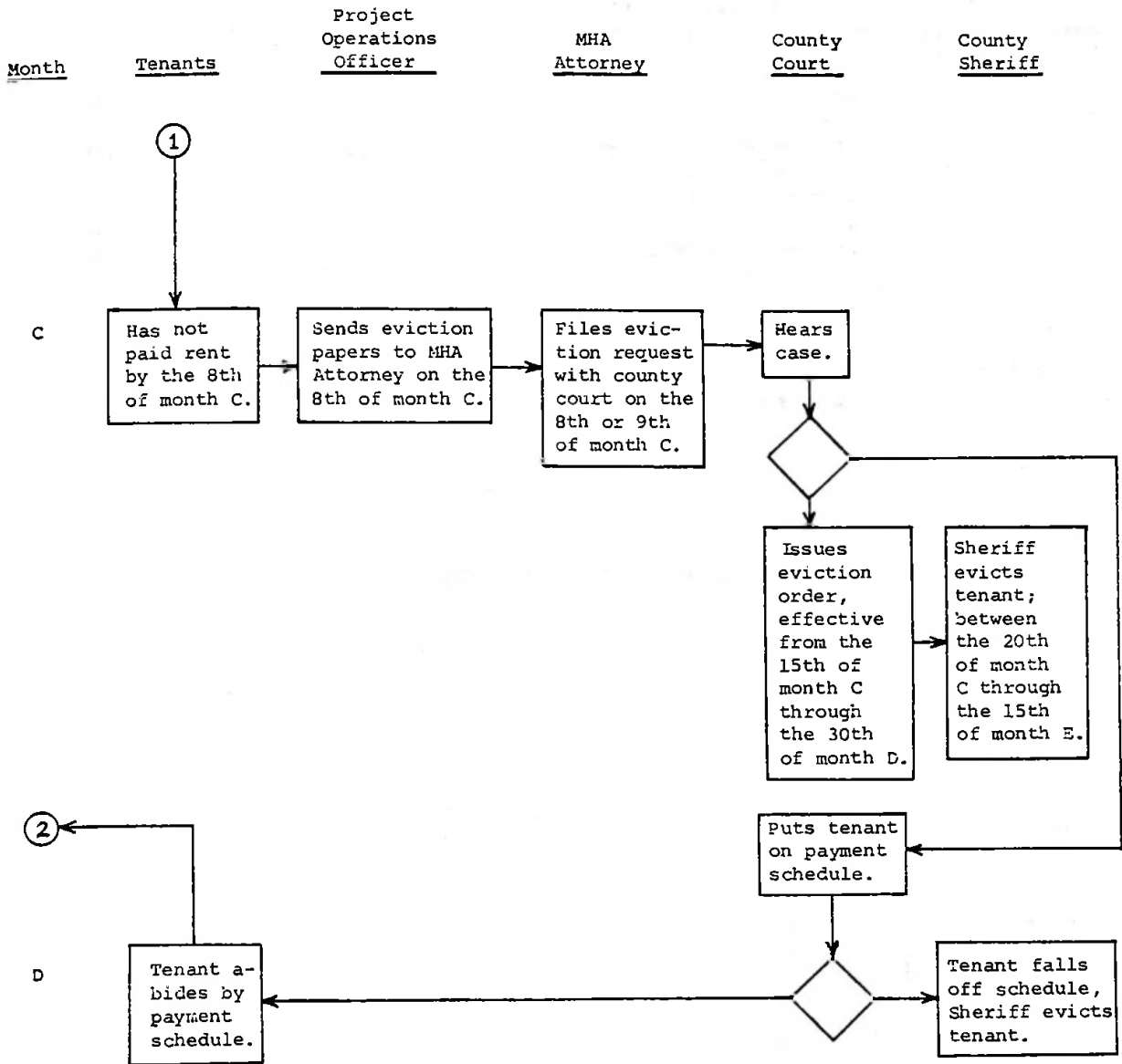


EXHIBIT I-8

RENT ROLL COLLECTION REPORT

TENANT'S NAME	RENT ROLL COLLECTIONS							DATE 8-25-84		
	PREV BAL	MONTHLY RENT	AIR COND	DEEP FREEZE	ALF	GARBAGE COLLECT	PEST CTL	MOWING LAWN	OTHER CHGS	TOTAL DUE
	.00	172.00							.00	172.00
	.00	94.00							.00	94.00
	.00	.00							.00	.00
	.00	70.00		4.00					.00	74.00
	.00	70.00	25.00	4.00					.00	108.00
	.00	154.00							.00	154.00
	7.75	127.00		4.00					.00	138.75
	.00	159.00	25.00	4.00					.00	188.00
	.00	14.00							.00	14.00
	4.25	173.00							.00	184.25
	4.10	12.00							.00	16.10
	1.75	102.00							.00	103.75
	.00	116.00	.00	4.00					.00	120.00
	.00	138.00	25.00	4.00					.00	167.00

EXHIBIT I-9

SAMPLE TENANT STATEMENT

...	...	(SECURITY STATEMENT)
.	.	TN 28-004-012 A 0753-02
.	.	SD REQ 30.00
.	.	SD PAID TO DATE 30.00 CR
.	.	SECURITY DP DUE .00
...	...	AMOUNT PAID

PLEASE RETURN THIS STATEMENT WITH YOUR PAYMENT.

DATE	DESCRIPTION	REF NBR	CHARGES	CREDITS	BALANCE
7-01-84	BALANCE FORWARD				.00CR
7-01-84	AIR CONDITIONER		25.00		25.00
7-01-84	DEEP FREEZE		4.00		29.00
7-01-84	MONTHLY RENT		143.00		172.00
7-03-84	CASH REC	2483		172.00	.00
8-01-84	AIR CONDITIONER		25.00		25.00
8-01-84	DEEP FREEZE		4.00		29.00
8-01-84	MONTHLY RENT		143.00		172.00
8-01-84	BALANCE NOW DUE				172.00

Lobbying for Payment. When the statements are handed out late in month A, the PMS begin encouraging tenants to make their rent payments. The PMS carefully monitor the situations of families who tend to present problems. The lobbying intensifies during the first week of month B, because the grace period ends on the seventh.

Tenants who have medical problems, who are newly laid off, or who have other severe problems limiting their abilities to pay, may request an extension of time for paying rent. Exhibit I-10 provides an example of the form for requesting an extension. Note that a specific date for payment is established on this form, which may subsequently trigger a rent payment recomputation.

EXHIBIT I-10

REQUEST FOR EXTENSION OF TIME TO PAY RENT

DATE: _____
TENANT: _____
PROJECT: _____
APT. NO.: _____

I, _____, am requesting a time extension for paying my rent. The total amount due of \$ _____, plus a late charge of \$ _____ will be paid on _____, 19____.

SIGNED: _____
WITNESS: _____

AMOUNT DUE: _____
DATE PAID: _____

Delinquencies. On the eighth of the month, unless it falls on a weekend, MHA sends "notices to terminate" the leases of tenants who have not paid their rent or arranged to do so. Exhibit I-11 provides an example of the notice. The notices are sent to tenants by first class mail, informing them that their

apartments must be vacated by the twenty-first of the month. Effective the eighth, a late fee of \$5 is imposed. On the fifteenth, an additional \$15 is added to the late fee.

Project managers keep pressing tenants to pay until about the fifteenth of the month. At that point, the PMs turn their problem cases over to the project operations officer. The officer begins contacting the tenants in person or by telephone, asking why the rents have not been paid and when payments can be expected. The executive director used to do this follow-up himself, but since 1978 he has delegated the duties to the project officer. Project maintenance workers often assist PMs in collecting rents by lobbying delinquent tenants and trying to collect checks or cash. (At MHA, unlike many agencies, maintenance workers take on many of the duties of assistant project managers. They collect rents, "lobby" tenants to pay, and monitor problems in their assigned projects. They seem to like this unusual mix of duties.)

As rents come in, the PMs delete paying tenants from the rent rolls, issue the tenants sequentially numbered receipts, and turn in the cash and checks to Meridian banks. Each day, the PMs give the project operations officer copies of the receipts, the deposit slips, "Daily Statements of Operation" (Exhibit I-12), and "Trial Balances of Tenants' Accounts Receivable" (Exhibit I-13). The project officer checks these items for discrepancies and passes them to the accounting staff.

By the twenty-first of the month, delinquent tenants are supposed to move out, but few do. The project officer continues to contact delinquent tenants but does not usually begin legal

EXHIBIT I-11

NOTICE TO TERMINATE LEASE

Dear Tenant: Date:

All tenants of the Housing Authority of the City of Meridian, Mississippi, including yourself, are responsible to pay their rent in advance on or before the first calendar day of each month, and in no event later than the seventh day thereof. You have not paid the rent on the above housing unit, therefore this is your notice to terminate your tenancy.

You are entitled to reply to this if you wish and you may request a hearing in accordance with the Authority's Grievance Procedures if you feel entitled to this. In the meantime you should prepare to remove yourself and all of your property from this housing unit by 5:00 p.m. on the 21st day of _____.

The law of the State of Mississippi provides that your failure to vacate the above premises by the time and date stated above will make you responsible for double the normal rent. It is not the desire of the Authority that any legal action be entered for such amount. You are, however, reminded that even if you move by the time and date indicated above, you are still responsible for the rent now due and legal steps will be taken to collect same should that be necessary.

You should immediately begin to make arrangements to move to some other location. It is suggested that you coordinate your move with your Project Manager.

Sincerely,

HOUSING AUTHORITY OF
THE CITY OF MERIDIAN

EXHIBIT I-12

DAILY STATEMENT OF OPERATION

Development No. Miss. 4.

Name: _____

Date _____

18

Account No.	ACCOUNT NAME	TOTAL		CORRECTIONS				NET TOTAL	
				ADD		DEDUCT			
3110	CHARGES—ACCOUNTS RECEIVABLE: Dwelling Rent	\$		\$		\$		\$	
3120	Utility Charge								
3690	Miscellaneous Project Income								
	TOTAL INCOME								
	Refunds to Tenants								
	Returned Checks								
	TOTAL CHARGES TO TENANTS								
	CREDITS—ACCOUNTS RECEIVABLE: Cash Collections								
	Transfers From Security Deposits								
	Collection Loss								
	TOTAL CREDITS TO TENANTS								
	CHARGES—SECURITY DEPOSITS: Refunds to Tenants								
	Transfers to Receivables								
	TOTAL CHARGES—DEPOSITS								
	CREDITS—SECURITY DEPOSITS: Cash Collections								
	TOTAL CREDITS—DEPOSITS								

Cash Collection on Receipts No. _____

through No.

Except Voided Net.

UNDEPOSITED CASH		AMOUNT		TENANTS ACCOUNTS RECEIVABLE		AMOUNT	
Undeposited Balance—forwarded				Balance previous report			
Add: Receipts this report				Add: Charges this report			
Deduct: Deposits this report				Deduct: Credits this report			
Undeposited balance—this report				Balance—this report			

Prepared By:

(Title)

Approved By:

(Title)

EXHIBIT I-13

TRIAL BALANCE OF TENANTS' ACCOUNTS RECEIVABLE

THE HOUSING AUTHORITY OF THE CITY OF MERIDIAN

Month of March

<u>PROJ. NO.</u>	<u>APT. NO.</u>	<u>TENANT'S NAME</u>	<u>DESCRIPTION OF CHARGE</u>	<u>AMOUNT</u>	<u>REASON</u>
MS-1	101	Joe Doe	Refrigerator repair	\$ 20	delinquent
MS-1	102	Jane Crow	March rent	\$120	lost job
MS-1	110	Jack Roe	March rent	\$100	heart attack
MS-1	121	John Snow	March rent	\$ <u>90</u>	delinquent
Total:				\$330	

action until the eighth of the subsequent month, when and if another month's rent is delinquent. In such cases, the officer has a standardized affidavit (see Appendix A) typed by memory typewriter and hand carried to MHA's attorney, along with other relevant papers. The attorney petitions the county court to remove the tenants, and papers are served on the tenants notifying them of the court dates. The court hears the cases, and the judge issues orders to vacate the apartments (or sometimes sets up payment schedules or gives tenants a couple of weeks to pay up "or else"). If the orders are not obeyed, the county sheriff rapidly enforces them by evicting the tenants.

The process of typing the affidavit, petitioning the court, holding a hearing, issuing an order to vacate, and having the sheriff evict a tenant can take as little as two weeks. The process does not always work this quickly, however, and on occasion it may take two months or more due to absences by MHA's lawyer or the county court judge. (Even two months is considerably faster than the time required in many large urban areas.)

In the past, when MHA took over the handwritten paperwork to the attorney, the agency sometimes encountered delays in getting affidavits typed at the attorney's office. Now, with standardized forms on MHA's memory typewriters, delays are minimal or nonexistent.

MHA petitions the county court, rather than the local justice of the peace court, in order to minimize the delays caused by appeals. Lengthy appeals are available to the defendant in Justice of the Peace court, whereas the only appeal from the county court is to the state supreme court. Until recent years, the executive director and a lawyer on retainer handled all court cases, but the executive director's duties have now been delegated to the project operations officer.

The county court judges are generally sympathetic to MHA's point of view in eviction cases. In 1983, of forty court hearings, eight ended in actual evictions. The judge resolved the others by putting the tenants on repayment schedules or by ordering complete repayment by a specified date. (If a tenant fails to adhere to the schedule or to pay by the specified date, MHA can get an immediate eviction by the sheriff.) In none of the forty hearings did the judges reject MHA's case or rule in favor of the tenants on the grounds that they would have nowhere else to go.

State law permits MHA to collect double the normal rent plus attorney's fees if an eviction is necessary, but in practice only normal rents are pursued.

Although MHA's enforcement is quite vigorous, a substantial number of tenants delay paying until well past the due date. As of November 23, 1984, for example, twenty percent of the November 1984 rents were still due. Of course, late fees were assessed and were collected, providing a substantial source of revenue for MHA.

MHA has never tried to evict tenants who are continually late with their payments but eventually pay their rents. This

type of eviction could be attempted, if an appropriate clause was put in the lease. But MHA staff doubt that local judges would evict on those grounds only, even if the lease was clearly violated.

Additional Reports Generated in the Collection System

Two additional management reports are notable in Meridian's system. Most important is the "Daily Analysis of Tenants' Accounts Receivable" (Exhibit I-14). This report, which is prepared daily for the executive director, shows for each project the amounts collected and the balances of accounts receivable for every day during the cycle. The executive director uses this report to spot any projects in which payments are lagging, and especially, to note any days in which little or no rent money is collected. If either event persists for more than one or two days, the executive director asks the project operations officer to look into the appropriate project manager's activities.

The other noteworthy management report is the computer-generated "Aged Trial Balance of Accounts Receivable" (Exhibit I-15). This report is printed each month at the same time as the rent roll, and shows the current accounts receivable (A/R) and those more than one month old for each tenant household. This report is used as a reminder to check the court or other status of delinquent tenants.

Other Practices That Enhance Collection

Several MHA policies and programs are designed to support the rent collection system and make it more efficient. These include the following:

EXHIBIT I-14

DAILY ANALYSIS OF TENANTS' ACCOUNTS RECEIVABLE

(Hypothetical Example)

Month of _____

<u>Date</u>	<u>Balance Due/ Amount Paid</u>	<u>Projects</u>			<u>TOTAL</u>
		<u>#1</u>	<u>#2</u>	<u>#3</u>	
1/1/85	Bal. due	\$2000	\$3000	\$5000	\$10000
1/1/85	Amt. Paid	700	1000	2000	3700
1/2/85	Bal. due	1300	2000	3000	6300
1/2/85	Amt. Paid	50	500	700	1250
1/3/85	Bal. due	1250	1500	2300	5050
1/3/85	Amt. Paid	100	700	400	1200
1/4/85	Bal. due	1150	800	1900	3850

Note: In this hypothetical example, the executive director would probably question the project operations officer or the manager of Project #1, due to the low rents collected on 1/2/85 and 1/3/85.

EXHIBIT I-15

AGED TRIAL BALANCE OF ACCOUNTS RECEIVABLE

HOUSING AUTHORITY 28-004

PROJECT NUMBER	APT NO	TENANT NUMBER	TENANT'S NAME	SECURITY DEPOSIT REQUIRED.....PAID	A/R BALANCE	AMOUNT CURRENT	AMOUNT OVER 1 MONTH
001-				30.00	30.00CR	12.00	12.00
001-				30.00	30.00CR	.00	.00
001-				30.00	10.00CR	16.50CR	.00
001-				30.00	30.00CR	.00	.00
001-				30.00	30.00CR	.00	.00
001-				30.00	30.00CR	3.00	3.00
001-				30.00	30.00CR	.00	.00
001-				30.00	30.00CR	.00	.00
001-				30.00	30.00CR	.00	.00
001-				30.00	30.00CR	.00	.00
001-				30.00	30.00CR	.00	.00
001-				30.00	30.00CR	.00	.00
001-				30.00	30.00CR	.00	.00
001-				30.00	30.00CR	38.00	38.00
001-				30.00	30.00CR	.00	.00
001-				30.00	30.00CR	.00	.00
001-				30.00	30.00CR	.00	.00
001-				30.00	30.00CR	57.50	57.50
001-				30.00	30.00CR	.00	.00
001-				30.00	30.00CR	5.00	.00
001-				30.00	30.00CR	.00	.00
001-				30.00	30.00CR	.00	.00
001-				30.00	30.00CR	181.00	.00
001-				30.00	30.00CR	.00	.00
001-				30.00	30.00CR	.00	.00
001-				30.00	30.00CR	.00	.00
001-				30.00	30.00CR	.00	.00
001-				30.00	30.00CR	6.00	6.00

- minimizing bad debts
- identifying tenant income
- tenant employment
- providing desirable housing
- maximizing rental income
- minimizing vacancies
- assessing tenant costs.

Minimizing Bad Debts. The agency vigorously attempts to minimize bad debts by garnisheeing the wages of tenants who are evicted for delinquency or who leave without paying the rent they owe. When such tenants or former tenants die, are unemployed, move far away, or owe only small amounts (generally less than \$50), MHA considers the debts unrecoverable and turns them over to a collection agency. The collection agency usually does little to collect the funds and simply enters the tenants' names in the national credit networks as bad credit risks. Cases are not turned over to the collection agency, however, if the tenants remain employed in the area or have prospects of employment. (The project officer prefers not to turn over cases to the collection agency, because it keeps a portion of the money it recovers. When possible, the officer attempts to garnishee the tenants' wages, instead.)

The project operations officer is in charge of garnishments and other bad debt processing. When he hears that a new place of business has opened in town, he usually visits it to see whether he recognizes any former tenants who owe money to MHA. If so, he begins garnishment procedures. (For details on the amount of bad debts charged off as unrecoverable, the amount of bad debts recovered, and the proportions of these to total charges over the years, see Exhibit I-6).

Identifying Tenant Income. The project operations officer makes a concerted effort to identify all sources of tenants' income. In the past, this was not always a high priority, but the current officer encourages all PMs to keep informed about

tenant incomes. They do this via informal observation and discussions with the subject tenants and other tenants. Tenants with zero rents are the focus of particular attention, to see if at least a little income can be identified. Social Security and other government agencies are contacted by the project officer to see if they can provide data on the tenant incomes.

Tenant Employment. MHA never uses outside contractors for construction and maintenance work that tenants can perform. For example, for years MHA had problems with hundreds of screens being torn or damaged each month. The agency solved this problem by designing very strong stainless steel screens and paying tenant employees to construct and install them in all projects. (The screens are strong enough to withstand the impact of a thrown half brick. Only one or two screens per month now need replacement.) Tenants were also used to construct and install security doors in all units. These security doors cost only \$110 apiece, compared to \$300 apiece for comparable doors on the open market.

The use of tenant labor means that tenants are more likely to have reliable, known sources of income, which makes them more likely to be able to pay their rent. As of November 1984, thirty-three percent of MHA's ninety-five total employees were tenants. Of the forty-two permanent staff, forty-three percent were tenants, all of whom are compensated in accordance with MHA personnel policies.

Providing Desirable Housing. MHA's housing is very desirable, compared to private housing in the Meridian area. A windshield survey of MHA and neighboring private housing revealed that the public housing was invariably of better quality construction and was better maintained than the private housing. This naturally makes tenants more likely to pay their low, subsidized rents, rather than be thrown into the higher-priced, lower-quality private market. The fact that MHA controls about sixty percent of the rental housing in town also encourages tenants to maintain good relationships with the agency.

Maximizing rental income. Until recently, MHA tried to obtain tenants who would pay rents at or near the top of the allowable HUD ranges. These tenants were also more likely than others to have steady jobs and to pay their rents regularly. Because of regulatory changes, however, MHA must now focus largely on the very low-income population. Future rent collection rates may decline somewhat as a result.

Minimizing Vacancies. MHA maximizes its income by keeping vacancies at a minimum. In recent months, the number of vacancy days (the total number of days units were vacant) has been less than half of one percent of the total possible rental days (the total number of days units could have been rented if all units were always at one-hundred percent occupancy).

Assessing Tenant Costs. MHA keeps a detailed list of the cost of cleaning, repairing, and replacing all fixtures, surfaces, and other objects in the units. Whenever a tenant damages a unit, or leaves without properly cleaning it, MHA assesses these costs and pursues recovery as vigorously as it does delinquent rents.

II. REASONS FOR THE EFFECTIVENESS OF EACH PRACTICE

CASH FLOW MANAGEMENT

MHA's cash flow management system is effective for the following reasons:

- high yields as a major priority;
- continuity between personnel;
- negotiated agreements between the banks and MHA;
- simplified reporting forms;
- delegation of the work load;
- performance of three-month projections.

One of the main reasons for the effectiveness of the cash flow management system is that high yields are a major priority in the overall philosophy at MHA. This is made clear to all actors involved in the system and is enhanced by the continuity (seventeen years) between the executive director and the comptroller. Their long-term relationship reduces the likelihood of misunderstanding.

The negotiated agreement between the bank and MHA on short-term investments allows MHA to purchase CDs by telephone. The agreement also maximizes their yield and waives normal fees charged by the banks. This avoids the problem of having to spend valuable time shopping around for the best rate and going to the banks to purchase the CD.

Simplified reporting forms allows MHA to manage their cash flow more effectively. Delegating the work (e.g., making projections and filling out the "90-day forecast") to the most junior person capable of efficiently performing the work, frees up the comptroller and executive director for executive-level tasks, such as strategic planning. By performing three-month projections (instead of thirty-day projections done by most agencies), MHA identifies possible upcoming cash deficits thirty

to ninety days ahead. These deficits are then carried back to the current month's estimates and may change the agency's short-run decisions.

RENTAL COLLECTION SYSTEM

The effectiveness of MHA's rental collection system is due to a number of factors, including:

- personal contact between tenants and management;
- tough but fair enforcement of the agency's policies;
- internal controls over rent checks and cash flows; and
- the responsiveness of local courts.

First, the rental collection system is effective because it relies on a high degree of personal contact between the tenants and the project managers or the project operations officer. This level of contact is made possible by the project-based nature of MHA's management system.

The tough but fair enforcement of the agency's policies on leases and rules is a high priority with the executive director. (When he needed a new project operations officer he hired a former Washington, DC police detective, who was a member of the robbery squad.) Careful internal controls have made embezzlement of rent checks and cash by staff virtually impossible. Those who have embezzled funds were caught within days and immediately fired. This deters others from trying similar acts and allows the popular system of paying in cash to continue.

Finally, the local courts are generally responsive. They enable MHA to obtain past rents due or initiate eviction proceedings, consistent with HUD regulations for a fourteen-day notice, when tenants do not comply with court orders.

III. TRANSFERABILITY OF MHA'S PRACTICES

THE TRANSFERABILITY OF MHA'S CASH MANAGEMENT SYSTEM

There is no reason why other public housing agencies could not adopt the internal cash management system outlined above. It is not certain, however, that many other agencies could negotiate such favorable CD rates. MHA's considerable clout is partly attributable to the executive director being very active in Meridian public affairs. However, in reality the agency's clout is largely a result of the following points: MHA is one of the town's largest depositors (with \$2 million to \$5 million usually on deposit); it controls about sixty percent of the rental housing in town; and the current executive director is a very "tough" bargainer. One of the bank's officers remarked that "if anyone could get blood out of a turnip, it's that director."

In negotiating the new concentration account in 1985, the executive director will be trying to obtain a rate of 0.5 percent above the T-bill rate--0.125 percent higher than the rate MHA gets now. Because Meridian's situation is unique, these rates are probably a goal for other housing agencies to aim for, rather than a minimum standard.

The current HUD policy of subtracting very high-interest yields from operating subsidies has minimized or eliminated some of the gains MHA could have received from maximizing interest payments. Nevertheless, MHA managers feel that it is simply good management policy and their public duty to try to increase interest earnings.

TRANSFERABILITY OF THE RENTAL COLLECTION SYSTEM

There are few apparent reasons why MHA's system of rent collection could not be transferred to other public housing agencies. The fact that Mississippi courts are more sympathetic to management and more expeditious than are courts in many large urban areas, however, may make the threat of fast eviction more convincing in Meridian than elsewhere.

MEA's project-based management system seems to be a key part of the rent collection effort, and rent collections would probably be lower with a different system. Suppose, for example, that MHA switched to a system with a centralized, lockbox, rent collection point and daily printouts of collections received. Problems could easily arise if the printout information was two or three days behind. Tenants might claim they had paid their rent, but if the payments were not on the computer yet, the PMS would be unable to confirm or refute the claims. The fact that PMS and maintenance staff are all on-site most of the time, constantly interacting with tenants and receiving the rents directly, seems to be important in creating the rapport that promotes high rent collections.

Other PHAs considering adopting some of MHA's practices obviously need to check applicable state and local laws. For example, some states might have substantially lower fees in Justice of the Peace courts, thus making them more desirable than the county courts MHA prefers.

The major ingredients in Meridian's successful rent collection system simply seems to be the persistence and hard work of the project operations officer and the project managers, backed by the executive director's constant, active supervision. PHAs that need to enhance their rent collections should be mindful of this point.

APPENDIX A

MHA's STANDARDIZED AFFIDAVIT
FOR EVICTION AND COLLECTING OVERDUE RENT

IN THE COUNTY COURT OF LAUDERDALE COUNTY
THE STATE OF MISSISSIPPI

THE HOUSING AUTHORITY OF
THE CITY OF MERIDIAN

PLAINTIFF

VS.

NO. _____
DEFENDANT

AFFIDAVIT TO REMOVE TENANT HOLDING
OVER AND FOR JUDGMENT FOR RENT IN ARREARS

Personally appeared before me, the undersigned authority in and for said county and state, _____, who after being by me first duly sworn, on oath stated.

That he is the Tenant Relations Officer of the Housing Authority of the City of Meridian, Mississippi, political subdivision of the State of Mississippi, and that he is authorized by said Housing Authority of the City of Meridian, Mississippi to make this affidavit.

That he has personal knowledge of the nature and extent of the facts herein stated.

That the Housing Authority of the City of Meridian, Mississippi is the lessor of a Housing Project known as Frank Berry Courts.

That the written instrument dated May 28, 1980, the Housing Authority of the City of Meridian leased apartment No. _____ of the said Frank Berry Courts to _____. Said written instrument contains the terms and conditions upon which the aforementioned premises were leased to _____. A copy of said lease agreement is attached as Exhibit "A" and is incorporated herein by reference.

That pursuant to the provisions of said written lease, the aforementioned premises are being occupied for successive terms of one (1) month each.

That the said _____ has failed to pay the rent and other charges specified in said lease for the months of May, 1983 and June, 1983. Said rent was due no later than the 1st day of each month mentioned and therefore said default is presently \$646.30. That the Housing Authority of the City of Meridian is entitled to judgment against said _____ in the sum of \$1,292.60, which represents double the rent from the holdover tenant. The Housing Authority is also entitled to recover a reasonable attorney's fee and all costs from the defendant and possession of the premises.

That satisfaction of the rent cannot be obtained by distress of goods.

That pursuant to the provisions of Section 8 and 9 of the lease agreement, notice to terminate said lease was delivered to _____ on May 10, 1983. A copy of said notice is attached hereto as Exhibit "B".

That since being given notice, _____ has failed to pay the May, 1983, or June, 1983 rent or quit the premises.

SWORN TO AND SUBSCRIBED before me, this the _____ day of June, 1983.

Notary Public

My Commission Expires: _____

FUNCTIONAL AREA:

Finance and Accounting

EFFECTIVE MANAGEMENT PRACTICES:

**Financial Management and Cash
Management Practices**

AGENCY:

**Norfolk Redevelopment and
Housing Authority (Norfolk,
Virginia)**

SIZE:

Large

**PLACE
MARKER**

U.S. DEPARTMENT OF
HOUSING AND URBAN DEVELOPMENT

LIBRARY

WASHINGTON, D.C. 20410

HUD-41 (8-66)

251646-1

EXECUTIVE SUMMARY

This case study describes several financial management practices at Norfolk Redevelopment and Housing Authority (NRHA) and focuses on two particularly effective cash management practices. These are the use of a lockbox operation to more efficiently process and manage rental income, and a zero balance account to streamline agency disbursements and enhance interest income. Also described in the study are three other general management techniques that have aided in improving NRHA's financial management. These are: 1) annual rather than biannual audits; 2) a uniform chart of accounts for all programs; and 3) a uniform fiscal year for all programs. NRHA manages multiple housing and community development programs. An overview of the agency's operations appears on page 5.

Implementation of the lock box arrangement has enabled NRHA to reduce finance and accounting staff by four positions, thereby saving the agency approximately \$41,400 per year. The lock box has also allowed the agency to increase interest income by approximately \$35,000 per year, thus the agency has realized a total savings of around \$76,400 per year. Additional advantages of the arrangement touched upon in this case study include more accurate and timely processing of transactions, and a reduced vulnerability to fraud and theft.

The lock box operation is readily transferable to other agencies of similar size. Chapter III addresses some of the factors that others would want to consider, such as, cost savings, how to structure an agreement, and sources of further information.

NRHA also recently implemented a zero balance account, a simple device that permits the agency to keep idle funds invested in interest-bearing accounts until they are needed to cover disbursements. This has permitted the agency to realize interest income of approximately \$65,000 per year (exclusive of operating costs).

The zero balance account is quite transferable to other agencies with large operating budgets. Chapter III discusses some key considerations in negotiating a relationship with a local financial institution.

NORFOLK AT A GLANCE

CHARACTERISTICS	DATA
Total Stock:	4,060 units of LIPH in 15 developments; 621 units of Section 8; 374 homeownership units; 1,104 locally-owned housing units.
● Projects for Families:	11 projects
● Projects for Elderly Tenants:	4 projects
● Unit Sizes:	efficiency 0 percent one-bedroom 22 percent two-bedroom 41 percent three-bedroom 27 percent four or more bedrooms 10 percent
● Largest Project:	Young Park (752 units)
● Smallest Project:	Bobbitt Apartments (84 units)
● Oldest Project:	Oakleaf Park (1942)
● Newest Project:	Bobbitt Apartments (1980)
Demographics:	
● One-Parent Households:	78.8 percent
● Minority Tenants:	99.7 percent
● Children Under 18:	44.9 percent
Operations:	
● Operating Expenditures:	\$272.93 (PUM)
● Dwelling Rentals:	\$112.35 (PUM)
● Operating Reserve:	51 percent of allowable level
● Staffing:	Approximately 495 full-time positions: administrative support--100; housing management and maintenance--395

- director of finance and accounting;
- the deputy director; and
- the cash management supervisor.

The director, and to a greater degree the deputy director, review daily the financial transactions regarding lock box receipts, interfund bank transfers, and investment decisions. The director of finance and accounting, working with NRHA's executive director and other top management staff, was instrumental in implementing the other changes described in this chapter (i.e., uniform chart of accounts, single fiscal year, and annual audits).

The deputy director is contacted by telephone each day by the bank and informed of the amount of funds to be transferred to the zero balance account, based on check amounts presented. He also monitors the daily activities of the cash management supervisor.

The cash management supervisor is in turn responsible for reconciling the bank statements with the agency's records each day, and overseeing the updating of the accounting records. The cash management supervisor also supervises the account clerks, who are responsible for all the detail work associated with the lock box operation, and other cash-related activities.

ANNUAL AUDITS

NRHA recently implemented the practice of auditing its financial operations annually rather than biannually, as required by most federal housing programs. Annual audits allow NRHA staff to address problems identified in the audits in a more timely manner. Under the previous audit cycle, the agency was not able

to respond to audit comments as effectively as possible because data were sometimes fragmented as a result of the lengthier period that had elapsed between audits. Also, staff turnover sometimes diminished the agency's ability to respond to audit findings under the biannual cycle. NRHA financial managers addressed these constraints by moving to the annual audit procedure. The agency felt that this change was warranted to the extent that they now use local funds to pay for the audit. Federal funding sources were unwilling to pay the additional expense although they favored the change.

SINGLE CHART OF ACCOUNTS

The development of a single chart of accounts ended a proliferation of accounting codes and greatly simplified the agency's financial reporting systems. A fragmented set of accounting codes, used to account for various expenditures, had grown in response to reporting requirements and different accounting procedures dictated by numerous federal and other funding sources. According to the assistant director for financial operations at NRHA, each program previously had its own account numbering scheme. For this reason, the agency's central accounting system was complex, prone to error, and difficult to administer. The new chart of accounts, based on the PHA Low-Rent Housing Handbook, contains a uniform set of codes, to be used by all programs, regardless of the funding source. Thus "travel," for example, is consistent whether it is related to Low-Rent Public Housing or to other programs. An essential feature of NRHA's single chart of accounts is that it still permits the agency to report program expenses and prepare program budgets in conformity with the requirements established by individual funding agencies.

The single chart of accounts has also greatly improved the financial information available for the agency as a whole. By now providing for a consolidated financial statement for the agency, it sharpens management's information about agencywide costs by object code (e.g., travel, compensation, telephones) and provides valuable information that before had been difficult to summarize.

SINGLE FISCAL YEAR

For practical reasons, NRHA also found it expedient to have all of its programs operate on the same fiscal year. By doing this, the agency's operating budget could truly reflect a single fiscal year's activities. This third change was accomplished with surprising ease--in the space of about six months the needed assurances were received from HUD and city officials. The transition of one year required forwarding revised budget submissions to HUD for five programs, but according to NRHA officials, HUD greatly assisted the agency in meeting the requirements to ensure a successful transition. Correspondence documenting the change is provided in Appendix A.

ZERO BALANCE ACCOUNT

The zero balance account, adopted by NRHA two years ago, is a relatively simple financial arrangement commonly offered by many banks. With a zero balance account, also referred to as a revolving fund, the agency's vast resources are invested up to the point that checks are actually presented to the bank for payment. All checks arrive for payment at one account located at a satellite banking facility. Because all disbursements are made from this account, and the account is wired funds electronically only as they are needed, the agency need not keep a large idle

balance in one or several low- or noninterest-bearing checking accounts. Instead, the bank notifies the agency of the aggregate amount of checks presented for payment and transfers funds from the agency's master account to cover the checks.

Thus, under this arrangement, NRHA essentially maintains two accounts with one bank: a concentration account and a zero balance account. The zero balance account is located in a satellite banking facility in Charlottesville, Virginia. All NRHA checks are presented for payment against this account and each day's funds are transferred to this account from the concentration account in a sufficient amount to cover all checks presented. The concentration account, on the other hand, is located in Norfolk. It is advanced funds regularly by the various housing programs in amounts equal to each program's normal monthly disbursements. Thus, approximately one-twelfth of the agency's total annual expenditures, or \$1,890,000, are transferred to the concentration account each month. Before the conclusion of each business day, funds are transferred from the concentration account to the zero balance account to cover all checks presented.

At the end of the business day, the remaining balance in the concentration account is then invested in overnight "REPOS." "REPOS" are investment vehicles that entail repurchase agreements with the bank, which pledges that it will repurchase securities that it has purchased on behalf of the housing agency.

Costs. The cost to NRHA of the zero balance account is embodied in a compensating balance of \$300,000 that must be maintained with the bank at all times. While this is a large amount, prior to the adoption of the zero balance account, a larger amount was always maintained at this bank without interest to cover expenses.

THE LOCK BOX SYSTEM

Generally speaking, a lock box operation is based on a contractual agreement between two parties under which one party, usually a financial institution, receives custodial responsibility for processing financial transactions on behalf of the other party for a fee or other compensation. Such agreements result in lower costs to the delegating party because the custodian uses automation and "know how" to handle volume transactions at lower unit costs. NRHA is applying a standard lock box operation to handle its rent collections. This system has streamlined accounting and reconciliation procedures and has allowed NRHA to reduce by four positions, staff formerly associated with this function. Further, NRHA has gained additional interest income and reduced vulnerability to theft and fraud.

Previous System

The central lock box operation replaced an essentially manually-based process under which rent was collected and accounted for at the project level. The central finance and accounting staff handled all check processing and banking relations under this arrangement.

The rent collection activities are now handled by the cash management supervisor (described previously) who is supported by four clerical/bookkeepers. Under the previous system, four additional clerical positions were needed to carry out the rent processing activities.

Overview

The main feature of NRHA's lock box system is the central handling, accounting and investing by a local commercial bank of approximately 6,000 rent payments per month. Since its inception in 1981, the operation has undergone some key changes, including

a change in custodial institutions (described below). The current financial institution has the following responsibilities:

- retrieving from a locked post office box rent payments on a daily basis;
- processing the transactions, posting the receipts to NRHA's account on the same day they are received and generating a magnetic tape of daily transactions;
- monthly reconciliation of the rent roll and investment income and electronic transfer of all funds to NRHA accounts.

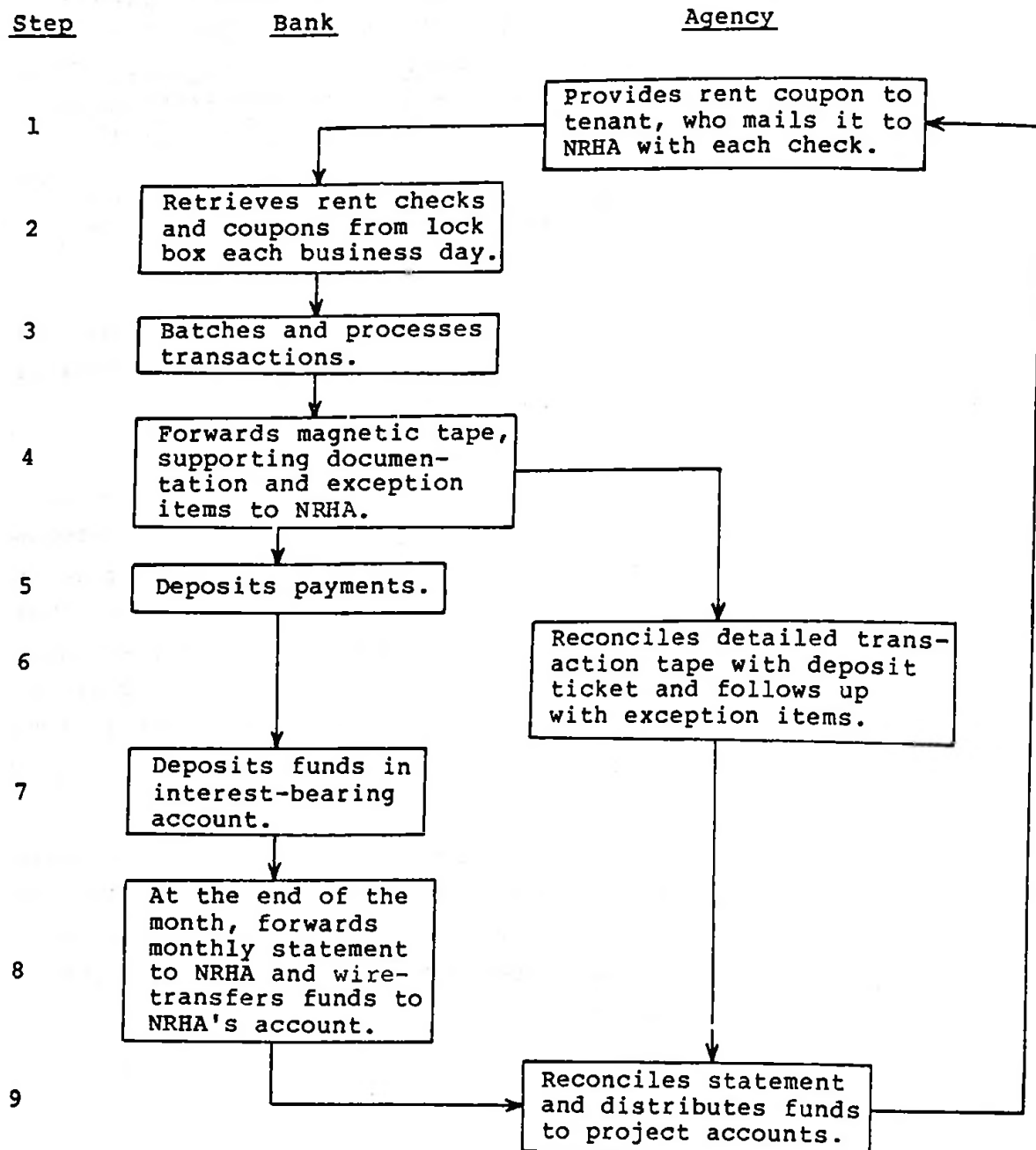
Appendix B provides a copy of the agreement between the financial institution and NRHA. The following subsection details how this agreement is implemented.

Daily Operations

Exhibit I-1 provides an overview of the interactions between NRHA cash management staff and the financial institution. As summarized in step one, each tenant is provided a set of rent payment coupons. A single coupon is intended to accompany each month's rent payment. It contains the tenant's name, address, unit number, and the amount due. Rent payment policies at NRHA state that rent payments are to be mailed to a post office box by the tenth of each month.

However, each day throughout the month, a representative of the bank retrieves all of the rent payments contained in sealed envelopes from the post office box and carries them to the banking facility located a few blocks away. The box is cleared in this manner by 10:00 a.m. each business day.

EXHIBIT I-1
FLOW OF LOCK BOX OPERATIONS



In step three of the process, the payments are checked and sorted into batches of one hundred. The checks are then routed for deposit into investment accounts on NRHA's behalf, segregated by relevant program, and the coupons are routed to key entry personnel working for the bank for the purpose of preparing a magnetic tape. The coupons serve as source documents for the magnetic tape that the bank prepares detailing each day's transactions. Then, the magnetic tape, batched rent coupons, a deposit slip for the day's receipts, and an adding machine tape that agrees with the deposit slip, are forwarded by 4:00 p.m. that same day to the cash management staff. Additionally, any exceptional items such as post-dated or incomplete checks are forwarded to the staff.

Upon receipt of the tape with supporting documentation the cash management staff manually checks to ensure that everything is in balance: that the sum of rent payments agrees with the deposit amount; and the number of detailed entries on the adding machine tape agrees with the number of rent payments (coupons) received. They then forward the magnetic tape to the NRHA data processing center for processing and updating of the agency's tenant accounting records (See Appendix C for a sample output report).

This daily procedure proceeds until the twenty-fifth of the month when the monthly close-out procedures are initiated. The purpose of this procedure is to provide NRHA with an accounting of the total amount of receipts received (minus adjustments for returned checks and the like), and earned investment income for each month. This information is transferred to the finance/accounting manager via a (paper) monthly statement. The preparation of the monthly statement also triggers the physical transfer of the rent proceeds along with interest income via wire transfer to the appropriate NRHA accounts. A new monthly accounting period is then initiated.

Costs of the Lock Box

NRHA is not required to make a direct payment to the financial institution under its current arrangement. Rather, the agency is required to keep a compensating balance of \$75,000 on deposit at all times. Earned interest on this amount by the bank serves in lieu of a fee for service.

It is important to note that this arrangement does not, according to the bank president (who described the bank as a very small bank serving a very large client), adequately cover the bank's costs which are estimated at around \$10,000. The current lock box agreement is, in his view, a "loss leader"--well worth the expense if one considers the potential business such a large client might later bring.

Impacts of the Lock Box

The implementation of the lock box arrangement has positively impacted operations in three concrete ways. Each is briefly described below. A broader discussion of why this is an effective practice is presented in Chapter II.

First, NRHA has gained significant amounts of interest income directly attributable to the lock box. Under the old system, it was not possible to pinpoint the amounts of rent payments until the end of the month, thus rendering these funds unavailable for investment during the month. Under the lock box, receipts are posted on a daily basis and invested by the bank in high-interest, short-term investments. During the four years of lock box operation, interest income has averaged around \$35,000 per year (See Exhibit I-2). It should be recognized that this figure does not represent a true net financial gain to NRHA; foregone interest on the compensating balance of \$75,000 would need to be subtracted to identify the actual net savings (or insert

EXHIBIT I-2

MRHA INTEREST EARNED FROM LOCK BOX INVESTMENTS MAY 1981 THROUGH OCTOBER 1984

	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>
January		\$ 3,124.69	\$ 3,019.67	\$ 3,012.71
February		3,460.67	2,301.80	3,213.47
March		4,530.36	3,139.89	3,959.22
April		4,129.05	2,541.98	3,323.70
May	\$ 3,281.16	3,379.56	3,081.62	3,386.60
June	4,178.76	3,608.77	2,720.69	4,213.82
July	3,777.47	3,723.14	2,394.30	3,320.57
August	4,371.37	2,018.37	3,469.92	4,119.46
September	4,316.67	2,626.25	2,841.25	2,965.59
October	3,540.16	2,518.69	2,639.99	3,486.89
November	3,860.02	2,785.40	2,989.20	3,214.16
December	<u>3,262.11</u>	<u>2,585.75</u>	<u>2,956.15</u>	<u>3,080.90</u>
Totals	<u>\$30,587.72</u>	<u>\$38,490.70</u>	<u>\$34,096.46</u>	<u>\$41,297.09</u>
				<u>\$144,471.97</u>

costs) to NRHA. While it is difficult to pinpoint the exact amount of additional income resulting from the lock box, it can reasonably be assumed that it is a significant amount, especially considering that no interest was previously earned on these funds, and the agency has reduced its staff costs considerably.

Second, NRHA was able to eliminate four positions on the cash management staff directly as a result of this practice. These positions were formerly required to manually process rent payments. Because of a lack of automation this was a cumbersome, labor intensive, and error-prone process.

And third, the lock box has positively impacted operations by providing for better and more timely recordkeeping for tenant accounting. Under the new system, tenants' accounts are updated on a daily basis in a more accurate manner. A related factor here is that the vulnerability for theft and fraud is greatly reduced by the lock box. Funds are not received on-site any longer and the control procedure implemented at the bank and the agency dramatically reduces the threat of fraud.

NRHA's Planned Changes to the Lock Box

NRHA is considering two related changes to the lock box operation. The first change is making the rent coupon machine readable through magnetic or micro-encoding. This would significantly reduce the time currently required to read, proof and sort the rent coupons. It now takes bank personnel eight to ten hours to perform this operation. The second change is the use of a computer technique called a "check digit." This would allow the bank and NRHA to quickly discover keypunch errors and other disparities. The check digit would serve as a computer-based mechanism to ensure that the account number, rent due, and rent paid entries are internally consistent. These features are planned for implementation after the current paper stock of rent coupons is exhausted.

II. WHY THE PRACTICES ARE EFFECTIVE

This chapter delineates the salient reasons for the effectiveness of the five practices or changes discussed in Chapter I. The first section addresses the uniform chart of accounts, single fiscal year, and annual audit cycle. The next section addresses the agency's improved cash management and investment practices, which includes the zero balance account and lock box operation.

GENERAL FINANCIAL MANAGEMENT

NRHA is a large, complex agency with multiple federal and local program responsibilities. The three general changes described previously can be viewed as a single effort to make the agency a more financially manageable entity. The uniform chart of accounts replaced a fragmented ad hoc scheme that was unduly complex, error-prone, and difficult to administer. The uniform chart of accounts is an effective practice because it significantly reduces these problems, and moreover, because it enhances financial reporting by enabling the agency to produce a consolidated financial statement. The consolidated statement facilitates better internal management control while providing those outside the agency with a better perspective on the agency's true financial position. Similarly, acceleration of the audit cycle to an annual basis enhances internal management control (by allowing the agency to be more responsive to audit findings) while also providing those outside the agency with better and more timely information. For these reasons, it too is an effective practice. Finally, the single, agencywide program fiscal year also enhances management control by enabling the agency to produce a comprehensive, single-year financial plan (or

year in interest income. In both cases, agency managers took advantage of what could more effectively be provided by the private sector.

III. IMPLEMENTING SIMILAR PRACTICES IN OTHER PHAS

GENERAL FINANCIAL MANAGEMENT

The financial managers at the Norfolk Redevelopment and Housing Authority have demonstrated how several low-cost, but highly effective changes in finance and accounting practices can increase management's control of financial operations and can be replicated in many other agencies.

Larger agencies with multiple program responsibilities will find the uniform chart of accounts and single fiscal year practices most germane. Those considering streamlining their chart of accounts are referred to The Low-Rent Public Housing Manual for further guidance. The accounting structure defined there provided the basis for NRHA's new chart of accounts. Moving to a single fiscal year is only relevant to certain PHAs that are additionally responsible for administering programs such as the Community Development Block Grant program, certain HUD-sponsored homeownership programs, or state- or locally-funded housing assistance programs. The documentation provided in Appendix A is illustrative of the types of communications that are necessary to implement such a change. Similarly, annual audit cycles will only be applicable to certain agencies. These are likely to be larger agencies with the resources necessary to pay for such a service, because this will not be a completely reimbursable expense item from HUD. Those that are not having problems responding to biannual audit findings will also likely consider this a less than advantageous change.

CASH MANAGEMENT AND INVESTMENT PRACTICES

The financial services provided are widely available at other banking institutions across the nation. There are, however, lessons to be learned from the NRHA experience, particularly in contracting for banking services. For the benefit of other public housing agencies contemplating the adoption of these techniques, the lessons are described below.

Look for a bank that needs your business. NRHA's experience with the lock box included two providers operating under vastly different conditions. The experience was best with a small bank with assets under \$10 million that needed business and was willing to take special pains to serve its clients well. The current service provided fits this description; an earlier provider did not. The earlier provider, because of its large size and the relative unimportance of the lock box as an income producer for the bank, was not as conscientious, and did not work closely with NRHA personnel to work out the "kinks" in the system during the crucial start-up period.

Negotiate the service charge--be an educated consumer. The fee for service can take two forms: a service charge or a compensating balance. The compensating balance is an arrangement whereby an amount negotiated between the bank and the depositor (the housing agency) is left on deposit, earning no interest to the depositor. The interest earned is, in essence, the bank's fee for service. The advantage of a compensating balance is that it requires no direct cash payment by NRHA. The alternative is to pay for the service directly. In negotiating either the service charge or the level of compensating balance, keep in mind that the financial institution that operated the lock box only incurred about \$10,000 worth of direct operating costs per year to handle a monthly rent roll of approximately \$700,000 and 6,000 items. The important relationship from the PHA's perspective

though, is the relationship between cost savings (additional interest income plus direct cost savings from reduced staff and other savings) and the additional costs incurred. In the NRHA situation, because of the compensating balance arrangement, the additional costs were in the form of foregone interest income from the compensating balance. Other agencies should ensure that cost savings are greater than costs (whether costs are in the form of a fee or compensating balance) to determine whether a lock box is advantageous from a strictly financial perspective. There may be other factors such as timeliness and/or accuracy of transaction processing that may be difficult to precisely quantify but that also should play a role in the decision-making process.

Design the system for information flows. Other agencies considering adopting these practices should fully analyze their own operations and how they will be revised to accommodate changes. An important point here is the shift in work tasks from actual processing of transactions to "checking" the work of the financial institution. Any agreement should be designed to allow agency staff to receive the data they need (in hard copy form, magnetic tape or other media) when they need it. Other agencies could use the documentation provided in Appendix A as a point of departure in designing their own interactions with financial institutions. NRHA has found that it is important to monitor and process transactions on a daily basis rather than waiting until the end of the month when the volume of transactions would be greater. Other agencies should create schedules that fit their own work loads.

Seek outside help. NRHA's cash management and investment practices were the result of both creative staff and successful collaboration with financial institutions that were eager to provide new services to NRHA. Indeed, the lock box system and the zero balance account are frequent topics at finance seminars, and

according to NRHA staff, the impetus for revamping the rent collection process came from discussions at one of these seminars, followed later by discussions with local banks. Local financial institutions are willing to provide "free" advice and information about the services they can provide.

APPENDIX A
CORRESPONDENCE REGARDING
FISCAL YEAR CHANGE

Area Manager
HUD Area Office
701 E. Franklin Street
Richmond, Virginia 23219

Dear

During the past year the Norfolk Redevelopment and Housing Authority has been considering adjusting its fiscal year for federal housing operations (October 1 - September 30) and the City of Norfolk's Community Development Block Grant (CDBG) fiscal year (May 1 - April 30) to a single fiscal year. The Authority has encountered many difficulties in administering programs having different fiscal years. Previous audits have identified problems in our overall fiscal accounting and reporting system which are related to varying program fiscal years.

We have discussed this problem with the City of Norfolk and they have agreed to move the CDBG Year to July 1 - June 30 which is permitted by the CDBG regulations. We have also had preliminary discussions on this matter with your staff, and are hereby requesting that the Department of Housing and Urban Development approve a change in the fiscal year for our federal housing programs to July 1 - June 30.

The Authority is preparing its annual Federal Housing Operating Budget for submission to HUD by June 30, 1979. In as much as we would like to make the fiscal year adjustment using this upcoming period, your immediate attention to our request is needed. If you have any questions concerning this request I would be happy to discuss it with you.

Very truly yours,

Executive Director





REGION III
Curtis Building
10th and Walnut Streets
Philadelphia, Pennsylvania 19106

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
RICHMOND AREA OFFICE
FEDERAL TRANSIT CENTER
RICHMOND, VIRGINIA 23219

IN REPLY REFER TO:

3.44MA

Executive Director, Norfolk
Redevelopment and Housing Authority
Box 968
Norfolk, VA 23501

Dear

This is in reference to your letter of April 10, 1979 requesting a change in your fiscal year for your low income public housing projects.

We concur in your request to change your fiscal year from the period ending September 30 to the period ending June 30. Your Operating Budgets for VA 6-2 thru 11 and VA 6-19 should be submitted as soon as possible for the 12 month period beginning July 1, 1979. The Performance Funding Subsidy will be adjusted for the current fiscal year when the Operating Budgets are submitted.

You are reminded that the fiscal year for your Existing Section 8 Housing Program must also be changed to the fiscal year ending June 30. We will prepare an amendment to your master Section 8 Annual Contributions Contract #P-5523, Section 0.3 as soon as the new fiscal year is implemented in your other housing programs.

If the Authority is unable to implement the change in fiscal year by June 30, 1979, it is recommended that you submit the Budgets for fiscal year ending September 30, 1980 as originally scheduled for a 12 month period. The change can then be implemented with the fiscal year ending June 30, 1981.

Should you have any questions, please advise.

Sincerely,

Area Manager

City Manager
1101 City Hall Building
Norfolk, Virginia 23510

Dear

During the 1978 CD Administrative Budget cycle, the Norfolk Redevelopment and Housing Authority and the City of Norfolk discussed the feasibility of amending the City's Community Development Action Year (May 1 - April 30) and the Authority's Federal Housing Year (October 1 - September 30) in an effort to achieve a uniform fiscal year for the Authority. During these discussions, many approaches and potential problems were identified and it was determined that no action would be taken at that time.

The Authority is currently investigating new computer software programs in order to achieve greater efficiency and accountability in the overall operations of our organization. A major problem has resulted in our research of these software programs which concerns the information produced by having two different fiscal years.

In this regard, the Authority would like the City's reaction to moving the current CD year to either April 1 - March 31 or July 1 - June 30. We have informally contacted the Area Office about shifting the Housing Year to either date mentioned above and we received a favorable reaction. The proposed action years are consistent with the Federal Government's quarterly cycles and would not impact their financing.

I believe this recommendation would jointly benefit the City and the Authority through better management of our programs.

Your support in this endeavor would be greatly appreciated.

Very truly yours,

MAILED

Executive Director

**NORFOLK
REDEVELOPMENT &
HOUSING AUTHORITY**

cc:

1. The first part of the report is a general introduction to the subject.

2. The second part is a description of the methods used in the investigation.

3. The third part is a description of the results of the investigation.

4. The fourth part is a discussion of the results and their significance.

5. The fifth part is a conclusion and a list of references.

6. The sixth part is a list of the names of the persons who have contributed to the work.

7. The seventh part is a list of the names of the persons who have assisted in the work.

8. The eighth part is a list of the names of the persons who have been consulted in the work.

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30. The thirtieth part is a list of the names of the persons who have been consulted in the work.

31. The thirty-first part is a list of the names of the persons who have been consulted in the work.

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50. The fiftieth part is a list of the names of the persons who have been consulted in the work.

APPENDIX B

**NRHA/BANK OF THE COMMONWEALTH
AGREEMENT PROCEDURES**

BANK OF THE COMMONWEALTH

January 5, 1984

Director of Financial Operations
Norfolk Redevelopment & Housing Authority
P. O. Box 968
Norfolk, Virginia 23501

Dear

On the basis of our conversations and negotiations with representatives of the Norfolk Redevelopment & Housing Authority ("Authority"), Bank of the Commonwealth ("Bank") is prepared to extend to the Authority the lockbox accounting services of the Bank subject to the following terms and conditions:

- (1) Commencing January 23, 1984, the Authority will begin to utilize the lockbox services of the Bank to collect rental checks from the Authority's tenants on a direct deposit basis.
- (2) The Authority's rental statements for February and each month thereafter will bear instructions that rental payments are to be mailed to the following address:

Norfolk Redevelopment & Housing Authority
Post Office Box 236
Norfolk, Virginia 23501

- (3) Commencing January 23, 1984 or such later date mutually agreed upon by the Authority and the Bank, the Bank will be specifically authorized to:
 - (a) Collect the mail in the Authority's Post Office Box 236 at such intervals as the Bank may select throughout the day.
 - (b) Staple to the proper envelope the invoice received, together with any other material accompanying the remittance.
 - (c) Endorse the checks received as follows:

Credited to the Account of
Norfolk Redevelopment & Housing Authority
Absence of Endorsement Guaranteed
Bank of the Commonwealth
Norfolk, Virginia

January 5, 1984

- (4) Credit to the Authority's Operating Account No. #1060384 the total of all remittance checks processed each day. The Bank will furnish the Authority with a listing of daily receipts for each project and for the day as a whole. It is understood that the credit and collections of such checks shall be subject to the same terms and conditions as would apply to other deposits received by the Bank directly from other customers.
- (5) At the close of each banking day, the Bank will forward advices, envelopes and attachments, together with a duplicate copy of the deposit ticket and a magnetic tape containing a record for each transaction made during that banking day. The tape record will be in the format shown on the attached "Record Layout Form" marked Exhibit I. The tape will be delivered to the Authority's Data Processing Center by 4:00 p.m. each banking day. All data media is to remain the property of Bank of the Commonwealth and shall be returned to the Bank's representative on the following business day. Other data will be delivered to:

NRHA - Finance Department
201 Granby Mall
Norfolk, Virginia 23501
- (6) The Bank will maintain a microfilm record for each remittance check processed.
- (7) The Bank is authorized to charge returned items to the Authority's account under usual advice.
- (8) Any check bearing the typed or handwritten notation "Payment in Full" shall not be processed, but forwarded to the Authority instead. Any check bearing a similar printed legend may be processed in the usual manner. It is agreed, however, that the Bank shall not be liable for any loss in the event that any checks are inadvertently processed contrary to this agreement.
- (9) The Bank will forward post-dated checks to the Authority for disposition. However, the Bank shall not be liable for any loss in the event that any check is inadvertently processed contrary to this agreement.
- (10) The Bank will process any foreign items in accordance with its usual operating procedures.
- (11) The Bank will, in case of variance between the figures and the written amount of a check, guarantee, if possible, the amount agreeing with the pertinent invoice. Otherwise, the Bank will guarantee the written amount.

- (12) Incomplete checks (unsigned, no payee, etc.) and any checks made payable other than to the Authority will be forwarded to the Authority by the Bank. In addition, envelopes received containing no check will be forwarded to the Authority and checks received with no document shall be forwarded to the Authority. However, the Bank shall not be liable for any loss which may occur as a result of its failure to process items in accordance with these instructions under this agreement.
- (13) Billings for rent for the post office box will be mailed directly to the Authority.
- (14) All correspondence regarding lockbox operations will be directed to:

Senior Vice President & Cashier
Bank of the Commonwealth
P. O. Box 1177
Norfolk, Virginia 23501
(804) 446-6907

- (15) In consideration of the services to be rendered by the Bank, the Authority will maintain with the Bank compensating balances (non-interest bearing). Balances maintained under this section will be adjusted quarterly based on the movement of interest rates for the previous quarter. It is understood that initially average collected balances under this arrangement will be maintained in an amount not less than \$75,000.00. All balances in excess of the minimum compensating balances required under this section will be transferred to a money market (interest bearing) account with the Bank in the name of the Authority. This account will earn interest equal to the six (6) month U.S. Treasury Bill rate as established on Tuesday of each week. Interest accrued under this arrangement will be posted to the account monthly.
- (16) The Authority will provide programming assistance for the initial establishment of this service or any changes requested by the Authority if deemed necessary by the Bank.
- (17) This agreement shall remain in effect and shall be renewed on a month-to-month basis with the understanding that either party will have the authority to terminate the agreement upon thirty (30) days written notice.

Provided the Authority is in agreement with the above, it would be appreciated if you would acknowledge the Authority's acceptance by dating and signing the copy of this Letter of Agreement in the space indicated, returning same to the attention of the undersigned and retaining the original for the Authority's files.

Director of Financial Operations
Page 4
January 5, 1984

We sincerely appreciate the opportunity of providing our banking services to the Authority and should you have any questions relative to the above, please do not hesitate to call.

With best wishes.

Yours very truly,

President

Enclosures

ACCEPTED:

NORFOLK REDEVELOPMENT & HOUSING AUTHORITY

By: _____
Authorized Representative

1/17/84
Date

RECORD Rent Payment File

SOURCE STATEMENT I.D.

DATE _____

A - ALPHA
B - BINARY
X - ALPHA/NUMERIC
Z - ZONED DECIMAL
P - PACKED

[illegible]

BANK OF THE COMMONWEALTH
NRHA LOCKBOX PROCESSING PROCEDURES

JANUARY, 1984

I. MAIL ROOM RESPONSIBILITIES.

THE EMPLOYEE ASSIGNED THE POST OFFICE RESPONSIBILITY WILL OPEN NRHA LOCKBOX #236. REMOVE THE CONTENTS AND PLACE IN A SEPARATE BAG. DELIVER THE BAG TO THE BOOKKEEPING DEPT. CLERK RESPONSIBLE FOR PROCESSING NRHA.

II. DATA ENTRY CLERK RESPONSIBILITIES.

A. PREPARING THE WORK FOR PROCESSING

1) OPEN EACH ENVELOPE AND REMOVE THE CONTENTS.

THERE SHOULD BE A NORFOLK REDEVELOPMENT AND HOUSING AUTHORITY PAYMENT COUPON ALONG WITH A PERSONAL CHECK, A MONEY ORDER OR ANOTHER FORM OF PAYMENT. (SEE NOTE #1 IF THERE IS NOT A COUPON).

2) MATCH THE CHECK(S) AMOUNT WITH THE PAYMENT DUE AMOUNT LISTED ON THE COUPON.

IF THE AMOUNTS AGREE, PLACE THE CHECK FACE DOWN IN ONE STACK AND THE COUPON IN ANOTHER.

IF THE AMOUNTS DO NOT AGREE:

DRAW LINES THROUGH THE PRINTED AMOUNTS ON THE COUPON
WRITE THE CHECK AMOUNT IN THE BOXES LABELED "PAYMENT DUE"
WRITE YOUR INITIALS IN THE BOXES LABELED "OTHER"

(*SEE "HANDLING EXCEPTIONS" NOTES FOR ADDITIONAL INFORMATION.)

3) PREPARE A TAPE LISTING OF THE CHECKS FOR EACH BATCH.

4) PREPARE A TAPE LISTING OF THE COUPON PAYMENT AMOUNTS.

5) ~~COMPARE THE TWO TOTALS TO EACH OTHER. THEY MUST AGREE OR~~
~~LOCATE THE DIFFERENCE AND MAKE THE CORRECTION ON THE TAPE.~~
(~~SUBTRACT THE INCORRECT AMOUNT AND ADD THE CORRECT AMOUNT~~)

***** A BATCH SHOULD NOT EXCEED 125 COUPONS

*****IT IS EASIER TO LOCATE DIFFERENCES WHEN THE BATCHES ARE SMALL

B. PREPARING NRHA CREDIT AND CHECKS FOR PROOF DEPT.

1) PREPARE A TAPE LISTING OF THE INDIVIDUAL BATCH TOTALS TO ARRIVE AT A GRAND TOTAL.

2) LIST EACH BATCH TOTAL ON NRHA DEPOSIT SLIP TO ACCOUNT 106 038 4.

3) WRITE THE GRAND TOTAL ON THE BOTTOM OF THE DEPOSIT SLIP AND PLACE THE TAPE WITH THE DEPOSIT SLIP.

4) ENDORSE EACH CHECK WITH THE NRHA STAMP.

5) TAKE THE CHECK BATCHES AND DEPOSIT SLIP TO BOOKKEEPING.

6) MICROFILM THE CHECKS, TAPES AND DEPOSIT SLIP.

7) LIST ALL THE WORK TO PROOF DEPT.

C. EXCEPTION HANDLING.

NOTE 1. CHECK RECEIVED WITH NO COUPON.

- 1) IF THE ENVELOPE IS AN NRHA ENVELOPE, LOOK IN THE LOWER RIGHT HAND CORNER FOR THE NAME, PROJECT, UNIT AND TENANT INFORMATION. FOLD THE ENVELOPE AND PLACE WITH THE REGULAR COUPONS.
- 2) IF THE ENVELOPE IS OTHER THAN NRHA'S AND HAS NO TENANT INFORMATION ON IT, STAPLE THE CHECK TO THE FRONT OF THE ENVELOPE AND RETURN TO NRHA.

NOTE 2. "PAYMENT IN FULL"

ANY CHECK BEARING THE TYPED OR HANDWRITTEN NOTATION "PAYMENT IN FULL" SHALL NOT BE PROCESSED. FORWARD CHECK AND ENVELOPE ALONG WITH ANYTHING ELSE IN THE ENVELOPE TO NRHA.

NOTE 3. POST DATED CHECKS

ANY CHECK DATED IN ADVANCE OF THE CURRENT OR NEXT PROCESSING DATE SHOULD BE RETURNED TO NRHA.

NOTE 4. INCOMPLETE CHECKS

CHECKS THAT ARE UNSIGNED OR NOT ENDORSED AS PAYABLE TO NRHA SHOULD BE FORWARDED TO NRHA.

NOTE 5. CHECKS NOT PAYABLE TO NRHA

CHECKS PAYABLE TO AN INDIVIDUAL WHOSE NAME APPEARS ON THE PAYMENT COUPON AND HAS BEEN ENDORSED BY THE INDIVIDUAL MAY BE ACCEPTED FOR PROCESSING.

NOTE 6. RECEIVING CASH

- 1) CASH SHOULD NOT BE SENT IN BUT HAS OCCURRED IN THE PAST. CLERK SHOULD IMMEDIATELY TAKE THE CASH TO A TELLER AND PURCHASE A CASHIERS CHECK PAYABLE TO NRHA. ALSO LIST ON THE CHECK THE LAST NAME, PROJECT, UNIT AND TENANT NUMBER.
- 2) PLACE THE CASHIERS' CHECK WITH THE COUPON FOR PROCESSING.
- 3) RETURN THE PINK COPY OF THE CASHIERS CHECK TO NRHA.

NOTE 7. PAPERS OTHER THAN NORMAL COUPONS

REPAIR BILLS ARE SENT TO TENANTS AND MAY BE PAID ALONG WITH RENT COUPONS. CHANGE THE PAYMENT AMOUNTS ON BOTH SIDES OF THE COUPON AND STAPLE THE REPAIR BILL TO THE BACK OF THE COUPON AND PROCESS NORMALLY.

D. NRHA PROGRAM OPERATION PROCEDURES.

THE NRHA PROGRAM IS A STAND ALONE CAPTURE PROGRAM THAT WILL ALLOW ADDING, DELETING AND CHANGING RECORDS THAT HAVE BEEN KEYED ON VIA AN ON-LINE TERMINAL. TOTALS WILL BE DISPLAYED AT THE END OF EACH BATCH. AN EXTRACTION REPORT WILL BE RELEASED AT THE END OF EACH BATCH, LISTING ALL ITEMS WITH THEIR AMOUNTS AND SEQUENCE NUMBERS. THESE REPORTS WILL AID IN BALANCING AND LOCATING DIFFERENCES AS WELL AS GIVING NRHA TRACING AND BALANCING INFORMATION.

~~THERE ARE SEVERAL CRITICAL NOTES THAT ANY OPERATOR SHOULD BE AWARE OF BEFORE BEGINNING TO KEY ON NRHA~~

1) THE TIME IT TAKES FOR A MESSAGE TO BE TRANSMITTED TO THE MAIN COMPUTER AND THEN RETURN A MESSAGE BACK TO THE SENDER IS CALLED RESPONSE TIME. NORMALLY, THE 90C RESPONSE TIME IS VERY GOOD BUT AT THE FIRST OF THE MONTH AND MOST EVERY AFTERNOON, THE SYSTEM BECOMES SATURATED WITH PEOPLE DOING DATA ENTRY, INQUIRIES AND TELLER TRANSACTIONS. BE PATIENT!!!! WAIT FOR THE SCREEN TO BE RETURNED TO YOU OTHERWISE THERE MAY BE UNPREDICTABLE RESULTS...

2) ERROR CORRECTION:

IF YOU THINK YOU HAVE MADE AN ERROR AND ALREADY TRANSMITTED THE SCREEN, PLACE A PAPER CLIP ON THE COUPON AND WAIT UNTIL YOU END THE BATCH AND GET THE LIST FOR VERIFICATION. DO NOT RE-KEY THE ITEM AGAIN AS THE PROGRAM WILL NOT ACCEPT THE SECOND TRANSACTION.

IF YOU HAVE TO DELETE AN ITEM BECAUSE OF AN INCORRECT ACCOUNT NUMBER THEN ADD THE CORRECT DATA. THE SEQUENCE NUMBER ON THE NRHA INPUT EXTRACTION LIST WILL BE INCORRECT. USE THE FIRST BALANCING REPORT FOR REFERENCE AND MANUALLY CHANGE THE SEQUENCE NUMBER ON THE LIST WHICH WILL BE SENT TO NRHA. THE FINAL SUMMARY WILL NEED TO BE CHANGED ALSO.

3) LOGGING ON TO NRHA

WHEN YOU FIRST LOG ON TO NRHA A SCREEN WILL APPEAR ASKING IF THIS IS A NEW BATCH AND A NEW SETUP? FOR THE FIRST BATCH *ONLY* THE ANSWER TO BOTH QUESTIONS IS YES (Y).

FOR ANY SUBSEQUENT BATCHES THE ANSWER TO THE NEW SETUP QUESTION IS NO (N). SEE CHANGE (CHG) PROCEDURES FOR OTHER SCREEN RESPONSES.

E. KEYING NRHA (GENERAL PROCEDURES)

1) LOG ON THE TERMINAL WITH A VALID PASSWORD/USER CODE.

2) LOG ON TO THE NRHA PROGRAM:

*ON NRHA X (X= TRANSMIT OR THE XMT BUTTON ON THE KEYBOARD)

3) FOR BATCH NUMBER 1 ONLY.

		RESPONSE
3A) IS BATCH TO BE OPENED A NEW BATCH?	[Y/N]	[Y]
IS THIS A NEW SETUP?	[Y/N]	[Y]
ENTER BATCH NUMBER		[1]

3B) FOR ALL OTHER BATCHES:

IS BATCH TO BE OPENED A NEW BATCH?	[Y/N]	[Y]
IS THIS A NEW SETUP?	[Y/N]	[N]
ENTER BATCH NUMBER		[2-END]

****NOTE**** FOR A CHANGE SEE CHANGE (CHG) PROCEDURES>

4) BEGIN KEYING DATA FROM COUPONS:

PROJECT NUMBER	[]
UNIT NUMBER	[]
TENANT	[]
CHECK DIGIT	[]
PAYMENT AMOUNT	[0000000000]
ID	[VA006]
AREA	[000]
TRANSACTION	[ADD]
TYPE CODE (1=ADD)	[1] []

5) WHEN ALL ITEMS HAVE BEEN KEYED, ENTER A SLASH (/) IN THE PROJECT NUMBER FIELD AND TRANSMIT.

PROJECT NUMBER [/]

6) A MENU SCREEN WILL APPEAR OFFERING THE SELECTIONS OF ADD, CHANGE OR TOTAL.

NRHA TRANSACTIONS AVAILABLE

* CODE FUNCTION

* ADD-----ADD ITEM TO FILE

* CHG-----CHANGE OR DELETE ITEM**

* TOTL-----DISPLAY BATCH TOTALS

* NOTE: TO USE CHG FORMAT YOU MUST ENTER CHG IN THE FIRST FIELD
* THE BATCH NUMBER IN THE SECOND FIELD, PROJECT NUMBER IN
* THE THIRD FIELD AND UNIT NUMBER IN THE FOURTH.

* TRANSACTION SELECTED [] [] [] [] [] []

ENTER TOTL FOR THE TRANSACTION SELECTED. THIS WILL ALLOW YOU
TO CHECK BATCH TOTALS BEFORE GOING ON TO THE CHANGE FUNCTION.

7. REGARDLESS IF THE TOTALS AGREE WITH THE COUPON TAPE LIST OR NOT, ENTER EOJJ AS THE TRANSACTION SELECTED.

INPUT TOTALS TO BE CHECKED

TRANSACTION [TOTLI
BATCH TOTALS E 1

CHECK TOTALS AND SELECT NEXT TRANSACTION

~~EOJJ~~ CLOSE BATCH AND ENTER JOURNAL

TRANSACTION SELECTED [EOJJ]

8. GO TO DATA PROCESSING AND REQUEST THE PRINTOUT OF THE BATCH.
9. VERIFY ALL INVALID CHECK DIGITS FOR KEYING ERRORS. DO NOT PULL THE ITEM FROM ITS ORIGINAL POSITION WITHIN THE BATCH BUT VERIFY THAT THE DATA KEYED WAS IN FACT CORRECT. THIS WILL ELIMINATE POSTING ERRORS OR ~~NRHA'S DEBIT~~. ALL INVALID CHECK DIGITS ARE FLAGGED ON THE INPUT EXTRACTION REPORT WITH A STAR BESIDE THE CHK DGT COLUMN.
10. IF THE TOTALS DO NOT AGREE, USE THE INPUT EXTRACT LIST AND VERIFY EACH KEYED AMOUNT BY LOCATING THE ITEM SEQUENCE NUMBER AND COMPARING THE AMOUNT TO THE COUPON AMOUNT.
11. WHEN ALL BATCHES HAVE BEEN BALANCED & ALL INVALID CHECK DIGITS VERIFIED AND ALL CORRECTIONS MADE, REQUEST THE MENU SCREEN BY KEYING THE SLASH (/) IN THE PROJECT NUMBER FIELD AND ENTER EOJJ AS THE TRANSACTION SELECTED.
12. INFORM DATA PROCESSING THAT NRHA IS FINISHED FOR THE DAY AND REQUEST THE SUMMARY AND THE TAPE.
13. PLACE THE SUMMARY, TAPE, COUPONS AND ANY MISCELLANEOUS MATERIALS IN THE BAG AND GIVE TO THE PERSON CARRYING THE WORK TO THE 201 BRANCH FOR DELIVERY TO NRHA.

F. MAKING CORRECTIONS USING THE CHANGE SELECTION

A CHANGE SHOULD ONLY BE DONE AFTER ALL THE ADDITIONS TO THE FILE HAVE BEEN MADE AND THE INPUT EXTRACTIONS REPORT CHECKED FOR ERRORS AND INVALID CHECK DIGITS.

1. LOG BACK ON TO NRHA PROGRAM.
2. ANSWER NO TO THIS A NEW BATCH?
3. ANSWER NO (N) TO IS THIS A NEW SETUP?
4. ENTER THE ORIGINAL BATCH NUMBER CONTAINING THE ERROR.
5. THE "ADD ITEM TO NRHA FILE" SCREEN WILL APPEAR.
6. PLACE A SLASH (/) IN THE PROJECT NUMBER FIELD.
7. THE "NRHA TRANSACTIONS AVAILABLE" SCREEN WILL APPEAR.
8. IN THE TRANSACTION SELECTED FIELDS, KEY THE FOLLOWING:

[CHGT] TO OBTAIN THE CHANGE SCREEN
[] THE ORIGINAL BATCH NUMBER
[] THE PROJECT NUMBER AS IT WAS ORIGINALLY KEYED
[] THE UNIT NUMBER AS IT WAS ORIGINALLY KEYED

***NOTE** IF THE PROJECT OR UNIT NUMBER WAS KEYED INCORRECTLY THE FIRST TIME, IT MUST BE KEYED THE SAME INCORRECT WAY FOR THE PROGRAM TO LOCATE IT ON THE FILE FOR CORRECTION.

9. THE "CHANGE OR DELETE ITEM ON NRHA FILE" WILL APPEAR.

* CHANGE OR DELETE ITEM ON NRHA FILE *

PROJECT NUMBER []
UNIT NUMBER []
TENANT []
CHECK DIGIT []
PAYMENT AMOUNT []
STD EVX006J
AREA 0000
TRANSACTION [CHG]
TYPE CODE (2=CHG 3=DEL) [] []

10. THE IMAGE OF THE INFORMATION ON THE NRHA FILE WILL APPEAR AS IT WAS ORIGINALLY KEYED.

10A. IF THE AMOUNT IS IN ERROR BUT THE OTHER DATA IS CORRECT CHANGE THE AMOUNT TO WHAT IT SHOULD BE AND KEY IN A 2 FOR TYPE CODE THEN TRANSMIT.

- 10B. IF ANY PART OF THE PROJECT, UNIT, TENANT, CHECK DIGIT NUMBERS ARE WRONG, SKIP TO THE TYPE CODE AND KEY IN A 3 TO DELETE THE ITEM. THE ITEM MUST BE REMOVED FROM THE FILE BEFORE IT CAN BE CORRECTLY ADDED BACK TO THE FILE. OTHERWISE A MESSAGE WILL APPEAR STATING THE ITEM IS ALREADY ON THE FILE.

11. THE "NRHA TRANSACTIONS AVAILABLE" SCREEN WILL REAPPEAR.

12. KEY "YOLL" IN THE TRANSACTION SELECTED SCREEN.

13. KEY "EOJJ" IN THE TRANSACTION SELECTED FIELD.

14. REQUEST A LIST AND VERIFY CORRECTIONS.

12. KEY "EOJJ" FOR TRANSACTION SELECTED TO RE-CHECK DATA.

13. IF YOU HAVE DELETED ITEMS, YOU MUST LOG BACK ON TO NRHA AND ADD THE ITEMS CORRECTLY.

NOTE 1 YOU CANNOT DELETE AND ADD ITEMS AT THE SAME TIME. THE PROGRAM MUST BE ENDED WITH AN EOJJ COMMAND AFTER THE DELETES AND LOGGED ON AGAIN FOR ADDITIONS.

NOTE 2 IF MORE THAN ONE CHANGE IS TO BE MADE CONTINUE USING THE CHANGE SCREEN UNTIL ALL CORRECTIONS HAVE BEEN MADE THEN TOTL AND GO TO EOJJ.

6. PROCESSING SCHEDULE FOR NRHA

THE DEADLINE FOR PRESENTING THE PAYMENTS AND MAGNETIC TAPE TO NRHA IS 4:00PM. AT LEAST 20 MINUTES MUST BE ALLOWED FOR DELIVERY OF THE WORK TO THE ZUI BOX BRANCH.

THE FINAL BATCH OF WORK SHOULD BE BALANCED AND COMPLETED NO LATER THAN 3:30PM TO ALLOW FOR DATA PROCESSING TO OBTAIN THE SUMMARY AND GENERATE THE MAG TAPE OF THE FILE.

IF THERE ARE ANY PROBLEMS THAT SHOULD BE COMMUNICATED TO NRHA THE CONTACTS ARE:

DATA PROC.

623-1111 EXT 255

FINANCE

623-1111 EXT 275

"

623-1111

THE CHECKS SHOULD BE GIVEN TO PROOF DEPT. NO LATER THAN 2:00PM IN ORDER THAT THEY BE PROCESSED DURING PROOFS' SLACK TIME.

APPENDIX C SAMPLE LOCK BOX OUTPUT REPORT

DATE 06/18/85

LOCK BOX DAILY STATUS
AS OF DATE 6/18/85

P R O J E C T	T O D A Y	T O - D A T E
GROUP 01		
001	\$917.46	\$77,795.36
017	\$251.35	\$47,483.68
SUB-TOTAL	\$1,168.81	\$125,279.04
GROUP 02		
002	\$1,396.77	\$25,005.46
003	\$1,574.00	\$25,275.29
004	\$1,702.67	\$22,864.75
005	\$25.41	\$17,072.13
006	\$1,529.44	\$53,438.89
007	\$970.35	\$41,217.49
008	\$1,020.49	\$41,516.79
009	\$1,328.86	\$55,753.27
010	\$1,713.82	\$87,883.99
011	\$1,123.41	\$37,908.76
012	\$1,277.95	\$25,833.18
018	\$0.00	\$14,696.20
019	\$0.00	\$10,169.60
020	\$0.00	\$10,772.98
021	\$86.00	\$9,455.20
SUB-TOTAL	\$13,750.17	\$478,863.98
GROUP 03		
031	\$1,010.65	\$7,496.63
SUB-TOTAL	\$1,010.65	\$7,496.63
GROUP 04		
040	\$0.00	\$426.00
SUB-TOTAL	\$0.00	\$426.00
GROUP 05		
041	\$0.00	\$420.00
SUB-TOTAL	\$0.00	\$420.00
GROUP 07		
076	\$0.00	\$555.00
077	\$0.00	\$181.50
172	\$0.00	\$54.00
758	\$714.00	\$2,005.03
SUB-TOTAL	\$714.00	\$1,685.53
GROUP 13		
614	\$1,717.70	\$43,983.21
615	\$217.00	\$9,054.85
SUB-TOTAL	\$1,934.70	\$53,038.06
GROUP 14		
601	\$0.00	\$664.00
608	\$0.00	\$80.00
SUB-TOTAL	\$0.00	\$744.00
GROUP 17		
042	\$202.00	\$13,286.95
SUB-TOTAL	\$202.00	\$13,286.95
GROUP 18		
220	\$0.00	\$2,000.00
SUB-TOTAL	\$0.00	\$2,000.00
GRAND TOTAL	\$18,780.33	\$683,240.19

FUNCTIONAL AREA:

Finance and Accounting

EFFECTIVE MANAGEMENT PRACTICE:

Project-Level Budget Hearings

AGENCY:

**Housing Authority of Baltimore
City (HABC)**

SIZE:

Extra-Large

Figure 1

Figure 2

Figure 3

Figure 4

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The first part of the paper is devoted to a discussion of the general principles of the theory of the structure of the atom. It is shown that the structure of the atom is determined by the laws of quantum mechanics, and that the laws of quantum mechanics are derived from the principles of relativity and quantum mechanics. The second part of the paper is devoted to a discussion of the structure of the atom, and the third part to a discussion of the structure of the atom.

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EXECUTIVE SUMMARY

This case study describes the Housing Authority of Baltimore City (HABC) in Baltimore, Maryland, and its procedures for involving residents in the budget preparation process. An overview of HABC's operations appears on the following page.

HABC's practice of allowing residents to have a representative at the annual budget hearings has been in place since 1968. It is one of several management strategies designed to promote cooperation among project management staff, residents, and the central administrative office through resident involvement in policy formulation, administration, and decisionmaking in the agency. The practice entails having a tenant representative, project manager, and project maintenance supervisor meet and review the proposed annual project budget on a line-by-line basis. In the capital section of the budget these three individuals discuss each proposed expenditure and rank them on a priority scale.

HABC has found this practice effective because it creates a forum for open discussion on the project's problems and how they can be solved, provides tenant input into resource allocation decisions, and increases tenants' understanding of management's priorities and constraints.

This practice is readily transferable to other agencies that have project or area-based budgeting systems, and use a "bottom-up" preparation process. However, management must be prepared to delegate modest levels of decision-making powers to the three-person budget hearing committees to facilitate maximum effectiveness of this practice.

BALTIMORE AT A GLANCE

CHARACTERISTICS	DATA
Total Stock:	17,727 units of LIPH in 47 projects; and 1,783 units of Section 8 housing
● Projects for Families:	33 projects
● Projects for Elderly Tenants	14 projects
● Unit Size:	efficiencies..... 12 percent one-bedroom 27 percent two-bedroom 31 percent three-bedroom ... 20 percent four-bedroom 7 percent five-bedroom 2 percent six-bedroom 1 percent
● Largest Project:	Hollander Ridge (1,000 units)
● Smallest Project:	Spencer Garden (20 units)
● Oldest Project:	Poe (1940)
● Newest Project:	Rosemont Tower (1983)
Demographics:	
● One-Parent Households:	69 percent
● Minority Tenants:	91 percent
● Children Under 18:	43 percent
Operations:	
● Operating Expenditures:	\$233.92 (PUM)
● Dwelling Rentals:	\$ 93.91 (PUM)
● Operating Reserve:	93 percent of allowable level
● Staffing:	1,127 full-time employees, including a Section 8 staff of 27

I. PROJECT-LEVEL BUDGET HEARINGS AT THE HOUSING AUTHORITY OF BALTIMORE CITY

This chapter discusses the effective management practice of holding project-level budget hearings at the Housing Authority of Baltimore City (HABC). The chapter begins with some contextual background to the hearings and the key actors involved in these meetings. The chapter concludes with a detailed description of how the hearings function.

BACKGROUND

Holding project-level budget hearings with tenants, the project manager, and the maintenance staff in attendance got under way in 1968. At that time, a new HABC executive director was interested in increasing tenant involvement and reducing tenant alienation. In a related development, the executive director established a HABC-wide tenant advisory board and founded or rejuvenated tenant councils (tenant associations) at each project. As part of this thrust he established the current practice of holding small hearings on each project's proposed budget.

There have been only three major changes implemented over the years. First, in 1974, a ranking scheme was introduced for each capital item. This replaced a simple "yes" or "no" vote. Second, about this same time, the location of the hearings was changed. Previously, they had been held on-site, and part of the budget hearing preparation process was a tour of the project by the three voting members and the HABC management and budget analyst. The tour was quite useful to the management and budget analyst, but it was found to be too time consuming as HABC grew. The tour was eliminated and the hearings were moved to HABC's central offices. The final change was implemented in 1984, when the list of potential capital items and their ranking was computerized.

Key Actors and the HABC Budget Formulation Process

There are four principal actors in the budget process at HABC. They are the:

- management and budget analyst;
- project manager;
- project maintenance supervisor; and
- project tenant representative.

One of the principal actors in this process is the agency's management and budget analyst (MBA), who conducts each of the project budget hearings. This individual has the overall responsibility for the HABC budget and is supported by two junior analysts and an analytic specialist. All three work full-time on HABC budget matters.

For all HABC project sites there is an associated project manager and project maintenance supervisor. These two individuals are closely involved in the budget hearings for their respective projects. A detailed description of their individual roles is provided subsequently in this chapter. Also peripherally involved in the budget formulation process is HABC's central maintenance operation, which performs services at sites on an as-needed basis. The anticipated costs of these services are considered in the budget hearings, and subsequently in the final budget formulation process.

Tenant involvement in the budget hearings is primarily channeled through a project tenant representative. The tenant representative is usually the site's representative to the agency-wide tenant advisory board. Some large sites at HABC have dual tenant representation on the advisory board. However, in all project budget hearings, only one tenant representative participates. No formal training is provided to any tenant representatives.

Budget Formulation. Exhibit I-1 presents a synopsis of the HABC budget formulation process, which begins in late July for a fiscal year commencing the following July. The MBA plays a lead role in virtually every phase of the seven-step process until the budget is forwarded to HUD for approval in January.

EXHIBIT I-1

BUDGET FORMULATION AT HABC

<u>Step</u>	<u>Timing</u>	<u>Action</u>
1	July/August	MBA prepares budget preparation instructions and forwards them under signature of HABC Director of Housing Management. (See Appendix A for sample package.)
2	Late August	Project manager and maintenance supervisor prepare budget request. Sometimes the request is informally reviewed with tenant representative.
3	Early September	MBA reviews requests for accuracy and completeness. Requests are entered into computer. MBA allocates centralized and indirect costs to each project.
4	September	MBA holds budget review meetings with central maintenance personnel.
5	October	MBA holds project-level review hearings.
6	November/December	MBA consolidates changes, reviews with HABC's executive director, board and others. MBA makes final changes.
7	January	HABC forwards budget for HUD approval.

OVERVIEW OF THE BUDGET HEARINGS

This section first describes the key events leading to the project budget hearings in October. The discussion then proceeds to a review of the hearings themselves, how they are conducted, and what outcomes occur.

The Pre-Hearing Process

Throughout the budget year, project managers and maintenance supervisors keep their own running lists of needed repairs and other work items that are not affordable under the current budget. In August, the project manager and maintenance supervisor for each project meet once or twice to review their lists and arrive upon a consensus list. (Often the two lists overlap a great deal, since the manager and maintenance supervisor see each other virtually every day throughout the year.) They also discuss the need for any additional staff or miscellaneous expenditures.

Next, the staff shares their list with tenants or tenant representatives. This is done by meeting once or twice with the one or two members of the tenant advisory board from the project, by meeting with the project's tenant council representative, or by bringing the list before a general meeting of the project's tenants. The result of this process usually is a consensus between management and tenants concerning the list of work activities and/or repairs. In practice, however, there are often substantial disagreements on particular items, which are discussed further at the formal budget hearing. Frequently, the tenants favor repair and replacement of interior items such as cabinets or refrigerators, while management is more concerned with safety or structural items.

The Formal Hearing

In October the formal hearing takes place in accordance with the pre-scheduled date provided in the budget instructions. The management and budget analyst always attends and always chairs the meeting. In addition to the three actors identified previously, a representative of the housing management division is sometimes in attendance. The housing management representative is always in attendance if the project manager is inexperienced.

As mentioned previously, the tenant representative is usually the project's representative on the tenant advisory

board. However, tenant representatives occasionally agree to participate but then fail to show up at the hearing. In these instances, no tenant input is provided because the hearing proceeds regardless of the presence of a tenant representative.

Managing the Meeting. The management and budget analyst keeps the proceedings very informal. For approximately one to two hours, the participants sit around a computer terminal that displays the operating and capital budget items to be considered. The group first discusses any staff needs and requests. Next they review the line items in the operating budget. Appendix B shows the computer display that is called up for this discussion. It shows each budget object title and the current year's approved budget amount. Working with the project operating budget worksheet (see Appendix C) and the current levels of actual expenditures (see Appendix D), the management and budget analyst goes over each line item, and replaces the current year budget amount on the terminal screen with the discussed and agreed upon proposed budget amount for next year. It should be noted that budget line item requests generated in the hearings are subject to changes implemented subsequently by the executive director and other top management staff.

Next, the group goes over the capital items and rehabilitation projects. This consumes much of the discussion period. In leading the discussion and ranking the capital items, the MBA asks each voting participant to speak in rotational order and rank each item. This avoids the problem of having some weaker, less verbal participants always being led or influenced by the more verbal members. All of the discussion focuses on line-item type presentations; there are no program budget-style presentations.

The ranking of each capital item is done on a 1-5 scale, with 1 being top priority projects that the participants feel should be done in year 1 (the next fiscal year). A rank of 2 means a project can be postponed to year 2, etc. (Items that are not funded in year 1 are carried over onto next year's ranking list, so that they are ranked again. Because of this carryover

feature, sometimes requests ten to fifteen years old remain on ranking lists).

Rankings are displayed on the computer terminal (see Exhibit I-2) using a different display than for the operating budget. This display shows the project, the capital item under discussion, the cost of the item, the year the item was placed on the list, and the program which funded any recently completed projects. Information on recently completed or current projects is displayed so that questions can be asked by the management and budget analyst about the status of these projects, and how well they are working. As the rankings of each proposed capital project are determined, they are recorded on the screen by the management and budget analyst. Disagreements in ranking are quite common, and it is not the goal to reach a consensus on all items. Rather, it is the goal to thoroughly air all issues. If disagreements remain, the rankings are left on the screen and resolved subsequently in the budget formulation process by higher management.

Sometimes discussion will focus on items of a "wish list" variety, which were put onto the list of proposed items years ago. Often a decision is made to remove these low priority items from the list entirely. Discussion of the activities of central crews and the HABC central administrative staff is permitted, but rarely comes up.

Finally, because the hearings take place about three months into a new fiscal year, the management and budget analyst uses this opportunity to remind the project manager and maintenance supervisor of what capital and rehabilitation projects are currently authorized, and to urge them to get underway, or discuss any causes for delays.

Additional Data Sources. In addition to the displays on the screen, the group draws on four hardcopy data sources. The first two sources are Income and Expense Summary Reports for the past fiscal year and for the first quarter of the current fiscal year. These two reports are formatted similarly to the summary insert

EXHIBIT I-2
FY 86 PENDING WORK LIST
(OF CAPITAL PROJECTS)

Project ¹	MD ²	Vote Tentative ³	Vote Final	Vote Mgr.	Funded ⁴	Source ⁵	Year ⁶	Cost ⁷	Description ⁸
LAFAYETT	015	1	2	4	N		74	\$1,488,000	Install shower and tub surrounds in all units
LAFAYETT	015	1	4	4	N		74	445,000	Floor tile all units
LAFAYETT	015	X	X	X	Y	CIAP	76	450,000	Revamp or replace 6 compactors and move to ground level from basement
LAFAYETT	015	2	5	5	N		78	10,000	Install a softball field rear of building
LAFAYETT	015	1	1	1	N		80	210,000	Upgrade interior electric system
LAFAYETT	015	5	2	1	N		80	80,000	Ventilate compactor rooms and insulate pipes
LAFAYETT	015	3	4	4	N		81	100,000	Replace hot and cold water lines in high-rise buildings
LAFAYETT	015	X	X	X	Y	EN85	82	150,000	Hotcoat six high-rise roofs
LAFAYETT	015	X	X	X	Y	ROUTIN	82	2,500	Repair/replace chain link fence
LAFAYETT	015	X	X	X	Y	CIAP	79	250,000	Install generator for lobby guard station 125 buildings
LAFAYETT	015	1	2	4	N		79	2,000,000	Replace 12 elevators
LAFAYETT	015	X	X	X	Y	CIAP	80	150,000	Sanitary lines subsiding
LAFAYETT	015	4	5	5	N		80	800,000	Tuckpoint and waterproof all buildings
LAFAYETT	015	X	X	X	Y	EN	83	25,000	Replacement of PCB transformers (emergency)
LAFAYETT	015	X	X	X	Y	CIAP I	81	21,173	Smoke detectors (1113 FAYETTE)
LAFAYETT	015	1	1	1	N		82	114,500	Repinse exterior doors in high-rises
LAFAYETT	015	3	4	4	N		82	730,000	Upgrade heating distribution system
LAFAYETT	015	X	X	X	Y	CIAP II	82	100,000	Cathodic protection
LAFAYETT	015	1	1	1	N		82	750,000	Increase elevator speed from 150 to 250 feet per minute
LAFAYETT	015	1	1	1	N		83	73,500	Weatherstrip windows and doors in high-rise building
LAFAYETT	015	1	1	1	N		83	49,700	Insulate hot water and steam pipes (hazard)
LAFAYETT	015	X	X	X	Y	CIAP II	83	555,570	Install steam zone controls
LAFAYETT	015	X	X	X	Y		81	340,000	Replace compactors and upgrade sprinkler system
LAFAYETT	015	1	2	4	N		81	"	Install/replace wall and base kitchen cabinets
LAFAYETT	015	X	X	X	Y	PH	83	71,500	Resurface blacktop areas
LAFAYETT	015	2	1	1	N	EN	84	0	Replace metal casement windows on community building

Notes on Columns:

1 Project Name.

2 HUD Project Number (MD = Maryland).

3 These 3 columns record the 1-5 rankings of the tenant, project manager, and maintenance supervisor. An X means the project was already funded.

4 This column shows "Y" (yes) if the project was already funded.

5 This shows the source of monies for already funded projects (CIAP = HUD's Comprehensive Improvement Assistance Program; EN = Extraordinary Maintenance; ROUTIN = the project will be done under routine maintenance).

6 The year that the request for funding was placed on this pending work list.

7 Accurately estimated project cost.

8 Brief descriptions of projects.

report provided in Appendix D, and are used to check to see if the amounts requested for next year are in line with recent expenditure levels. The various budget request forms completed by the project manager and maintenance supervisor are a third data source. They provide a detailed breakdown of the components of each line item. A final data source is a list of standard inflation factors used for various types of line items. These factors are applied to last year's actual expenses to arrive at an estimate of next year's expenditures.

Outcomes of the Hearings

At the conclusion of the hearing the management and budget analyst usually takes the operating budget right off the screen and uses it--without alteration--as the proposed budget. The MBA must further process the ranking of all proposed capital and replacement projects, however. He takes those work activities that were ranked highly (either "1" or "2") by all three voting participants and attempts to obtain funding under the Comprehensive Improvements Assistance Program, extraordinary maintenance or other available funding. The MBA also uses some discretion and attempts to fund potentially serious items that may have been ranked low by the participants (such as roof replacement or asbestos removal).

Additionally, a copy of the ranking sheet (see Exhibit I-2) sometimes is brought to a general tenant's meeting for discussion by the tenant representative. However, these discussions are often postponed until the approved budget is finalized. This provides a basis for informing tenants about the budget decisions and also warning them about possible construction-related disruptions.

II. WHY THE BUDGET HEARINGS ARE EFFECTIVE

Project-level budget hearings provide useful information and feedback to project managers, tenants, maintenance supervisors, and central budget staff. Foremost, it gives tenants a greater degree and sense of control over their environment, thereby reducing alienation. It also increases tenants' understanding of management priorities and constraints. Over the years at HABC tenants have become more sophisticated and educated about what budgets mean in concrete terms, and have taken a much greater interest in budgetary and maintenance discussions. This greater tenant involvement and understanding has had a positive impact on tenant behavior.

For the central budget staff the budget hearings are a very important source of information about what is going on out in the field. HABC is very large, and good headquarters-to-field communication is essential to good management. Additionally, this process ensures that the budget figures finally proposed by the central budget staff are as realistic as possible; therefore the project managers and maintenance supervisors also benefit.

THE UNIVERSITY OF CHICAGO

DEPARTMENT OF THE HISTORY

OF THE UNITED STATES

AND TERRITORIES

OF AMERICA

AND THE HISTORY

OF THE

INDIAN TRIBES

OF THE

WESTERN

HEMISPHERE

AND THE

INDIAN

TRADING

COMPANIES

OF THE

WESTERN

HEMISPHERE

AND THE

INDIAN

TRADING

COMPANIES

III. TRANSFERABILITY OF THE PRACTICE

There are five items to address when considering adopting this practice at another PHA.

First, a project-level budgeting and accounting system of some type is clearly a prerequisite. It may not be necessary to have complete project-level financial management, as is done in Baltimore. It would be possible, for example, to have only project-level capital budgeting, and to hold the hearings on the capital items. Similarly, it would be possible to have an area-based budgeting structure, to hold larger hearings on either or both operating and capital items. But it is probable that the further one gets from project-specific items, the less interest will be evidenced by tenants.

Second, the central budget office and general administration must be willing to delegate some authority and power to the project management and tenant representative. (Recall that central staff did not participate in the rankings of capital items; this was left to the project manager, and maintenance person and the tenant representative.) Otherwise, the exercise will quickly be seen as a "charade" by central management.

Third, a fairly high degree of tenant involvement and commitment is needed to make the system work. The tenant representatives must be reasonable and interested, otherwise more heat than light would be generated. In a related point, tenant training was not needed at HABC, but might be desirable at other agencies.

Fourth, although the HABC budget hearing process is currently supported by computers, this is not essential. For years the ranking of capital items and the compilation of the operating budget were done manually at HABC. There is no reason why this task could not be done manually elsewhere.

Fifth, PHAs that choose to implement a similar process may wish to provide rough target figures for each project's total capital budget prior to the budget hearing. This would resolve a problem which occurs at HABC, where some participants rank all items very highly. This change would force participants to consider tradeoffs and priorities.

APPENDIX A
BUDGET PREPARATION INSTRUCTIONS

FROM	TO	Director <i>J. C. [Signature]</i>	CITY OF
	AGENCY NAME & ADDRESS	Division of Housing Management	BALTIMORE
	SUBJECT	1985-86 Operating Budget	MEMO

DATE: 8/10/84

TO

Housing Managers
Maintenance Supervisors

The following instructions pertain to the preparation of the annual operating budget. In this regard, the following forms are attached:

- a. two sets of Budget forms
- b. a schedule of the project budget review meetings
- c. a price list for use in costing equipment
- d. a list of current filled and vacant positions which should be carefully reviewed for accuracy.

Use one set of forms as a pencil or work copy. Type the other set and photo enough copies for Central Crews, Housing Management, Division of Administration and for people you will bring to the budget review meeting.

These meetings will be held in Room 600, 222 East Saratoga Street.

To enable us to have more complete Contract and Extraordinary Maintenance (EM) lists ready for each project review session, the Central Crews budgets will be prepared first. These review sessions will also be used to get the input for the five-year capital plans. The housing manager shall request a representative from the tenant council leadership and/or the RAB delegate to also attend the budget review so that they can make appropriate comments and suggestions.

During the review there will be a discussion of a list of previously requested physical and management improvements. Additions and deletions can be made and staff and resident(s) will be asked to assign a priority to each item on the listing.

In order to prepare for the Central Crew budget sessions, BX-16's and BX-260's through 370 must be completed by each project quickly and accurately and forwarded by Friday, August 31, 1984 to the following:

- one copy: Maintenance Operations
1501 St. Paul Street
Attn:
- one copy: Division of Administration
Attn:
- one copy: Division of Housing Management
Attn:

IWA-2

The BX-16's and BX-260's through 870's are for the following types of work items:

1. BX-16 - Extraordinary Maintenance (EM) items are to be listed and costed on this form. Only jobs requiring specifications and drawings from the Maintenance Engineering Section are to be listed. If there are no EM requirements, this should be noted on the BX-16. A copy of each project's BX-16 must be sent to each crew with the EM needs listed.
2. BX-260 through 870 - Routine Crew services needed by each project are to be listed (in the Project portion of the form) along with the quantity of work or services needed. Upon receipt, the Crews will cost the items in the last two columns of these forms.

Attachments

WKC:smc.

bcc:

PROJECT BUDGET REVIEW MEETINGS

October 8, 1984	Monday	9:00	Brooklyn
		10:30	Flag House
		1:30	Bel Park/Mason
October 9, 1984	Tuesday	9:00	Douglass
		10:30	Broadway
		1:30	Brentwood/Wyman
October 10, 1984	Wednesday	9:00	Lexington-Poe
		10:30	Latrobe
		1:30	Govans/Ellerslie
October 11, 1984	Thursday	9:00	Westport/Mt. Winans *
		10:30	Cherry Hill *
		1:30	Fairfield *
		2:30	Primrose/Anderson *
October 15, 1984	Monday	9:00	Lafayette Courts
		10:30	Hollins/Rosemont
		1:30	Hollander Ridge
October 16, 1984	Tuesday	9:00	Perkins
		10:30	Murphy Homes & Ext.
		1:30	Monument East/Somerset
October 17, 1984	Wednesday	9:00	Claremont & Ext.
		10:30	Rehab Housing
		1:30	Chase House/West Twenty
October 18, 1984	Thursday	9:00	Gilmor/Rosemont-Dukeland
		10:30	Lakeview & Ext./Oswego
		1:30	McCulloh/Upton
		2:30	O'Donnell

* Regional Maintenance Projects; Budgets request attendance of _____ and
at Budget reviews of these projects.

APPENDIX B
SAMPLE OF OPERATING BUDGET DISPLAY

PROJECT: LATROBE

<u>ITEM</u>	<u>CURRENTLY</u> <u>APPROVED AMOUNT</u>
Excess Utilities	\$ 0
Other Income	0
Non-Tech Sal	99,915
Travel-Local	273
Telephone	3507
Court-Cost	15
Coll. Agent-Fees	0
Stationery	668
Postage	1584
Armored-Car	623

THE UNIVERSITY OF CHICAGO

PHYSICS DEPARTMENT

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APPENDIX C OPERATING BUDGET WORKSHEET

HOUSING AUTHORITY OF BALTIMORE CITY - OPERATING BUDGET WORKSHEET BX 13-79

ORDINARY MAINTENANCE & OPERATION (OM & O)

Accounts 4410 through 4463

CONTRACTS ONLY - INITIATED BY PROJECTS

PROJECT Claremont & Ext. MD 2- 14 & 39(HABC # 013) FY 1985 - 1986

ACCOUNT	DESCRIPTION OF WORK TO BE DONE AND NUMBER OF ITEMS	CONTRACT COST
4410	Grounds	
	Fencing	
4415	Structures	1150.00
	Wash Windows	
	Replace glass	
4420	Painting and Decoration	
	Drapes	
4425	Vacancy Renovation	
	Wall Washing <u>2</u> du's	805.00
4430	Plumbing and Gas	
	BC & E Service	
	<u>12</u> times	1200.00
4435	Electrical	
	BC & E Service	
	<u> </u> times	
4440	Heating	
	Heating/AC Contract	
	Boiler Service	
4445	Elevators	
	Service Contract	
	Vendor	
	\$ <u> </u> per cab	
	<u> </u> cabs	
4450	Equipment: Generator	1150.00
4451	Vehicles	500.00
4452	Compactors	654.00
4455	Janitorial	3312.00
	Dumping Fees	
	<u> </u> times per month	
	@ <u> </u> per time	
4461	Extermination	
4463	Air Conditioners	

EXTRAORDINARY MAINTENANCE

Account 4610

PROJECT Claremont & Ext.MD 2- 14 & 19 (HABC #013)

FY 1985 - 1986

DESCRIPTION OF WORK TO BE DONE & NUMBER OF ITEMS

TOTAL CONTRACT COST

NOTE: Double Space All Line Items: Triple Space all Subtotals and Totals

It is anticipated that all 4610 work will be CONTRACT TASKS ONLY WHERE ENGINEERING
MUST PREPARE SPECIFICATIONS AND DRAWINGS

1. Install speed bumps along 1000 ft. Southclara Road (2)
2. Improve poor drainage throughout development (3)
3. Install cut off valves for lowrise bathrooms (252 units)
(1)
4. Install main valve for hose bibbs at each building (4)
5. Install 1000 ft. of sidewalk - Sinclair Lane (5)

SIGNATURE _____

DATE _____

REQUEST FOR ADDITIONAL PERSONNEL POSITIONS

PROJECT Claremont & Ext. MD 2- 14 & 39 (HABC #013) FY 1985 - 1986

Laborer Classification	Grade	Salary	Number of Positions	Total Salary
NOTE: Specific Justification (Based on work load, productivity, change in job requirements)				
		\$6.23 per hr.		

Request for an additional laborer. Claremont is a 38 acre development with a heavy wooded treeline. Two laborers are currently responsible for grounds and building maintenance of this sprawling development. An additional laborer would greatly enhance the physical maintenance of this development.

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SIGNATURE _____ DATE _____

BX 18-79

Accounts 7540 through 7543

PROJECT Claremont & Exr MO 2- 14 & 30 (HABC #013) FY 1935 - 1986

Account	Description of Equipment	Number of Items	Unit Cost	Total
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NOTE: DOUBLE SPACE ALL LINE ITEM ENTRIES
TRIPLE SPACE ALL SUBTOTALS AND TOTALS

[illegible]

SIGNATURE _____ DATE _____

HOUSING AUTHORITY OF BALTIMORE CITY - OPERATING BUDGET WORKSHEET

BX 260 - 79

CREW - ORDINARY MAINTENANCE AND OPERATION (OM & O)

CREW NO. 26

Carpentry Crew

FY 1985 - 1986

PROJECT Claremont & Ext.

ACCOUNT	DESCRIPTION OF WORK	QUANTITY OF WORK OR NO. OF TIMES SERVICE NEEDED	LABOR	MATERIAL	SMALL CONTRACTS AND SERVICES (No Specification: needed)
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NOTE: PROJECT TO FILL OUT THIS PORTION ONLY

CREW TO FILL OUT THIS PORTION

4470.26	Locks & Keys	35			
	Floor, Joist repairs				
	Interior dwelling unit doors	20			
	Exterior dwelling unit doors	25			
	(other doors, hatches, covers, stainless steel for doors)				
	Facers - Soffets	20			
	Window Work	15			
	Porches, canopies	6			
	Shingles, siding	12			
	Partitions, walls, ceilings				
	Kitchen cabinets	30			
	Termite damage				
	Steps, stair repairs				
	Cycle paint work	50			
	Shades	500			
	Other				
TOTAL					

SIGNATURE _____
(HOUSING MANAGER)

DATE _____

SIGNATURE _____
(CREW SUPERVISOR)

DATE _____

APPENDIX D PROJECT INCOME AND EXPENSE STATEMENT

PAGE 1

PROJECT: 07/13/85
INCOME AND EXPENSE STATEMENT - PROJECT: 10-DATF
FOR THE PERIOD 07/01/83 TO 06/30/84

ACCT- NR.	ACCOUNT TITLE	LABOR	MATERIAL	CONTRACT	TOTAL	BUDGET	VARIANCE	P-U-M
3110-0100	DWELLING RENT SCHEDULE	.00	.00	.00	733,674.27		87.22	
3110-0200	LESS DWELLING VACANCY LCSS	.00	.00	.00	6,063.00		.55	
3220-0000	DWELLING RENTAL	.00	.00	.00	725,611.61		86.66	
3690-0000	EXCESS UTILITIES	.00	.00	.00	10,402.11		1.24	
3690-0000	OTHER INCOME	.00	.00	.00	2,728.92		.32	
	SUB-TOTAL	.00	.00	.00	13,130.03		1.56	
	TOTAL OPERATING INCOME	.00	.00	.00	742,141.64		88.22	
4110-0000	NON-TECHNICAL SALARIES	82,768.68	.00	.00	82,768.68		5.84	
	SUB-TOTAL	82,768.68	.00	.00	82,768.68		5.84	
4150-0000	TRAVEL - LOCAL	.00	239.84	.00	239.84		.03	
4151-0000	TRAVEL - OUT-OF-TOWN	.00	64.00	.00	64.00		.01	
4171-0000	MEMBERSHIP DUES & FEES	.00	64.00	.00	64.00		.01	
4180-0000	TELEPHONE AND TELEGRAPH	.00	3,339.37	.00	3,339.37		.40	
	SUB-TOTAL	82,768.68	3,743.21	.00	86,511.89		10.24	
4190-0100	MISCELLANEOUS	.00	85.98	64.25	150.23		.02	
4190-0200	POSTAGE & DELIVERY CHARGES	.00	1,470.10	.00	1,470.10		.17	
4190-0300	STATIONERY & SUPPLIES	.00	636.30	.00	636.30		.08	
4190-0400	ARMORED CAR SERVICE	.00	.00	592.59	592.59		.07	
4190-0500	COURT COST	.00	198.50	.00	198.50		.00	
4190-0600	COLLECTION AGENT FEES	.00	115.52	96.35	211.87		.03	
4190-1100	ADVERTISING-PERSONNEL/BIDS	.00	235.71	227.80	463.51		.06	
	OTHER ADMINISTRATION EXPENSE	.00	2,343.11	1,176.59	3,519.70		.42	
	NON-LABOR EXPENSE	.00	6,068.32	1,176.59	7,244.91		.86	
	TOTAL ADMINISTRATION EXPENSE	82,768.68	6,068.32	1,176.59	90,013.59		10.70	
	SUB-TOTAL	82,768.68	6,068.32	1,176.59	90,013.59		10.70	
4241-0100	TRAVEL - LOCAL	.00	9.00	.00	9.00		.00	
4241-0200	TRAVEL - OUT-OF-TOWN	.00	.00	.00	.00		.00	
4241-0300	MEETINGS - LUNCH	.00	413.50	.00	413.50		.05	
4241-0900	TENANT COUNCIL ACTIVITIES	.00	478.43	.00	478.43		.08	
	TOTAL TENANT SERVICE EXPENSE	.00	478.43	.00	478.43		.08	
4310-0000	WATER	.00	132,105.16	.00	132,105.16		15.70	
4311-0000	CENTRAL AVENUE HEATING PL	.00	877.22	.00	877.22		.08	
4320-0000	ELECTRICITY	.00	123,050.51	.00	123,050.51		14.83	
4330-0000	FUEL	.00	13,493.17	.00	13,493.17		4.32	
4340-0000	GAS	.00	401,264.03	.00	401,264.03		47.78	
4350-0000	LABOR-UTILITIES	72,521.32	.00	.00	72,521.32		3.82	
	TOTAL UTILITIES EXPENSE	72,521.32	671,290.04	24,552.00	768,363.41		91.34	
4400-0000	SUPERVISION & OVERHEAD LAB	20,385.49	.00	.00	20,385.49		2.42	
4401-0000	STRUCTURES	.00	8,211.82	1,100.30	9,312.12		1.12	
4415-0000	PAINTING AND DECORATING	35,716.30	4,305.70	.00	40,022.00		4.72	
4425-0000	VACANCY RENOVATIONS	268.93	3,763.21	.00	4,032.14		.47	
4425-0000	PLUMBING AND GAS	30,233.10	6,054.45	.00	36,287.55		4.31	
4430-0000	ELECTRICAL	23,050.95	6,074.30	.00	29,125.25		3.45	
4435-0000	HEATING	1,948.05	1,162.17	.00	3,110.22		.37	
4440-0000	EQUIPMENT	15.00	63.72	.00	78.72		.01	
4450-0000	AUXILIARY	25.22	4,691.71	.00	4,716.93		1.14	
4451-0000	JANITORIAL	15,524.23	3,051.98	.00	18,576.21		2.22	
4455-0000	EXTERMINATING	.00	2,625.54	743.45	3,368.99		.41	
4461-0000	EXTERMINATING	.00	5,760.53	1,125.00	6,885.53		.82	

IVD-2

Announcement

The American Housing Survey: A Comprehensive One-Stop Look at the Nation's Homes and People

The AHS is useful to city managers, banks, marketing departments, builders, fuel companies, developers, manufacturers, brokers, and strategic planners. Information is gathered through 50,000–150,000 interviews per year.

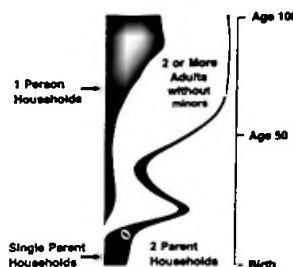
Subject Areas Include:

- Age, race, sex, disabilities.
- Number of rooms, bedrooms, baths.
- Neighborhood quality.
- Commuting, reasons for moving, details about former home.
- Plumbing, kitchens, heating, air conditioning, insulation.
- Condition of homes, repairs made, date built, why houses were no longer used.
- Mobile homes, housing value, rent, mortgage, utility costs.
- Income from wages, pensions, investments, welfare.

Here are just two uses of AHS data:



U.S. Households, by the Average Income Each Had in Last 1-5 Years



Four Kinds of Households, and the Ages When People Live in Them

How to Order:

AHS books are available for a small handling charge from HUD USER, P.O. Box 280, Germantown, MD 20874, tel. (800) 245-2691 or (301) 251-5154.

Three volumes contain overviews:

Book A compares cities, suburbs, and nonmetro areas.
Book C compares various incomes and housing costs.
Book E compares urban, rural, metro, and nonmetro areas.

Three other volumes focus on special topics:

Book B looks at housing and neighborhood quality.
Book D focuses on people who moved that year.
Book F highlights energy: utilities and commuting.

In addition, a separate book is published on each large metropolitan area.

Computer tapes and microfiche: Data User Services Division, Census Bureau, Washington, DC 20233, tel. (301) 763-4100.

Free advice, special tabulations, and special tapes: AHS Data Project, Abt Associates, 55 Wheeler Street, Cambridge, MA 02138, tel. (617) 497-7182.



1. The first part of the report is a general introduction to the subject of the study. It discusses the importance of the problem and the objectives of the research.

2. The second part of the report is a detailed description of the methods used in the study. It includes a description of the experimental setup, the data collection procedures, and the statistical methods used for data analysis.

3. The third part of the report is a presentation of the results of the study. It includes a description of the data, a discussion of the findings, and a comparison of the results with previous studies.

4. The fourth part of the report is a conclusion and a discussion of the implications of the study. It includes a summary of the findings, a discussion of the limitations of the study, and a discussion of the implications of the results for future research.



The results of the study show that the relationship between the two variables is non-linear and increasing. The rate of increase is higher at later times, suggesting that the effect of the independent variable on the dependent variable is more pronounced at later times.

The findings of the study are consistent with previous research, which has shown that the relationship between the two variables is non-linear and increasing. The results of the study provide further evidence for the non-linear relationship between the two variables.

The implications of the study are that the relationship between the two variables is non-linear and increasing. This has important implications for the understanding of the underlying mechanisms of the relationship between the two variables.

In conclusion, the study has shown that the relationship between the two variables is non-linear and increasing. The findings of the study are consistent with previous research, which has shown that the relationship between the two variables is non-linear and increasing. The results of the study provide further evidence for the non-linear relationship between the two variables.

The implications of the study are that the relationship between the two variables is non-linear and increasing. This has important implications for the understanding of the underlying mechanisms of the relationship between the two variables.

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July 1986
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