

**Housing and Home Finance Agency
PUBLIC HOUSING ADMINISTRATION**

P H A M A N A G E M E N T M A N U A L

**Requirements prescribed for
Local Housing Authorities
engaged in the operation of
Federally Aided Low-Rent Public Housing**

February 1960

PHA MANAGEMENT MANUAL

General Administration

	<u>Page</u>
1. Personal Property	1
2. Retirement Plans	1
3. Insurance and Fidelity Bond Coverages	1
4. Maintenance and Management Contract Wage Rates	3

Operating Budgets

1. Material Required	5
2. Use of Other Than PHA Forms	6
3. Sample Budget and Budget Revision Documents	6
4. Budget Year	7
5. Total IHA Operation	7
6. Operating Receipts and Expenditures Prior to the End of the Initial Operating Period	7
7. Budget Due Dates	7
8. Approval, Modified Approval, or Disapproval of Budgets	7
9. Budget Overruns	7
10. Revision of Operating Budget	8
11. Operating Reserve	10
12. Waiver of PHA Approval of Operating Budgets	11

Income Limits, Rents, and Occupancy

1. Introduction	13
2. General Requirements for Income Limits and Rents	13
3. Approval of Income Limits and Rents	13
4. Eligibility Requirements	15
5. Tenant Selection	16
6. Exclusion of Service-Connected Disability Benefits	17
7. Housing of Project Employees	17

Miscellaneous Record-Keeping and Reporting Requirements

1. Documentation of Personnel Policies	18
2. Equivalent Elimination	18
3. Motor Vehicle Records	18
4. Tenant Statistics	18
5. Insurance Loss Reports	19
6. Fuel Consumption Reports	19
7. Records Preservation and Disposal	20
8. Requests for Forms, Manual Releases, and Other PHA Publications	20

General Administration

1. Personal Property

a. Procurement. Until further notice, the amount of \$500 stated in Section 306 of Part II of the Annual Contributions Contract is increased to \$2,500.

b. Disposition. Until further notice, the amount of \$500 stated in paragraph (C) of Section 308 of Part II of the Annual Contributions Contract is increased to \$1,000.

2. Retirement Plans

a. Public Plans Not Required by Law. Although the contract requires PHA approval of participation in any retirement plan not required by law, such approval will not be required for participation in any public plan which is generally participated in by other public agencies in the community or for participation in Social Security.

b. Private Plans. Where the Local Authority desires to participate in a private retirement plan (or to amend a previously approved private plan), it should obtain from the PHA Regional Office a statement of the standards and procedures which must be followed to obtain PHA approval.

3. Insurance and Fidelity Bond Coverages

a. Competitive Bidding Requirement. For fire and extended coverage insurance and for owners', landlords', and tenants' public liability insurance (except during the development period), bids shall be obtained not less than ninety days prior to the scheduled date of initial occupancy or the expiration of the existing policy. Each interested insurance company should be given at least 15 days to make a firm proposal.

Not less than sixty days prior to the effective date, the Local Authority shall forward to the Regional Insurance-Taxation Officer a tabulation of the proposals received. For the first submittal for a project the proposals shall be submitted on Form PHA-460, with the information indicated in Parts I and II entered. For both initial purchase and renewal the following certification shall appear on the tabulation:

"It is hereby certified that the bidding has been open and competitive, that publicity to advertisements has been given to ensure adequate competition, and that all insurers who have indicated in writing their desire to submit a bid have been afforded an equal opportunity to bid."

The submittals shall indicate the Local Authority's determination of the low bidder. The Local Authority will be advised of the concurrence or non-concurrence of the PHA with respect to such determination in sufficient time to purchase the insurance and to submit the policies in

accordance with the contract. (In the event it becomes necessary, binders should be secured from the low bidder and be made subject to pro rata cancellation until the definitive policies have been approved by the PHA.)

b. Waiver of Competitive Bidding. The competitive bidding requirement in paragraph 3a above, is waived for any case in which a Local Authority finds that the purchase of such insurance through negotiation affords more adequate service and protection or otherwise is in the public interest. This waiver is subject to the following conditions:

- (1) If the Local Authority, through negotiation, is placing insurance with a stock company which subscribes to a State or other authorized rating bureau, the cost of insurance obtained from such stock company must be reasonably within range of the lowest net cost known by the PHA or the Local Authority to be available from any other financially sound and responsible insurer licensed to do business in the State but which does not subscribe to such rating bureau.
- (2) If the Local Authority, through negotiation, is placing insurance with a mutual company, the net cost of insurance obtained from such mutual company must be reasonably within range of the lowest net cost known by the PHA or the Local Authority to be available from any other financially sound and responsible insurer licensed to do business in the State.
- (3) The PHA will approve insurance purchased through negotiation only if the form of the policy is in all respects satisfactory to the PHA. The PHA will not approve the purchase by negotiation of fire and extended coverage insurance unless the form of the policy excludes any coinsurance restrictions or includes an amount of insurance clause in lieu of a coinsurance clause.

"Reasonably within range" means that the net cost, as defined by the contract, from such other insurer is not more than 20 percent less than the net cost at which the insurance is being purchased. The PHA will, upon request, advise the Local Authority of the lowest net cost known by the PHA to be available to such Local Authority from financially sound and responsible insurers licensed to do business in the State. Such request should be made ninety days prior to initial occupancy or renewal.

This negotiating procedure is predicated upon the existence within a State of a competitive independent rating bureau. In the States of Louisiana and Texas neither fire and extended coverage nor public liability insurance is available to Local Authorities from a company which subscribes to a competitive rating bureau. Accordingly, the waiver of competitive bidding requirements is not applicable to Local Authorities in Louisiana and Texas. In the State of Virginia fire and extended coverage insurance

is not available from a company which subscribes to a competitive independent rating bureau. The waiver of competitive requirements is not applicable to Local Authorities in Virginia for the purchase of fire and extended coverage insurance.

c. Waiver of PHA Approval Requirement. Local Authorities are required to submit for PHA review to determine contractual compliance the following types of coverages only:

- (1) Fire and extended coverage,
- (2) Owners', landlords', and tenants' public liability (management period only),
- (3) Boiler insurance, and
- (4) Fidelity bonds.

This provision does not relieve Local Authorities of the responsibility of obtaining all required types of insurance.

d. Waiver of Requirement for Burglary and Robbery Insurance. The requirement that Local Authorities carry burglary and robbery insurance is waived.

e. Loss Reports. See Miscellaneous Record-Keeping and Reporting Requirements, page 19 of this Manual.

4. Maintenance and Management Contract Wage Rates

a. Maintenance Wage Rates

- (1) Maintenance wage rate schedules showing minimum wage rates to be paid to the maintenance force of the Local Authority will be furnished by PHA in duplicate on Form PHA-2158, Maintenance Wage Rate Determinations. One copy of the form is to be signed by the Local Authority and returned to the PHA Regional Office.
- (2) Any proposed working agreement between a Local Authority and its organized employees, or any union representing such employees, shall be submitted in duplicate to the PHA Regional Office for approval prior to execution by the Local Authority.
- (3) If maintenance workers are to be employed on a temporary basis, and no rate is shown on Form PHA-2158 for such workers, the Local Authority shall request a supplementary determination from the PHA.
- (4) The Local Authority shall notify the Regional Office promptly of labor disputes which may result in work stoppages.

b. Management Contracts and Force Account Wage Rates

(1) Work Estimated To Cost Less Than \$2,000. Predeterminations of wage rates will not be made by the PHA in connection with management contracts or force account jobs the estimated cost of which is less than \$2,000. In the case of contracts up to this amount, the Local Authority shall secure a certification in writing from the contractor that he has paid prevailing wage rates to all laborers and mechanics employed on the work and that he has complied with the provisions of the Anti-Kickback Act.

(2) Work Estimated To Cost \$2,000 or More. For management contracts or force account jobs estimated to cost \$2,000 or more, the Local Authority shall request schedules of PHA-determined wage rates at least 45 days before the proposed work is to start. In the case of contracts, the Local Authority shall incorporate the schedule in the contract, together with all other applicable labor provisions, as set forth in Sections 215(B) and 215(C) of the Annual Contributions Contract, and, upon completion of the work, shall secure a certification from the contractor that he has complied with the wage rates and other labor provisions of his contract. In the case of contracts in excess of \$10,000, the Local Authority shall also (a) notify the PHA when the Notice To Proceed is issued, (b) provide the Regional Office with other contract information such as the name and address of the contractor, the total amount of the contract, the project on which the work is to be done, the nature of the work, the date the work is to be started, and the number of days allowed for completion of the work, and (c) certify to the Regional Office that the schedule of rates furnished by the PHA and other required labor provisions have been incorporated in the contract.

Operating Budgets

1. Material Required

a. Consolidated Budget. The operating budget documents submitted by the Local Authority shall include the following material:

- 1/ (1) An estimate of the expenditures to be incurred by each organizational unit of the Local Authority and the estimated distribution of such expenditures among the different programs and contracts of the Local Authority (Form PHA-2565, Expenditure Budget for an Organizational Unit).
- 1/ (2) An estimate of the operating receipts for each income entity (Form PHA-2569, Schedule of Operating Receipts by Income Entity).
- (3) A schedule of positions and salaries arranged by organizational unit and expense account and including an estimated distribution by program (Form PHA-2566, Schedule of All Positions and Salaries).
- (4) Schedule showing the cost estimated for each organizational unit for ordinary maintenance and operation materials and contracts, together with the estimated number and cost of replacements of nonexpendable equipment (Form PHA-2568, Schedule of Ordinary Maintenance Materials and Contracts and Equipment Requirements).
- (5) An estimate of the cost of each proposed extraordinary maintenance work program and each betterment and addition (Form PHA-2567, Schedule of Extraordinary Maintenance and of Betterments and Additions).
- (6) A summary of all receipts and expenditures chargeable to PHA-aided projects which have reached the end of the initial operating period (Form PHA-2564, Summary PHA-Aided Low-Rent Housing in Management). (This is the form on which approval of the budget by the Local Authority and the PHA will be shown unless the Local Authority elects to prepare a budget for each financial assistance contract-- see paragraph lb below.) An alternate summary form has been devised and may be used when the Local Authority program is limited to PHA-aided projects in management and development under one organizational unit (Form PHA-2564 Alternate, Summary PHA-Aided Low-Rent Housing in Management and Development-Single Organizational Unit Only).

1/ This material may be omitted in cases where the Local Authority is concerned only with PHA-aided low-rent housing and operates as a single organizational unit.

PHA MANAGEMENT MANUAL

- (7) A financial plan for each management contract, showing a summary of anticipated receipts and expenditures for the requested budget year and the three following years, together with a computation of the operating reserves appropriate to the forecasted receipts and expenditures (Form PHA-2570, Financial Plan for a Management Contract).
- 1/ (8) Where the Local Authority has programs in addition to PHA-aided projects in management a summary of the receipts and expenditures anticipated for all its programs (Form PHA-2563, Summary All Programs).
- 1/ (9) An organizational chart and a sketch showing the approximate locations of the projects.
- (10) Narrative statements explaining the program and organization of the Local Authority, describing the functions and workload of each organizational unit, justifying any significant changes in proposed budget amounts from present budget amounts and any other information necessary to an understanding of the Local Authority's budget.

b. Budget by Individual Assistance Contract. A Local Authority may elect to prepare a budget for each financial assistance contract. The operating budgets prepared by individual assistance contract shall include all items listed above except the Summary All Programs, Form PHA-2563, (see paragraph 1a(8) above). Form PHA-2564, Summary PHA-Aided Low-Rent Housing in Management, shall be used to summarize income and expense data by financial assistance contract. In addition, where approval is on a financial assistance contract basis, these summaries should be consolidated in a single summary (Form PHA-2564) in order to reflect totals for the entire PHA-aided program of the Local Authority. This summary is for informational purposes only.

2. Use of Other Than PHA Forms. The Local Authority may use forms of its own devising provided there is included in the submission all the information shown on the PHA forms.
3. Sample Budget and Budget Revision Documents. To assist the Local Authority in preparing its budgets the PHA will furnish upon request sample filled-out forms with explanatory notes, together with sample narrative material; also a complete sample budget based on a Local Authority with a complicated program can be supplied.

1/ This material may be omitted in cases where the Local Authority is concerned only with PHA-aided low-rent housing and operates as a single organizational unit.

PHA MANAGEMENT MANUAL

4. Budget Year. The budget year will ordinarily be the Fiscal Year established in contracts between the Local Authority and the PHA but may be any year mutually agreeable to the Local Authority and the PHA Regional Director. The financial plan for each Contract (Form PHA-2570) shall in any event be prepared on the basis of the Contract Fiscal Year.
5. Total LHA Operation. PHA operating budget forms are so designed that a Local Authority which has a program in addition to PHA-aided projects can, for its own convenience, reflect all of its operations in a single budget document. In the material submitted to the PHA the Local Authority must, as a minimum, include income and expense information for any organizational unit any part of the cost of which is to be charged to PHA-aided programs in management or development and a description of the size and nature of any non-PHA-aided programs.
6. Operating Receipts and Expenditures Prior to the End of the Initial Operating Period. When it is anticipated that expenditures of an operating nature will be incurred prior to the end of the Initial Operating Period, the estimated amount of such expenditures should be included in the budget estimate for the appropriate organizational unit in a separate column headed "IOP." Likewise, the estimated amount of operating receipts expected to be received prior to the end of the Initial Operating Period should be reported separately on the schedule entitled "Schedule of Operating Receipts by Income Entity." However, expenditures of an operating nature estimated to be incurred, and operating receipts estimated to be received prior to the end of the Initial Operating Period shall not be shown on the schedule entitled "Summary PHA-Aided Low-Rent Housing in Management."
7. Budget Due Dates. Not earlier than 150 days nor later than 90 days before the expiration of the fiscal year, the Local Authority shall submit to the PHA Regional Office for approval an LHA budget for the next fiscal year. An original and two copies shall be submitted.
8. Approval, Modified Approval, or Disapproval of Budgets. The Regional Director will approve or disapprove budgets or will give modified approval. If the Regional Director disapproves a budget or approves a budget with modified amounts he will so notify the Local Authority in writing and will explain the reasons for disapproval or modified approval. A modified budget shall constitute the approved budget unless the Local Authority elects to consider the modified approval as a disapproval and within 14 days after receipt thereof so notifies the Regional Director in writing, in which event the modified approval shall constitute disapproval of the budget.
9. Budget Overruns. A Local Authority shall not incur expenditures in excess of the amounts included in the Summary PHA-Aided Low-Rent Housing in Management (PHA-2564), for the following:
 - a. Total Administration Expenditures (Management Expense).

PHA MANAGEMENT MANUAL

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- b. Total Routine Expenditures.
 - c. Total for each of the following nonroutine expenditures:
 - (1) Extraordinary Maintenance.
 - (2) Replacement of Equipment.
 - (3) Betterments and Additions (Operating Improvements).

Where the budget includes provision for extraordinary maintenance or substantial betterments and additions, PHA approval of the budget will be conditioned on the Local Authority's using the funds so provided solely for such work or for incompletd work from the previous year under the provisions of paragraph 10d below.

- d. Limitations, if any, established by the Regional Director as a condition to approval of the budget.

Provided that these requirements shall not apply:

- (1) Where an expenditure is necessary to eliminate an immediate serious hazard to life, health, or safety of tenants, or
- (2) When an increased expense is compensated for by a related increase in income, such as increased utility cost compensated for by charges for excess use or increased PILOT resulting from increased dwelling rent, or
- (3) Where the overrun is attributable to terminal leave payments.

10. Revision of Operating Budget. Budget revisions are required only when necessary to achieve operations within controlled accounts enumerated in paragraph 9 above. The revised budget shall be processed in the same manner as the original budget for the fiscal year. In no event will a budget revision be approved by the PHA after the end of the fiscal year involved.

a. Budget Revision Documents. As a minimum, the following budget revision documents shall be submitted by the Local Authority:

- (1) A revised summary of all receipts and expenditures chargeable to PHA-aided projects in management (Form PHA-2564R, Revised Summary PHA-Aided Low-Rent Housing in Management).
- (2) A narrative statement explaining and giving the justification for all significant revisions of the budget.

- (3) A revised summary financial plan showing the effect of the revisions on the individual assistance contracts (Form PHA-2570R, Available Residual Receipts and Status of Reserves for Fiscal Year Ending _____).

b. Timing of Budget Revision Requests. As a general rule, formal budget revisions should not be prepared prior to the end of the first six months of operation in the fiscal year involved. A satisfactory evaluation of the need for a budget revision probably cannot be made at an earlier date. The statement of actual operating receipts and expenditures covering the first six-month period should be the basis for the mid-year review of the Local Authority's budgetary plans. After the mid-year review of the first six months' operations, in the event a budget revision is required because of anticipated overruns of controlled accounts, ^{1/} the revision should also reflect any significant changes (increases or decreases) in all budgeted receipts and expenditures accounts. During the balance of the fiscal year following the mid-year review, a budget revision may be prepared and processed at any time if it appears that any controlled account will be overrun. No budget revision should be submitted to PHA solely because of a known increase in any one item without a determination that such increase cannot be absorbed in underruns of other items in the same controlled account of the consolidated budget.

c. Advance PHA Approval of Individual Items

(1) Pending the mid-year or subsequent determination of the necessity for and the preparation and processing of a formal budget revision, a Local Authority may at any time request advance PHA approval of individual items, immediately necessary for the operation of its program, which in its opinion would probably result in an overrun of any controlled account in its approved consolidated budget. In the case of increases in the PHA-determined prevailing wage rates, the approved Form PHA-2158, Maintenance Wage Rate Determinations, shall represent advance PHA approval for such increases. Advance PHA approval of such items shall constitute a commitment to approve a subsequent revised budget incorporating such items and increasing the authorized total expenditures in any controlled account by the amount necessary to avoid an overrun, up to but not exceeding the amount approved.

(2) No request for advance PHA approval is necessary for the types of expenditures listed in paragraph 9 above which include emergency expenditures, increased expense which is compensated for by a related increase in income, or terminal-leave payments. Expenditures over the approved budget caused solely by these items are exempted as budget

^{1/} For items involving Extraordinary Maintenance or Betterments and Additions, a budget revision is also necessary to proceed with new items not previously approved in the current or prior year's budget even though no additional funds are requested.

overruns. However, in the event a budget revision is prepared due to other overruns in controlled accounts, the revision should also include any known increases in these items.

d. Incompleted or Deferred Work Items of Extraordinary Maintenance or Betterments and Additions. In the case of Extraordinary Maintenance or Betterments and Additions, approved work items authorized in the previous year's budget may be completed or accomplished during the current year even though such items are not specifically included in the current year's budget. This authorization to complete or accomplish carryover work does not authorize any funds to be carried over from one fiscal year to the next. If additional funds are required to complete the carryover work and the budgeted work, a budget revision increasing the total amount approved for the particular controlled account must be prepared and approved prior to the end of the fiscal year. The above provisions provide flexibility in the handling of contracts in cases where the required work is contracted for in one fiscal year but cannot be completed until the following fiscal year.

11. Operating Reserve

a. The normal objective of the operating reserve policy is to permit the Local Authority to build up at a substantially uniform rate over the initial years and maintain thereafter, a reserve for unforeseen contingencies. A separate operating reserve must be established for each contract. 1/

b. Programs of Over 200 Units

(1) For programs over 200 units, the normal maximum reserve for each contract to be established at the end of a particular fiscal year shall be equal to one-half the estimated total routine expenditures (as contained on Form PHA-2570) for the subsequent fiscal year's budget; e.g. the normal maximum reserve at the end of fiscal year 1960 would be one-half the budgeted total routine expenditures for fiscal year 1961.

(2) The normal maximum reserve shall be built up over the first ten years of project operation. Where the projects in a contract are not of the same age, the operating reserve must be based on their average age weighted by the number of units. For this purpose projects ten or more years old are considered to be ten years old. The normal maximum reserve for a particular year during the first ten years shall be one-half the budgeted routine expenditures of the subsequent fiscal year times the weighted average age divided by ten. The age of a particular project shall be the number of years between the end of the initial operating period (EIOP) and the end of the fiscal year for which the

1/ However, if the program of the Local Authority contains a non-permanently financed project which has been in the operations period for at least three months at the end of the fiscal year, except for such projects covered by a consolidated annual contributions contract, a separate operating reserve must be established for each such project.

PHA MANAGEMENT MANUAL

operating reserve is being determined. Any fraction of a year should be considered as a full year.

c. Programs of 200 Units or Less

(1) When the PHA-aided program in management is 200 units or less, the normal maximum reserve for each contract shall be computed as follows:

<u>Number of Units in Contract</u>	<u>Normal Maximum Reserve</u>
25 or less	\$200 per unit
26 to 50	\$5,000 plus \$180 per unit over 25
51 to 100	\$9,500 plus \$160 per unit over 50
101 to 200	\$17,500 plus \$140 per unit over 100

(2) The above amounts are to be built up over the first five years of project operation. For this purpose the age of the oldest project in the contract shall be considered to be the age of all units in the contract.

d. Local Authorities which, pursuant to the budget procedures released in May 1958, elected to establish operating reserves at previously authorized amounts for a three-year period may continue to do so for such period. The last effective date of such authorization is September 30, 1961, December 31, 1961, March 31, 1962, or June 30, 1962.

e. Where, due to the need for undertaking extraordinary maintenance programs or additions and betterments, or for other reason, operating deficits appear unavoidable, the PHA will, on a case basis, approve an increased operating reserve in the amount of such deficits. Operating deficits as may be estimated on Form PHA-2570 for the fiscal year covering the proposed budget and the three subsequent fiscal years will be considered in determining the need for increasing the normal maximum operating reserve.

12. Waiver of PHA Approval of Operating Budgets

The Public Housing Administration hereby waives the provisions of any contract between the PHA and any Local Authority which requires prior PHA approval of a proposed Operating Budget or proposed revision of any Operating Budget.

This waiver is issued subject to the following terms and conditions:

a. This waiver shall not become effective until accepted by the Commissioners of the Local Authority at a duly held meeting and certified extracts from the minutes of such meeting are received by the PHA.

PHA MANAGEMENT MANUAL

- b. This waiver, when so accepted by the Local Authority, shall continue in effect until withdrawn by the PHA upon written notice to the Local Authority.
- c. The Local Authority shall not without prior approval of the PHA:
 - (1) Make any betterment or addition if the cost of such betterment or addition exceeds \$10,000, or for any project exceeds \$50 per dwelling unit, whichever is the lesser, or
 - (2) Establish Operating Reserves in excess of the normal maximum determined in accordance with regulations issued from time to time by the PHA.
- d. The Local Authority shall submit to the PHA copies of budgets or revisions and supporting documents on the forms and at the time or times required in the preceding pages for PHA comment and suggestions. It is recommended that the Local Authority submit a proposed budget to the PHA so that the Local Authority Commissioners will have the benefit of any PHA comments and suggestions before the budget is formally adopted. A copy of the certified extracts from the minutes of the meeting at which the budget is adopted shall be submitted to the PHA.
- e. Failure of the PHA to make suggestions or comments in respect to any item or items of a budget or revision shall not be construed as PHA approval of such item or items.
- f. Comments or suggestions of the PHA in respect to any item or items of a budget or revision shall not be construed as PHA approval of the necessity or desirability of such item or items.

Attention is invited to the fact that a budget is an estimate of expenditures to be incurred which are necessary for the operation of a low-rent housing project in such manner as to promote efficiency and economy. The inclusion of an amount in a budget for a particular purpose is not conclusive as to the necessity for the expenditure. This is true whether the PHA approves or waives the approval of a budget. Accordingly, this waiver shall not be construed as PHA approval of the expenditure of any moneys for the operation of a project which is contrary to the contract or the governing State and Federal Acts.