Board Commissioner Training Module 6: Overview of the Low-Income Public Housing Program (LIPH) and Admissions and Continuous Occupancy Plan (ACOP)

Transcript

00:00:00 Margaret McGilvray: Welcome to an Overview of the Low-Income Public Housing Program and the Admissions and Continuous Occupancy Plan, or ACOP, for Boards of Commissioners. This is one of a series of live and recorded training modules for PHA Commissioners. The live training modules include module one, Roles and Responsibilities; module two, PHA Budget and Finance; module three, The PHA Plan, Capital Fund, and Strategic Planning; module four, Procurement; and module five, PHA Performance Monitoring and Risk Management. And we hope that you will take part in those live trainings. This one, in particular, is part of three recorded training modules for your viewing at your own pleasure and timing. This module is in addition to one on the HCV Program and the Administrative Plan, and a second one on the North Carolina/South Carolina State Public Housing Law basics. We encourage you to take advantage of all of these trainings.

So, let's get started. My name is Margaret McGilvray, and I'm from Econometrica, an organization that provides technical assistance and training to public housing agencies around the country, and who's been hired by HUD to provide this training to all of you. I myself have been working in this field for nearly 25 years. I'm joined by my colleague Cydney Jones, the Consulting Manager of Nan McKay and Associates. She's been with Nan McKay for 10 years and began her public housing career at the DC and LA County housing authorities. Cydney specializes in the HCV Program and training and has done a considerable amount of work with technical assistance with housing authorities across the country.

Let's look at what our learning objectives are for this session. This slide, I won't go over in detail, however it's a great source for you to make sure that we've done our job today. And basically, at the end of this training, we want you to understand the basic functions of your PHA, and particularly the operations of your low-rent public housing program and properties.

So, what are we going to cover today? Today, we'll be looking at an overview of Low-Income Public Housing, and that'll go into some of the basics. Then Cydney will walk us through the asset management aspects of public housing. I will then continue with an overview of the Capital Fund Program. Cydney will walk us through some of the top elements of the Admissions and Continuous Occupancy Policy, or the ACOP. And then I'll finish up with a description of the Public Housing Program Assessment, or PHAS, which is used by HUD to assess housing authorities.

Let's just make sure we're all on the same page with what we're talking about today, specifically. We'd like to clarify, in this session, that our focus is on one of the two primary types of public housing—what is called "public housing," which is made up of the low-rent housing program and the Section 8 Housing Choice Voucher Program. Today's session is on the low-rent housing, or public housing, program. And that is oftentimes referred to as "low-rent housing," or "public housing," or LIPH. The 1937 Housing Act established the low-rent housing program to provide decent, safe, and sanitary housing for low-income families, the elderly, and persons with disabilities. In a different recorded session, we do go into depth on the Section 8 Housing Choice

Voucher Program, which allows low-income families to choose or lease—or, in some cases, purchase—housing out in the private markets.

Now, let's get into some of the basics of public housing. And we want to start with a historical basis, essentially. Commissioners should know the Federal, State, and local laws as well as the Federal regulations that guide public housing. These statutes and regulations are the foundation of the consolidated Annual Contributions Contract, or ACC, which we'll get into in a couple of slides from now. Understanding how the statutes and regulations work together is essential to understanding your oversight responsibilities. When your city, State, or Federal regulations differ, then you adhere to the most stringent guidelines.

So, let's delve into this history a little bit further. The United States has been providing public housing for low-income families since the 1930s and, as I mentioned previously, the 1937 Housing Act. From the beginning, the goal was to provide decent, safe, and sanitary rental housing, and that has continued throughout its long history. Today, there are approximately 1.2 million public housing units administered by over 3,000 public housing authorities. And the average yearly income of families living in low-income housing is roughly between $12,000 and $14,000 per year. So, pretty low. Over the years, public housing has had many challenges. However, the lessons learned from these challenges have been used to improve public housing.

Let's look at some of the newer pieces of legislation. As I mentioned, these lessons learned have led to changes in legislation, over the years, and some of these include the Housing and Urban Redevelopment Act; the Quality Housing and Work Responsibility Act, which is otherwise known as QHWRA; and the Section 8 Housing Choice Voucher Program. I mentioned QHWRA because that was one of probably the most comprehensive acts that has changed public housing. And some of the changes that occurred during QHWRA were: the inclusion of required community service for public housing—so, for those able-bodied individuals who live in public housing, they have to give back a certain number of hours in community service—or establishing a flat rent option in public housing, which is for those families and individuals that reach a certain income level, where 30 percent of income is getting higher and higher, they can choose a flat rent option, which is also much easier for the housing authority to administer.

QHWRA also established increased screening and eligibility criteria, particularly as it relates to criminal backgrounds. It also established the requirement of a 5-Year and Annual Plan, otherwise known as the PHA Plan, as well as the Capital Fund Plan, and included the establishment of a Resident Advisory Board, or RAB. It also added the requirement of resident appointment to the Board of Commissioners. So, many of you may be familiar with having a resident on your Board, and that was established by QHWRA. It also created the Performance Assessment Systems that we'll talk about a little bit later for public housing. And if you tune into the Section 8 module, then we'll talk a little bit about SEMAP there, and that too was established by QHWRA. Also, in 1998, Congress established a new Operating Fund Program, which we'll refer to a little bit further, and also established that HUD require an asset management approach to properties. The business model called "asset management," which Cydney will get into in more detail, was also a brand new and very significant change as a result of QHWRA.

The other laws and regulations listed here, we'll go into some of them further in this module. But this slide is a great reference list for the future, if you're ever wondering why your PHA has to do something a certain way. It is the job of your Executive Director and their staff to make sure that you, and the PHA itself, are compliant with all of these various requirements.

So, let's talk about a few other elements in more detail, such as the Annual Contributions Contract. I referred to this before. The Annual Contributions Contract is just as it's described: It is a contract between the housing authority and HUD and essentially establishes the line for receiving your money. It's that legally binding contract that enables a PHA to receive its funding. It also defines some of the agency's obligations to HUD, and also outlines some of the remedies that may occur from HUD for breaches of the contract, and it extends each year that your PHA receives funding.

Some of the elements of the Annual Contributions Contract include definitions in terms of how you should submit your operating budgets; how you establish your funds, your general funds, your depository agreements; how you keep your books; how you submit financial reports to HUD; and definitely conflicts of interest, and how defaults and remedies occur. Should there be a breach of the contract, HUD will pursue remedial actions, and these could include a reduction in the amount of the payments from HUD or reduction in the contract budget authority for your Section 8 program. It could also go as far as consolidating your PHA with other neighboring PHAs, or even HUD taking over your housing authority, and that's known as "receivership." So, it's very important for Commissioners to have a copy of the Annual Contributions Contract and to fully understand what is stated and obligated in there.

Let's talk a little bit about Declarations of Trust, or DOTs. Every entity that receives HUD assistance is required to maintain a Declaration of Trust against the property. A DOT is a legal instrument which grants HUD an interest in the public housing property. So, the PHA owns the property; however, HUD has a definite interest and control over that property. It provides public notice that the property was developed, maintained, and operated because of Federal assistance and therefore is held in trust by the PHA for the benefit of HUD. It also establishes that the property is to be operated as public housing and operated in accordance with the terms in your ACC.

Most importantly, the DOT restricts the PHA from transferring, conveying, assigning, leasing, mortgaging, pledging, or otherwise encumbering your low-rent property without getting HUD approval first. This is very important for housing authorities that are thinking about repositioning your public housing property, whether that be demolishing it, selling it, converting it to the RAD, or Rental Assistance Demonstration, Program—all of these things will affect those DOTs, and so they need to be in place and current. It also, quite frankly, ensures the accuracy of your HUD subsidy calculations and payments under the operating and capital funds. So, it's a critical document for you all.

Get into a few of the facts and figures around the public housing program. What is public housing? As noted previously, public housing was established to provide decent, safe rental housing for eligible low-income families, the elderly, and persons with disabilities. Public housing comes in all sizes and types, from scattered single-family homes to high-rise apartments for elderly or families. The property, as I mentioned, is owned by the PHA but is funded through money from HUD, and tenant rents, of course. The PHA is established by State law and statute, and HUD controls the PHA's use of the property through the Annual Contributions Contract and DOT. So, it's a rather confusing and elaborate ownership structure and sometimes can be a little mind-boggling for Commissioners.

Public housing is limited to low-income families and individuals, and HUD sets that lower income limit at 80 percent of median. The housing authority determines eligibility based on a family's or individual's annual gross income; whether you are elderly, a person with a disability, or a family; as well as U.S. citizenship and eligible immigration status. The income limits vary from area to area, so you may be eligible at one PHA but not at another, because it is 80 percent of the local median income limits. The funding for public housing comes in two general pots, the Operating Fund and the Capital Fund, but I'll get into that in a little bit more depth in a few slides.

Let's look at some of the other elements of the public housing program. You may have heard the term PILOT. PILOT stands for Payment In Lieu Of Taxes, and that's an agreement on the part of the city—or the county, or whatever your local taxing authority is—and the PHA to replace, in essence, property taxes. It's a much smaller payment, obviously. But there must be a PILOT set up between the locality and the housing authority, and that's done through a cooperative agreement. And it's important for the Board to know what that says, and know how it obligates the PHA, and to either be familiar with a copy or know where to get a copy.

So, how is the rent determined? I touched on this a little bit in the previous slide, but the rent is referred to as the Total Tenant Payment, or TTP, in this program, which is based on the family's anticipated gross annual income but with some deductions, such as medical deductions for families headed by an elderly person or a person with disabilities, families with children, and there are a number of other deductions that then bring that number down to the TTP. Generally speaking, it's 30 percent of the monthly adjusted income, but it does decrease based on some of those deductions. PHAs also have a minimum rent, and that can be set by the housing authority. It is at least $25 or higher but generally is not too high, because it's not meant to cause undue burden on the families.

So, how long can someone stay in public housing? In general, the residents of public housing can stay as long as they comply with the lease. If, at reexamination, the family's income is sufficient to obtain housing on the private market, the PHA may determine whether the family should stay in public housing. But that will be established in your ACOP, and Cydney will go over the ACOP in a little bit more detail shortly.

PHAs are also required to have a Resident Advisory Board—as I mentioned, that was established by QHWRA—and, to the extent possible, support resident service. Unfortunately, HUD no longer funds a lot of those programs, but housing authorities can get them through additional funding for the Family Self-Sufficiency (FSS) or Resident Opportunities and Self-Sufficiency (ROSS) grant, as well as some other sources.

Let's go on to a little bit more detail about the funding for the low-rent program. Public housing is funded, as I mentioned, by two pots of money, both of which are restricted. They are the operating subsidy and the Capital Fund, and both are calculated by HUD on a formula basis, based on the number of public housing ACC units. So, as you reposition, or demolition, or sell, or otherwise change the number of public housing units in your portfolio, it will affect your operating subsidy and your Capital Fund amounts. The other thing, as I mentioned, about both of these sources of funding is that they are restricted. And what I mean by that is that you cannot use your public housing operating fund to support your Housing Choice Voucher Program or your RAD properties. So, there are restrictions on keeping your public housing funding on the side of your public housing.

There are also some competitive grants for public housing that are available, some of which I already mentioned, such as the FSS and ROSS program. There are also Emergency, Disaster, Safety and Security, Lead-Based Paint, and Housing-Related Hazards in the Capital Fund Program. There's also funding through Neighborhood Networks for Internet access, and comprehensive development funding through the Choice Neighborhood program.

So, now I'll turn it over to Cydney to talk a little bit more about public housing asset management.

00:20:40 Cydney Jones: Thank you, Margaret. As you mentioned, public housing started in 1937—way before we were born, right? Today, there are approximately 1.2 million families living in over 100,000 public housing authorities' public housing units across the country. As a result, Congress established a new Operating Fund Program and requested that HUD develop a formula for determining a subsidy for the cost of public housing. As a result of this change in subsidy allocation, HUD also required housing authorities to adopt a new business model similar to multifamily and private-sector properties, with project-based budgeting, accounting, and management. And this business model became known as "asset management."

So, let's talk about some of the components of asset management. Previously, HUD used to give the PHA one lump sum of money and say, 'Here you go, manage all of your public housing properties.' Well that changed, and now HUD requires the money to go directly to the assets, or property, and be managed separately by each property. So, the PHA's central office—what we call the Central Office Cost Center, or COCC—provides the property management, funding, budgeting, accounting, and maintenance services. And maintenance has to kind of be decentralized, we'll talk about that a little bit as well. But the Central Office Cost Center manages that money, and there's now a separation between the Central Office Cost Center and each individual Asset Management Project, or what we refer to as an AMP. If your PHA has less than 250 units, they're not required to manage their properties or portfolio through the asset management model. However, this section can really be informative, because all PHAs can benefit from looking at their operations from an asset-based perspective and can benefit from the Board's monitoring of their assets and property management and maintenance.

So, the purpose of asset management is to make sure all the money doesn't go to the central office, paying high salaries for folks who are sitting in the office, versus making sure that that money flows to the property to make necessary repairs and upkeep and maintain those properties in a manner that is safe, decent, and sanitary.

Now, each project or AMP has its own property management, funding, budgeting, accounting, and maintenance. It can be a single public housing building or a set of buildings grouped for the purpose of management. The housing authorities may group up to 250 scattered-site dwelling units into one AMP. But each PHA's asset management approach is based on the mission goals and objectives of the owner, lender, sponsor, or regulatory body. So, under asset management, housing authorities are responsible for making sure that each AMP has long-term capital planning and resources allocated, that the flat rents are aligned with the HUD rules, that they are reviewing the financial information and physical stock of those units, that they are properly performing property management services, and that they're looking at the long-term viability of the properties and whether or not those properties really need to be repositioned. Again, for PHAs that have 250 public housing units or less, asset management is not required. However, it is recommended.

So, let's take a look at some of the goals of asset management. Asset management's goal is to improve the operational efficiency and effectiveness of managing public housing units, better preserve each asset, and actually provide appropriate mechanisms for monitoring performance at the property level and facilitate future investments and reinvestment into public housing.

Let's take a look at the next slide, and project-based budgeting. Prior to asset management, as I mentioned, the money just went to the central office—that COCC we talked about—and what tended to happen is the money didn't filter down to the properties as it should have. With project-based budgeting, the money goes directly to each AMP, or asset management property, and has an approved operating budget at the project level. So, Section 11 of that ACC, or Annual Contributions Contract, that Margaret was mentioning, Paragraph D states that "The HA (Housing Authority) shall not incur any operating expenditures except pursuant to an approved operating budget."

So, what that means is you have to have a project expense-level budget, or something we call a PEL. A major component of a project subsidy calculation is its PEL. The PEL is a model-generated estimate of the cost to operate the project, excluding utilities and taxes. The PEL is based on the cost of operating other Federally assisted housing developments with similar characteristics. Preparing the operating subsidy—which is typically done by the PHA's finance department or fee accountant, with a lot of input from the property-level staff—is a detailed process which includes a budget for each individual project or AMP. These budgets require you, the Board's, approval.

So, operating budgets are completed at the project level, as opposed to the PHA or an entity-wide level—again, unless you're a smaller housing authority with less than 250 units, but asset-based management and project-based budgeting is recommended. So, project-level budgets must be approved by the Board each fiscal year. And they also have to reconcile with the Financial Data Schedule, or FDS, as we refer to it. And that's HUD's measurement and accounting software. And typically, we have to follow Generally Accepted Accounting Practices, or GAAP, as we refer to them. Again, to learn more about project-level budgets, you can tune into one of our live training modules on budget. But just keep in mind: Project-based budgeting and accounting tracks the financial performance at each project and facilitates effective decision-making at the project level.

So, what are we looking at? Data needed to complete the project-based financial statements in accordance with those GAAP principles. We want to make sure that costs can be charged to each project as a frontline expense. We want to make sure that the cost at the COCC level, that executive level, is absorbed in the management fee and is not too excessive. We also want to look at our revenue, expense, and balance sheets for HUD required year-end financial statements. So again, looking at the fees, looking at the costs, making sure that the project has enough money to be sustainable is what project-based budgeting is all about.

Let's talk a little bit about project-based management. Similar to project-based budgeting, we also want to make sure that the project, or AMP, or building itself has enough staff and maintenance to manage the property. So, similar to private property management, we want dedicated managers and maintenance personnel who will work at the site. So, project-based management is a valuable tool regardless of the size of your PHA. And it's really how most private-sector property management companies function. And it has many advantages. It's tailored to the unique needs of the property. Also, services are arranged and coordinated by the management personnel overseeing the day-to-day operations. Typically, the Property Manager is in charge of that building. These services may include marketing, leasing, resident services, providing those routine and preventive maintenance services, lease enforcement, and security.

So, project-based management is important because it maximizes performance at all levels. Local staff are closer to the market changes and community issues because they're right there onsite and can monitor the project. Also, typically their response to resident issues and relationships with residents is much better.

The Commissioner has a huge role in asset management. Public housing authorities are facing a lot of challenges to remain financially strong in an ever-changing environment. So, Commissioners really have to lead the charge to plan with careful thought, knowing how to oversee these developments at the PHA and how to assess the entire PHA portfolio. One of the things that the Board has to understand is the mission, goals, and policies at the housing authority. The Board is responsible for strategic decision-making—making decisions based on recommendations from staff on rehabilitation, disposition, capital improvements, and the financial viability of projects. Now, the PHA staff are responsible for preparing those project-level budgets and also making sure that the property has enough money to provide day-to-day management and operations at the property: that they have sufficient staffing, including maintenance staff; that they're leasing those projects and not leaving units vacant; that they're collecting rent on time and responding to those work orders as needed.

So, what should the Board review for public housing asset management? In order to monitor your assets, regardless of the PHA size, the Board really should look at the following monthly reports and look at actual-to-budget trends. Are our expenses trending up, or are they trending down? Are vacancies trending up, or are they trending down? So, some of the things we want to look at are the financial reports, the actual-to-budget; asset management reports, what is our occupancy level, how many delinquencies do we have, work orders, emergency versus preventive maintenance; contracting and procurement reports; and compliance reports. Again, do we need to get more help in maintaining those properties, or do we have sufficient resources to make sure that those properties are well functioning?

Now, there's many ways you as a Board member can review this information, but you should be looking at your monthly reports for each asset, right? So, the PHA should be providing information in a variety of formats, but in general, you want to look at a variety of performance indicators for your PHA each month. The goal is to be sure that they are maintaining their assets, so you don't get surprised at the end of the year. These indicators and trends within the report can help. So, there's just a sample report there.

Let's talk about what should be in those reports and some strategies for improving asset management. So, let's take a look at that. While asset management has been in practice for PHAs for some time, agencies and their Boards can continue to improve their model to meet the mission and values of their community. Some tips to improve and update your asset management model, regardless of its size, and turn a troubled AMP or property into a high-performing one means: one, establishing an ongoing process for monitoring each AMP's building and infrastructure. Making sure that you are streamlined and have a plan to use your resources effectively and efficiently—I can't stress things like electronic filing systems, right? Making sure everyone has computers. And developing a comprehensive plan for facility and infrastructure maintenance. Developing a data-driven information technology system to provide capital projects information. So, how can we use the computer systems to our advantage?

And then, what is the reason for failing to meet the goals if they're not being met? Why do we have vacancies? Why have we not responded to work orders in a certain period of time? So, getting to the source of the issue. And then also, as a Board member, you want to be familiar with every property. Only then are you in a position to make decisions on behalf of that property.

So, let's do a little knowledge check here real quick. Which of the following is a benefit of the asset management model? Take a minute to answer that. Which is a benefit of the asset management model? Well, that's great. If you said "c) The Board can identify which properties are costing more than they earn and should be closely reviewed," that was correct. Great job.

Now I'm going to turn it over back to Margaret to talk a little bit about the Capital Fund. Margaret?

00:35:20 Margaret McGilvray: Thanks, Cydney. As we discussed earlier, most of what we just discussed pertains to elements of the public housing funded through the Operating Fund. That's mostly what Cydney was referring to. Now, we're going to move on to those elements funded by the other primary public housing and funding source, the Capital Fund. So, let's get into some of the basics around that source.

When public housing began in 1937, you could do development, but there were no subsidies set for just low rents. So, it was one program. In 1968, the Brooke Amendment created the Comprehensive Improvement Assistance Program, or CIAP, to support public housing modernization. But it was just an application-based program, and was rather small at that point. Then, in 1993, the Comprehensive Grant Program, or CGP, was created as a formula program for PHAs that had more than 250 units. And this ultimately morphed into the Capital Fund, which was ultimately created, or officially created, in 1998 with QHWRA.

The Capital Fund is available by formula and is distributed for mostly capital activities, or those activities that are really directly related to the quality or the capital needs of your properties. And these activities can include development—which can also include financing and modernization of public housing properties, such as redesign, reconstruction, reconfiguration of units and buildings—and development of mixed-finance projects. You can also do vacancy reduction activities through your Capital Fund Program. You can address deferred maintenance needs and replacement of things like obsolete utility systems and dwelling equipment. You can do management improvements, which includes the establishment of, say, computer centers as part of the Neighborhood Networks initiative. You can also enhance self-sufficiency, or employability, or economic self-reliance of public housing residents and address problems that are confronting the housing authority. For instance, if you're having difficulty collecting rents, you may need to update your financial system software. So, that can be done under management improvements. You can also do demolition and replacement activities. You can do resident relocation if you have done some demolition and other types of reconstruction activities. You can also do capital expenditures for safety and security of residence, but we'll get into some of the details of that one in a little bit. You can also do energy and water conservation or other efficiency-type changes to fixtures and equipment and fittings. And you can also do utility management and other, more comprehensive activities to increase energy conservation and hopefully lower your operating costs.

Now, not more than 20 percent of your Capital Fund can be used for operating expenses. The caveat to that is that if you are a small housing authority of 250 units or less and are not in a troubled status, then you actually can use up to 100 percent of your Capital Fund for operating expenses. But that needs to be taken into serious consideration, because if you have capital needs, you may need to use some of this funding for those capital expenses. And if you transfer all of it into Operating Funds, then you may only use it for Operating Fund-eligible activities and not Capital Fund activities. So, it's important to be very careful about how much you actually do transfer into your Operating Fund.

No more than 10 percent can be used for administrative costs, such as staff salaries or portions of salaries for those that are working specifically on the Capital Funds. In addition, those management improvements that I mentioned, you may not use more than 10 percent of your Capital Fund for those activities. So, it is a limited amount.

So, just to recap: PHAs of any size may allocate up to 40 percent of their Capital Fund for what is referred to as "non-hard capital costs." That's operations, administration, and management improvements. And small PHAs under 250 units that are not troubled may allocate up to 100 percent of their Capital Funds to operations, but recognizing that there are limitations with that, and it should be done only where no capital needs arise. So, that must be a very careful choice. PHAs may also request HUD approval to borrow funds against their future capital grants—and that's under the Capital Fund Financing Program—to make improvements to or develop additional help public housing. And that does tie up some of their future Capital Funds for debt service payments.

Let's look at some of the ineligible activities for the Capital Fund. Ineligible activities for Capital Funds are any items that are not in your 5-Year Action Plan. So, you need to first make sure that anything you want to use your Capital Funds on has to be included in your 5-Year Action Plan. You may also not use it for things that are more than modest design. So, you can't use it to add swimming pools or create skylights in your properties and such. It needs to be used for reasonable changes to your units. It may also not be used for activities that are eligible under the operating subsidy, other than that portion that you transfer to operations. It also must be attributable just to the public housing units. That's where supportive services becomes specialized. If you have supportive services for your Section 8 participants as well as public housing, this may only be used for those that are in public housing. Some of these are often thought to be eligible as management improvements or other soft costs, but they are not because they don't improve or address management issues, energy conservation, or major deficiencies. So, your management improvements do need to be focused on those areas of management issues, energy conservation, or major deficiencies that have been identified, either by yourselves, your auditor, or perhaps HUD.

One item that is often mistakenly paid for out of Capital Funds is the purchase or leasing of vehicles—passenger vehicles or otherwise, such as tractors, hogs, ATVs. In order to qualify under the Capital Fund, they must be used full-time for physical and management improvements funded by the Capital Fund and in the 5-Year Action Plan. So, for example, if a car or van is needed for the Capital Fund Coordinator or, for instance, an in-house architect on a full-time basis to visit work sites and travel to resident meetings and such—all associated with Capital Fund activities—then that can be funded under the Capital Fund. However, if it's only needed on a part-time basis, then only a portion of that cost can be attributed to your Capital Funds. Although passenger vehicles, such as maybe a vehicle for the Executive Director or something, are generally ineligible, the PHA can charge mileage that's associated with carrying out those Capital Fund activities, such as maybe driving to sites to inspect Capital Fund work, driving to meetings with architects or engineers, or resident meetings. So, it's important to keep very stiff travel logs for those vehicles, and to generally just be very careful when using Capital Funds associated with vehicles.

Many non-passenger vehicles are also not eligible, such as maintenance equipment, mowers, trucks, cars, and snow removal equipment, because it is an eligible cost under the Operating Fund. However, it is possible that certain equipment may be needed in the administration of your Capital Fund, so you have to look at that carefully. For example, a PHA could purchase a truck with Capital Funds if it were used exclusively to haul items for use with force account, modernization, or development activities, or it was used by PHA personnel to manage and monitor modernization development. Anyway, in certain cases, the vehicles can be purchased under management improvements. But again, it must be associated directly with public housing and a management deficiency or energy improvements.

So, let's get on to obligation and expenditure requirements, which is a key element of the Capital Fund Program. Capital funding grants expire and must be obligated and expended within a certain period of time, or HUD will recapture them or sanction the housing authority. So, PHAs have 24 months from the obligation start date, which is essentially the date you receive your letter of award from HUD for that year's Capital Funds, to obligate a minimum of 90 percent of the authorized amount of capital. And then there are 48 months, or 4 years, in which to expend the entire award amount. In the case of the Capital Fund formula grants, the PHA signs a specific Capital Fund ACC amendment, and this amendment establishes this timeframe. There are some specialized competitive grants within the Capital Funds—I mentioned some of them earlier, such as Emergency and Disaster—that have shorter timeframes, but I'm not going to get into those here.

When a PHA fails to comply with the obligation and expenditure deadlines, the statute and the regulations require that HUD withhold the PHA's next Capital Fund grant until the PHA obligates at least 90 percent of that passed grant. So, with each month that passes, they withhold one-twelfth of that Capital Fund. And if the PHA fails to obligate 90 percent of the grant by 12 months, then they will recapture the entire amount, or whatever is unexpended at that point in time. Let's look at an example of that so you can understand that more acutely.

So, here's an example so that we can kind of walk through this together. In this particular case, the PHA failed to obligate at least 90 percent of its 2017—we're going to use that as an example—grant by the obligation end date of July 10, 2019. So, they will continue to incur withholdings until they obligate that full 90 percent. And so, for instance, if they achieve the 90-percent obligation by October 2019, which is 3 months and 2 days after the obligation end date, then HUD is going to penalize that housing authority for 4 months' worth of their grant monies in the next year, or their fiscal year (FY) 2020 Capital Fund grant.

Okay, so let's look in depth at the math behind this. So, in FY 2020, their formula grant is $360,000. Because they did not obligate the 90 percent of their 2017 grant for 4 months, HUD is going to essentially withhold 4 months of their FY 2020 grant, or 4 months out of that $360,000, which actually equals $120,000. So, ultimately, their 2020 grant is only worth $240,000. So, this gives an example of how not meeting those obligation requirements can critically impact future years in the Capital Fund for your housing authority.

Let's go on to look at the planning process for the Capital Fund. The PHA has to submit, as I mentioned previously, a 5-Year Action Plan, which is every 5 years, but they also have to submit an Annual Plan each year of those 5 years that can update that 5-year plan and further define it to a greater extent. So, they need to follow these following steps. This is more information for the staff, because the staff conducts most of this; however, it's important for the Commissioners to understand the process so that they can see where it may or may not be functioning.

So, first, the PHA needs to consider the condition of its developments, thinking of its most recent PHAS score—which we'll go over in upcoming slides, and that's the Public Housing Assessment System score—and progress that it's made towards some of the activities in its 5-Year Action Plan. And the 5-Year Capital Fund Action Plan also connects to your PHA Plan, so making sure that those two plans are in sync is also important. Anyway, from this data—whether it's collected by the housing authority maintenance staff in terms of them doing a needs assessment, or whether you've gotten an outside company to do a comprehensive needs assessment—you need to look at that data annually and see what may need to be rehabilitated or need to be fixed or modernized over the coming year. Then they also have to make sure that any of those actions are included in that 5-year plan, and if not, perhaps amend that 5-year plan.

Then, annually, you have to publish a notice at least 45 days ahead of when you want to approve that Capital Fund Annual Plan, and have a public hearing, and provide the public with an opportunity to comment on that plan and review it. Then the housing authority must obtain a Board resolution that approves the 5-Year Action Plan as well as the updated Annual Plan. So, that's an important role for the Commissioners, is to review that plan. At the public hearing, you are also obtaining RAB, or the Resident Advisory Board, input, and they have to have an opportunity to review and provide comments as well.

Because the timing of the public hearing and approval of the 5-Year Capital Fund Action Plan may or may not align with the PHA's 5-year and Annual PHA Plan process, a PHA may use the public hearing and Board resolution from its most recent 5-Year Capital Fund Action Plan. However, you just need to make sure that at least once per year, the public and the RAB have reviewed your Capital Fund Plan and had an opportunity to comment on it. If the PHA plans any Capital Fund work that requires environmental reviews, of which there are many, these may need to be considered as part of this planning process, as well.

So, let's look at how you can best monitor your Capital Fund performance. Board members should see, at a minimum, the progress of the Capital Fund on a quarterly basis, if not monthly. Because of those obligation and expenditure requirements, you want to make sure that you are not going to miss that 90-percent obligation deadline and 100-percent expenditure deadline, and therefore lose funding. So, you need to use your 5-Year Action Plan and annual Capital Fund budget to see where you are in terms of that obligation and expenditures, as well as in terms of how you're making progress on projects and plans. For instance, if your 5-Year Action Plan states that in this year, you'll replace the windows at Property X, you will want to see that the PHA has done a procurement for a contractor for those windows and is making progress on accomplishing that replacement. What you don't want to see is that after a year, your PHA has not spent any of its Capital Funds on activities identified in the plan and now has less than 12 months in which to obligate those funds before you may be sanctioned.

So, let's do a knowledge check. Which activity is not allowed under the Capital Fund Program? If you answered, "d) Purchase of a van for resident services activities," you were correct. Generally speaking, as I detailed, vehicles are not allowable costs under the Capital Fund, unless they are for exclusive use of the Capital Fund staff, or for Capital Fund activities only, or as part of a management improvement noted. So, unless the resident activities for which this van was purchased are directly related to a management improvement and is one that is ongoing, which is highly unlikely, this purchase would not be allowed under the Capital Fund.

Let's take a look at one more knowledge check. "Ninety percent of a given Capital Fund award must be obligated within 24 months," or 2 years, "of the grant award and 100 percent expended within 48 months," or 4 years. Is this true or false? You're correct, it is true. Yes, these requirements are correct, and there are penalties and sanctions and grant-withholding associated with not meeting these deadlines.

With that, I'll turn it over to Cydney to walk us through a little bit on the Admissions and Continuous Occupancy Policy, or ACOP.

00:57:20 Cydney Jones: Alright, thanks Margaret. That was a lot of information on the Capital Fund, good information to have. So, let's talk about the policies that we need to have in place for public housing. The Admissions and Continued Occupancy Policy, also referred to as the ACOP, is the PHA's written policies and procedures on how they're going to operate their low-rent public housing program within the Federal laws and regulations. So, it's required by HUD that every PHA have an ACOP, and we really recommend that it be updated or revisited at least annually to make sure that we're in compliance with all of the changes that may have occurred to the HUD regulations and the public housing program within the last year. So, every public housing authority must have an ACOP and should keep it current.

And it also is considered an attachment to your Annual Plan or your 5-year plan. Now, most PHAs try to update their ACOP concurrently with the Annual Plan. It's not necessarily required; you can update your ACOP at any time. But keep in mind, if you make detailed or significant changes to your policies, that may also require an update to your Annual Plan if it's considered a significant change. So, at the end of the day, the ACOP is the housing authority's comprehensive written policies and procedures to operate their public housing program within the Federal law and regulations. Therefore, staff and residents can make suggested updates and changes, but it's ultimately adopted by the Board of Commissioners. And it's used to guide the operations of the public housing program. So, remember, once that ACOP is prepared and it's been made available to the public for review and open for public comment, then it is required that the Board of Commissioners approve and adopt those new policies.

Let’s talk a little bit about the ACOP. The PHA’s written policies and procedures have to be in accordance with HUD regulations and requirements. And once you make changes to your ACOP, it does have to be available for public review and adopted by the Board of Commissioners. And one thing I like to tell PHAs: When you are updating your ACOP, it may also prompt changes to your tenant leases, so be aware of that. Your ACOP includes PHA policies that pertain to selection and admission of applicants (how we’re going to screen families to move into public housing), the occupancy standards and policies (what size unit is a family eligible for). We have to tell families how to file a discrimination complaint. We have to have informal review and grievance hearing procedures for families that disagree with the housing authority’s decisions. We also have to outline, in our ACOP, how we are going to determine our flat rents, how we’re going to provide notice to families when it comes to recertifications, and whether they want to pay income-based rent or flat rent. And then we also have to have policies related to the Violence Against Women Act, like an emergency transfer plan.

So, let’s take a look at the next slide, and talk about eligibility admissions criteria and policies. To highlight some of the key areas of the ACOP, we’ve chosen a few sections that we just want to talk about. PHAs have a lot of discretion regarding their eligibility and admission criteria, because remember, the housing authority is the landlord. However, Federal law and HUD dictate some policies for admission that the PHA does not have a choice in. One of those is HUD requires that we prohibit admission to anyone who is a registered lifetime sex offender, someone who’s required to register for the rest of their life as a sex offender. Methamphetamine production on the premises of assisted housing—so, if someone’s been convicted of producing methamphetamine on the premises of a Federally assisted housing unit, they would be prohibited from moving into public housing. Also, HUD says if someone’s been evicted from Federally assisted housing for drug-related crimes within the last 3 years, they are prohibited admission. Or if the family is currently engaged in illegal drug use or threatening activity towards PHA personnel, they also must be denied assistance. However, families always have the option to request a hearing and go before an impartial panel to review their particular circumstances.

So, let’s talk a little bit about tenant preferences and the waiting list. The PHA has discretion within their ACOP in terms of how they manage their waiting list. And let’s go to the next slide. The waiting list is managed individually by each site or can be offered as a centralized waiting list—those policy decisions would be in the ACOP. So, the PHA has to decide when they’re going to open and close their waiting list, when they’re going to purge their waiting list. And also, preferences is something that has to be in the ACOP; the PHA can establish discretionary policies on who moves ahead on the waiting list. So, you could have a preference for elderly family or a preference for disabled families. You can have a preference for working families, although elderly and disabled families would have to be eligible for that preference, as well. Now, when it comes to those voluntary admissions policies or preferences, keep in mind when you’re sending those preferences, they can be a barrier to vulnerable populations, including people who are homeless or who don’t have access to programs. So, keeping in mind the vulnerable populations that we serve and who we want to house is important when establishing those preferences. The other thing I want to mention about preferences, which also have to be outlined in the ACOP, is that many times, a change to your preference or a change to how families move up on the waiting list is considered a significant amendment and will prompt an amendment to your Annual Plan or PHA Plan.

HUD requires that at least 40 percent of public housing families who are admitted within a fiscal year have incomes that are extremely low. So, HUD says at least 40 percent of your families must be extremely low. Now, you can offset that with the Housing Choice Voucher Program, but we want to make sure that we're serving the most vulnerable populations. And HUD wants to do that by making sure that at least 40 percent of your new admissions are extremely low-income. Let's go to the next slide.

Occupancy standards: So, what size bedroom does a family receive has to be outlined in the ACOP. We call those "occupancy standards," the number of residents per bedroom. So, for instance, for a two-bedroom unit, the minimum number of people might be two, and the maximum would be four. Now, HUD does dictate some parameters here, but the ACOP usually lays out the standards. And the PHA, if they have an extremely long waiting list, may determine that they're only going to offer the first available unit, and if the family refuses the unit, they can go back to the bottom of the list. We call that kind of "one and done." So, while other PHAs may wish to give families a second option to refuse a unit, some PHAs use that one-and-done policy. But again, these are all up to the discretion of the housing authority, and those policies have to be listed in the ACOP.

Minimum rent: HUD allows the PHA to establish a minimum rent of anywhere from $0 to $50. Again, that's something that has to be in the ACOP. And as noted, a lot of the income standards regarding what income is included and how it's calculated have to also be referenced in the ACOP. And pets—of course, we love our pets, but again: How many pets will a family be allowed to have in their unit? Are we going to put any size and weight restrictions? Are we going to charge deposits or penalties (or "poop fees," as I call them)? How we're going to handle pets in public housing also has to be outlined in the ACOP. And remember, for public housing, you can have a no-pet policy in your family buildings, but for buildings that are designated for seniors and disabled, we have to allow at least one pet. Many terminations are also Federally dictated—when we're going to terminate a family—but your policies regarding lease violations, late payments, fees, they also should be noted in your ACOP as well as your lease. So, keep in mind, your policies in your ACOP are very much tied to the lease agreement that you have with the family, as well.

Let's take a look at the next slide and talk a little bit about leasing. So, to follow up on the prior slide, the PHA can really determine if it will require security deposits and the process in terms of how those security deposits will be paid. Will you accept security deposits in installments? How much will you charge for security deposits? And then, depending on State and local laws, when do those security deposits have to be returned? And again, that's something that's going to vary from State to State. Late fees and other fees also have to be outlined in your ACOP. What will you charge for services and maintenance, or damages beyond normal wear and tear? When will you require those fees to be paid? That has to be in your ACOP. All public housing units are required to be smoke-free, so your smoke-free policy has to be listed in your ACOP. Overall smoke-free requirements are dictated by HUD, but exactly how they are implemented and the repercussions for noncompliance are policy decisions that have to be in your ACOP and approved by the Board. Now, inspections and re-exams are, again, primarily dictated by HUD—we've got to inspect once a year, we've got to perform annual re-certifications—but some nuances on how many opportunities we'll give a family for an inspection, how many opportunities we'll give them for recertification are going to be determined in the ACOP and, again, approved by the Board.

So, let's talk a little bit about the Violence Against Women Act. In 2013, Congress passed VAWA, as we refer to it, which protected victims of domestic violence, sexual assault, and stalking from losing their housing or being denied housing due to abuse. After the passage of VAWA, all PHAs had to add a section in their ACOP outlining how they will administer the requirements of VAWA to ensure compliance and best serve residents and applicants that may be victims of domestic violence. So, some of the things that have to be in the ACOP is an emergency transfer plan. We also have to state that the family can't be denied assistance due to domestic violence. They can't be denied assistance if they were evicted due to domestic violence. The policies under VAWA allow us to bifurcate, or divide, a lease in order to evict a perpetrator. And they also allow for the transfer of one or more members of the household to keep them safe if they are a victim of domestic violence.

Alright, let's do a little knowledge check now. The question is true or false: "The Board can determine who the PHA can admit and not admit into public housing," true or false. Well, hopefully you said false. As we've been discussing, your Admissions and Occupancy Policies, your ACOP, will determine your preferences on the waiting list, and how applicants are screened, and the criminal restrictions that apply to your housing authority. So, it is not the Board who determines who can come into public housing, but rather your policies.

Alright, let's take a look at another question. Question number five, are residents allowed to smoke in public housing? That's correct, the answer is no. You are not allowed, and public housing residents are no longer able to smoke in their units. This rule came out in 2017 and was implemented over the course of several years, but as of today, all PHAs must have a smoke-free policy in place. Now, it doesn't mean that the families can't smoke; obviously, they can smoke, but they just can't do it in their unit. And there may be a designated smoking area at the property that's far enough from the property where other residents would not be affected by the smoke. So, good job.

With that, I'm going to pass it back over to Margaret to talk to you a little bit about PHAS, the public housing performance assessment system. Margaret?

01:11:55 Margaret McGilvray: Thank you. And let's move on to talk about public housing performance assessment and the PHAS, which is the Public Housing Assessment System. This is HUD's mechanism for assessing the performance of your PHA and its programs as it pertains to your low-rent properties. So, while the management of submitting information for these systems, as well as the strategies to improve them, are in the purview of the Executive Director and the staff, it is important for Commissioners to be familiar with these processes and know where to find out more information, should issues arise. And Commissioners may want to use some of these same performance indicators and scores to monitor and oversee your public housing authority performance in general.

The PHAS system is made up of a 100-point scoring system based on four categories of indicators. The first one is the Physical Assessment Subsystem, or PASS, which is worth 40 points—which is the most number of points. And this is focused around determining the condition of your public housing units, making sure they're decent, safe, and sanitary, and they're in good repair; also, whether they are meeting the Housing Quality Standards; whether they are meeting the Uniform Physical Condition Standards, which is called UPCS; and when an individual physical inspection occurs. And this is called the REAC inspection—you may have heard of that, that's the Real Estate Assessment Center, or REAC. They come out every 1 year for troubled housing authorities or authorities that have had very low REAC scores, or every 3 years. And that's from HUD, and they are independent inspectors that come out and take a look at all of the physical conditions of your properties.

The second subcategory is the Financial Assessment Subsystem, or FASS, which is worth 25 points and is based on a number of financial indicators that we'll get into in a moment. Then there is the Management Assessment Subsystem, or the MASS, which is also 25 points and looks at some of the property management side of things, and how you're actually operating your housing units versus the physical condition of your housing units. Those two are oftentimes very related, but they are not the same. And then finally, there is a subsystem that looks at the Capital Fund Program, for 10 points. And that's driven by that obligation and expenditure and basic compliance with the Capital Fund Program that I previously mentioned.

The scores are generally for each development or each Asset Management Project, or AMP. If you are a small housing authority and you only have one AMP, then it's based on the whole property in general. And then the AMP scores are weighted by how many units are in each AMP and then combined together to create an agency-wide score. The total score is used to determine if the housing authority is designated as "troubled," which is when your points only add up to 60 or less; or whether you are a "high performer," when your points add up to 90 points or above; or if you are substandard, which is actually 70 points or below. So, you will probably hear—or hopefully you should hear—from your Executive Director what your PHAS score is on an annual basis.

So, let's get into each of these indicators individually. First, I had mentioned the physical performance, which is the greatest number of points for your housing authority, and that's the PASS score. But you will often hear it referred to as the REAC score, because that's when those Real Estate Assessment Center independent inspectors come out onsite and take a look. And as I mentioned, at a minimum, they come out every 3 years, but for those authorities that are having trouble with their physical assessment score, they may come out more frequently—every year, or maybe every 2 years.

Basically, there are a number of strategies that housing authorities can use to improve their REAC score. One is to understand the Uniform Physical Condition Standards, or UPCS. Those are basically the standards or the checklist by which those independent inspectors are inspecting your property. Oftentimes, inspecting all of your units using that checklist prior to when an inspection is going to occur is your best way of making sure that you're going to be in good shape when those REAC inspectors come out. So, having a UPCS protocol, and Commissioners can make sure that you have one and can get reports and updates in terms of, how are we doing with our UPCS inspections?

Also, examining how you're using your Capital Fund: Are you using your Capital Fund and prioritizing it to address UPCS problems that occurred the last time REAC was out and inspecting? And compare how your maintenance is operating. If you're seeing that you have a long backlog of work orders, that may be an indication that your units are not in great shape, and that could be problematic when they come out. Also, maintaining accurate data in the PIC system—which is the Public and Indian Housing Information Center, or PIH Information Center, or PIC—because you want to make sure the REAC inspectors can come out and figure out their sample size. They don't inspect every unit, they just inspect a sample. But it's a random sample, so you don't know which ones they're going to inspect. But making sure that your unit count and where your units are are accurately depicted in PIC will also help make sure that the data that those REAC inspectors are using and validating is all the same. And then, as I mentioned, doing repairs and making sure that you are addressing maintenance issues in a timely fashion can also help.

As Commissioners, it's important that you make sure that your PHA is preparing for your annual REAC inspections, that you know when those inspections are happening, and that you get the results after they have happened. And if they weren't ideal, working with the Executive Director and staff to make sure they've put an action plan in place to rectify that, not only for a reinspection, which REAC does do, but as well as subsequent REAC inspections going forward.

So, let's look at the financial indicators now. As I mentioned, HUD evaluates financial performance, or FASS, based on three criteria. And these criteria are the Quick Ratio, or the housing authority's liquidity, which basically means how much money the housing authority has in the bank versus their worth in terms of assets or debt service. And this has a lot to do with how your housing authority is doing for budget-to-actuals. Is it in the black, is it in the red? Are you meeting your budget, or continuously exceeding it? That will have an effect on that Quick Ratio.

Then there is your MENAR, or the Months Expendable Net Assets Ratio. It often goes by MENAR, because that's just a way too long name. And that has to do with what kind of reserves do you have? What kind of rainy day fund do you have? HUD recommends that for a financially healthy PHA, you have at least 4 months' worth of budget for each AMP, or Asset Management Project, in your public housing reserves and 6 months for your Central Office Cost Center, or COCC. Now, if you're a PHA that has less than 250 units, you don't have a COCC, so you would probably want to have 6 months in reserves across your entire Operating Fund. If you do have a COCC, then you want to have that 4 months for each AMP and 6 months for your COCC. But, basically, you want to have a rainy day fund, and you want it to be not just, you know, 1 month's worth, because if something happens and you're not meeting your budget, it could be very problematic and put your Quick Ratio into the red very quickly if you don't have those reserves.

And then, finally, the last item is your Debt Service Ratio. And that basically is making sure that you have enough funds to cover all of your debts. Now, your housing authority may not have any debts. But if you have any loans, if you have done a Capital Fund Financing Program, you're going to have long-term debt that you need to pay off on a regular basis, or perhaps if you have Low-Income Housing Tax Credits. You just need to make sure that you know what your housing authority's debts are, and that you have enough money to cover those.

So, let's look at that financial performance a little bit more. Some of the questions that may be useful, or the ways that you, ongoing, measure the financial condition of your housing authority, is determined by the data reported to HUD on the Financial Data Schedule, or FDS, which comes out annually. You will submit an unaudited FDS, and then an audited FDS. And so, you want, as Board Commissioners, to know what the auditor or HUD said when they audited your FDS, as well as you want to know that the FDS has been submitted in a timely fashion. And then, making sure that your housing authority is maintaining accurate financial records, and perhaps is providing you a monthly report on how you are doing against those three ratios, or those three indicators that

I just mentioned. As well as just looking at your budget-to-actuals and making sure that you're not too far off between those two. Or, on a monthly basis, observing trends: Are your budget-to-actuals, the variance of that, is it starting to rise significantly, or is it going up and down? Or is it going down, which would be a rarity, but a good sign. So those are some of the ways to keep your eye on your financial performance.

So, let's look at the management performance. As I mentioned, there are another 25 points in the PHAS score for management operations. And that has to do with, basically, how the properties are being overseen and the property management on a property-by-property or AMP basis, or, if you are a small housing authority, across your entire portfolio. Basically, your key elements that they're looking at are the occupancy of your units; how well you are collecting rents, called your Tenant Accounts Receivables, or your TARS; as well as your accounts payable. And it's determined by data that's reported to HUD as part of that FDS that I mentioned just a moment ago. As I mentioned earlier, these are all data elements that we recommend that the Board review on a monthly basis as part of those asset management reports that Cydney referenced, so that you are fairly familiar with these elements and how they are incorporated into that PHAS score.

Now, if you are seeing some problems with that, how can you affect that? So, if you're seeing not perfect occupancy, or you're seeing low occupancy below 95 or 90 percent, you may want to ask questions about your waitlist and make sure that your waitlist is being maintained, or the waitlist may need to be opened. Or that you are turning your units very quickly, that you don't have a lot of vacant units on the report on a monthly basis. Unit turns should be done within a month, and even just a few short days; the private sector actually says 5 days. Most housing authorities have trouble with that, but certainly within the month. Also, making sure that they're collecting rents on time. So, you'll see your TARS number if you're getting some monthly reports, and that will compare the rents you're collecting versus the rents that you should be collecting or can collect. And you want to make sure that those are as close as possible. And if they're not, finding out more about how your rent collection process is operating, and are there improvements that you could be doing to that? You can also reduce your accounts payable by paying bills on time, making sure that your maintenance reports are occurring quickly, and such. The Board can inquire about these on a regular basis, and this will help you keep an eye on that MASS, or management assessment score.

So, let's move on to our Capital Fund performance. We sort of went over this already in our Capital Fund section, but the Capital Fund indicator is focused primarily around that obligation and expenditure requirement. So, to reach a high score, or the full 10 points, a housing authority should seek to obligate 90 percent or more of their funds as quickly as possible, and certainly no later than 2 years after the funds become available. And make sure that you are modernizing units as needed to maximize your overall occupancy. So, that's the way that Capital Fund can impact that management assessment score, as well. The Board should regularly receive reports on the status of your Capital Fund. It doesn't necessarily have to be monthly, but certainly quarterly so you can see if there's any problems with those obligations and expenditure deadlines. And making sure that you're planning for your Capital Funds, and that you're tracking that those plans are actually occurring in a timely manner, and that you're making sure that whatever you put into that 5-year plan and that Annual Plan is occurring and that it's not getting waylaid significantly long, because you can't necessarily obligate those funds overnight, particularly if they are needing to be obligated through a procurement process.

Let's look at what this looks like at large for a housing authority. This is a useful tool for housing authorities to keep their eye on your PHAS score over time, based on each of the four indicators, as well as the total. Here in this example, in the case of this PHA, their total scores—which you can see on the top of the slide—have fluctuated but really dropped in 2016, which is the green column. But, as you can see, their financial score actually went up in 2016, which is that first grouping, and their Capital Funds stayed the same, which is that last column that you see on the slide. But their management and fiscal scores went down. This should cause the Board to ask why, particularly since it didn't seem to be linked to a financial problem. So, looking at the trends of your PHAS scores is also very useful for Board Commissioners.

Now that we've looked at each of the elements of PHAS, it's useful for the Board to keep a historical or overall perspective: Is the PHA trending down in its PHAS scores? If so, what is the staff doing to remedy that? Or is the PHAS score adequate, but not a high performer? And would a goal be to make it a high performer? If you're seeing your PHAS scores bounce around from year to year, asking a question of, why is that? Are we losing key staff that's affecting it? Or, what's going on, and how do we address that? Having an elemental view of your PHA's health as well as a global perspective and historical, over-time perspective can really help Boards see what they need to ask about and the changes that are occurring from year to year.

So, let's do a quick knowledge check. What is not a corrective action the Board should consider for a troubled AMP, or Asset Management Project? If you said "b," you are correct. Under asset management, each project should be able to sustain itself. If a project is financially underperforming, the Board must consider if it is able to make fiscally responsible changes to sustain it, or maybe consider demolition or repositioning of that AMP.

Let's do one more knowledge check. What steps should the Board take to address the needs of a troubled AMP—and that's an AMP that scored 60 or below on their PHAS—at a PHA? If you answered "e," then you were correct. All of the above. You should be making sure that your housing authority is balancing the budget for each AMP, but also across all of them in totality. That you're making infrastructure and building improvements so that you can meet both your REAC scores, and do well with your REAC assessments, but also so that you're meeting tenants' needs, as well as keeping the property in shape for desirable future tenants. You could be hiring additional staff, so that each AMP has adequate personnel to do the maintenance, and make sure that that property is kept up on a regular basis. And then you may need to establish a core project team with staff from maintenance and finance and tenant services to really look at the needs of the housing authority comprehensively.

So, with that, we'll close ourselves out. And I want to thank you so much for joining us today. We hope we've addressed a lot of questions that you may have had about the public housing program and the ACOP. We also want to take this time to thank you as Board members. We recognize that you are volunteers and that you commit a lot of time to attending Board meetings and, in this case, reviewing training, and we know you don't get paid. And it's a very complex program to try to oversee, and it takes a lot from you all. So, we commend you for your commitment to both attending this training as well as your commitment to your community, the public housing authority, and its residents.

And we also encourage you to keep an eye out for some of our live virtual training modules, as well as the other recorded training modules that we indicated at the outset of this training. Thank you, and have a good day.