PHAS Module VI: PHAS Indicator Calculations Worksheet Training

Transcript

0:00:00.0 Dennis Morgan: Hey everyone, my name is Dennis Morgan with D L Morgan & Associates, and on behalf of FirstPic and the Department of Housing and Urban development, we're happy to bring to you what's called the PHAS indicator calculation worksheet. Hopefully, you previously had an opportunity to attend the PHAS sessions that we conducted for the Department of Housing and Urban Development as well that brought in them all the concepts, and it also brought in the little bit on the spreadsheet. But we're gonna go into a lot more detail in this session on the actual spreadsheet and how to use the spreadsheet and the indicators that you can also then be proactive in measuring the PHAs performance without necessarily having to wait for the end result coming out from the Department of Housing and Urban Development REAC from their website as well.

0:00:55.6 DM: So this session is gonna focus again on the Excel spreadsheet, the indicators that primarily are on the spreadsheet, which is the financial indicator, the FASS, the financial assessment subsystem indicator, and then the MASS indicator, which is a management assessment sub-system indicator as well. And so we're gonna go into quite a bit of detail on this one. And we've also developed a series of instructions on how to use the spreadsheet as well. So we're gonna be going through that process, and then also other things that the spreadsheet can also be used for such as a concept called fungibility. In other words, doing not only the analysis of the indicators, but also measuring the performance, but also at the... Prior to the end of the fiscal year, that looking at that fungibility concept in case I have an indicator that is a very strong AMP, under the program, and I might wanna then transfer some of those cash positions to increase the performance levels of the other AMPs and my indicator as well. It might increase my overall score for the PHAS variables, especially under the financial indicators.

0:02:13.9 DM: So let's go ahead and get started into it, and I'm gonna bring up the first thing, which is gonna be the worksheet itself, so let me just share that content with you. And so in this worksheet that we developed are the instructions for the worksheet that we developed, we also talk about that... The purpose of the worksheet. So it should be done probably on a monthly basis or on a quarterly basis to measure the internal performance of the AMPs for the PHAs, and primarily on those two indicators, which is the financial assessment subsystem indicator, which is better known as FASS, and then the MASS, which is a management indicator for the world of the public housing assessment system that's gonna be measured by the world of REAC as well. It is in an Excel spreadsheet, and I also encourage you to... When you download this spreadsheet to save it. Save the spreadsheet in an individual file and then save another one that you'll then work from as well, just in case you happen to re-type over a formula field or something else that you now have a saved copy of it in its blank state, so that just in case you make an error or just in case you write over a formula file that you have a saved copy of it as well.

0:03:43.5 DM: The spreadsheet is... Allows you to analyze your developments performance and can further be used as a tool for applying that concept called fungibility as well. And the fungibility concept is just saying that if the asset is a strong asset, then you have the ability of moving funds from one AMP to another AMP, in order to increase the performance of the particular PHA out here as well. And you have to have at least one month's of operating reserves as well in order to move money from one AMP to the other AMP. So if it falls below, at least that variable of one, then one month, as far as your reserve levels go, then it won't let you then move additional money from one AMP to the other as well. So caution is also urged on not changing the formulas. The formulas or the appearance of the worksheet, is pretty much a solid worksheet, but if you change the formulas or you change the appearance or you change the structure of the worksheet, then that can also cause summary errors in the calculation as well.

0:04:57.7 DM: So it's intended to be used with Excel. You have to have Excel software as well, and then the worksheet is readily available and then doable as well. And so we know that PHAS, PHAS is that measurement in terms of the performance for your public housing program as well, and under the PHAS indicators that we have then those four variables that are measured in the scoring system as well. So we have the physical components, we have the management components, we have the financial components, and then we have the capital fund components. This will not measure the physical, this will not measure the capital fund. So if you're looking to look at your overall scores then you would pull your physical, and you would do the weighted average based upon your performance of those particular areas in the AMPs, and then for your capital fund is an overall assessment as well. It's a snapshot as of the end of your fiscal year but you can also take a look at those particular variables and add them to these variables to come up with an estimate in terms of your overall agency-wide scoring system as well under this indicator.

0:06:12.6 DM: So we know that the PASS is worth 40 points, we know that the financial is worth 25 points, we know that the management is also worth 25 points and the capital fund is worth 10 points. So this worksheet will then measure your financials on those 25 points and then under your management on those 25 points as well. And we know within these variables as well, that under the financials that it has then three sub-indicators that we'll also be looking at. Under the management we'll also be looking at three sub-indicators to come up with those 25 points under the management conditions as well. And so under the financials, in order to measure the performance of the agency that you'll also need to pull down what's called your FDS schedules for the AMPs. And you're gonna be inserting those numbers into the spreadsheet to determine the overall performance for the agency. If you only have one AMP, then of course then that's gonna be the score that's brought down on the financial positions, and that's gonna be the score that's brought down on your management positions.

0:07:22.5 DM: Most PHAs have more than one AMP, which is that Asset Management Project, and because you have more than one AMP, then it's gonna be based upon the weighted averages of those AMPs to determine the overall score for the PHA. And this worksheet then it is designed to help you then make that determination of the weighting of the AMP, and then the impact of that AMP on your overall financial scores and on your management scores as well. And so the scoring is then based upon these financial indicators, and then the performance indicators that are now downloaded into the worksheet as a part of this process and program as well. Within the financial condition, we have then what's called three sub-indicators. The first sub-indicator is called the Quick Ratio, and the Quick Ratio is looking at your assets, your current assets, and your current liabilities. It's looking at your cash position, it's looking at those that are easily convertible to cash that do not include inventory as well. And it also then looks at your current liabilities, those liabilities that are due within the next 12 months as well. What you're looking for is a Quick Ratio, and that Quick Ratio is your ability to make these timely payments on a timely basis out here as well, and it's part of your risk assessment. And then what you're looking for, hopefully trying to achieve, is a Quick Ratio of two or higher in order to hit the maximum performance measurements as well, on the AMP.

0:09:07.3 DM: The next variable we're looking at is gonna be what's called The Months Expendable Net Assets Ratios. Now, many of the accounts that you'll be using in this ratio are gonna be similar to the Quick Ratio, but we also add an additional account in here, which is your operating expenses. So the Months Expendable Net Assets Ratio, I usually refer to it as MENAR, measures your net availability of unrestricted funds that's then looking to then... Measure the reserves for the agency as well. Easiest way to remember this variable or what your target number in this variable is HUD's looking at then a measurement of generally four or higher. Four or higher in terms of this ratio as well. The next ratio is your Debt Service Coverage Ratio. Now the ratio then, is looking at the net operating income available to make debt payments as well. The sub-indicator is looking at, then, taking on these long-term obligations out here as well. Most public housing does not carry debt, and because it doesn't carry debt then mostly this indicator, generally, is gonna give you then a score of two or higher as well. And what you're looking at is a ratio of 1.25 or higher. If you're not carrying any debt, then this indicator would then give you that automatic score of two.

0:10:39.5 DM: So the Quick Ratio is then looking at the liquidity of the particular AMP and looking at then if... To making sure that I have the ability, I'm looking at the essential and the financial health of those individual properties as well. The MENAR is measuring, then, your levels of reserves. And then my debt ratio is then looking at then my ability to take care of this long-term debt obligations as well. Within the scoring system that HUD has for the Quick Ratio, the point value is gonna be 12 points or less. And of course, if you get a ratio of two or higher, then you'll get your full 12 points.

0:11:26.7 DM: For The Months Expendable Net Asset Ratios, which is a measurement of reserves, it is worth then 11 points. And then under the Debt Service Coverage Ratio, it has a value of two. Hence, 12 plus 11 plus 2 is gonna make up your 25 points for your financial indicators as well. And so when you're looking at your Quick Ratio, if I had a Quick Ratio of less than one, I'm gonna get zero points. If I have a Quick Ratio of one, right on the nose, it says that's gonna give me 7.2 points. If I'm running between 1.0 and 2.0, that's gonna give me a score of between 7.2 and then 12 points. And then if I get a score of two or higher, that's gotta give me my full 12 points under that Quick Ratio as well. The spreadsheet will also measure the variance if you are between one and two, and then apply a number, an estimated number of what your score would be if you're between those two numbers as well.

0:12:36.4 DM: The MENAR is then looking at then your reserves and if you have less than one month's of reserves on that particular AMP, then you're gonna score a zero. If MENAR is equal to one, and that's gonna be 6.6 points. If I'm running between one and four, then it's gonna then develop a range of between 6.6 and 11 points. And depending on where you are in that range, it's gonna give you that estimated score of how you would do for that particular AMP as well. If I'm running then four or higher, you just need to remember it, four months of reserve's gonna give me my full 11 points under that indicator as well.

0:13:20.4 DM: Last but not the least, we have then the Debt Service Coverage Ratio. If the Debt Service Coverage Ratio is less than one, you'll get zero points there. If it's running between 1.0 and 1.25, you'll get one point there, and if it's running then greater than 1.25, you're gonna get two points.

0:13:44.2 DM: If you're not carrying any debt at all then that's gonna run you two points, two points. Now, in order to do the worksheet then we're then gonna need to insert the information within the worksheet, and care should be taken not to re-write over the formula fields as well. In other words, just enter the data into these lightly pinked field areas for each AMP. We're gonna go ahead and pull up the worksheet as well, and let's go ahead and make the application. Now on the worksheet. On the worksheet that we're looking at, it has then, you'll see at the bottom, you'll see where we have then the Quick Ratio, the Months Expendable Net Asset Ratio, the Debt Service Coverage Ratio.

0:14:50.8 DM: Then it's gonna give you a scoring summary, and then it will give you the overall PHAS score based upon that performance for that PHA, based upon the individual AMPs as well. Within the management ratios, then it's gonna be looking at occupancy, it's gonna be looking at tenant's accounts receivable, it's gonna be looking at accounts payable, then it's gonna give you a summary of those particular variables, and then the overall management score as well. Well, let's go back to the Quick Ratio, and in here you'll see where it's giving you then your positions and the information that's entered into the worksheet as well, where it shows your line 111, line 114, line 115, 120, 121, those are your FDS accounts. And so now you come over to your particular PHA and you wanna enter the information into the pink field, and we're just gonna show you the first AMP here. And let's say I'm now looking at my FDS schedule and now I'm looking at my cash unrestricted. And so we will then insert that number into the account, and then I'll enter then my cash tenant's security deposit for AMP number one. Gonna say it's 10,303. Don't have it... This particular PHA does not have any... Again, the... On line 115, line 116 isn't entered as well, 115 then 120. Investments aren't restricted.

0:17:28.4 DM: I also have, in this case, pre-paid expenses from other assets 5200, and you'll see that the field with them on automatically add, the new variables, and so my total in here, my total available current assets, you don't have to type that in, the fields will bring it down through the pink field, and that brings me 135,638. We now enter our current liabilities, again just stay within the pink fields, don't go into the formula files, and my current liability is then saying that I have 32,442. And so you see that the worksheet then will then display, then this indicates that I have a ratio of 4.18, which is higher than two, and so it's gonna then give me my sub-indicator, that's then gonna give me that 12 under the performance measure of that indicator as well. And so let's just take a look at a finished worksheet.

0:18:53.0 DM: Using these same variables, and so now I've added then AMP 1, AMP 2, AMP 3, AMP 4. This PHA has nine AMPs in the performance measures and so you can see that now it's gonna give you your subindicators score for each one of these AMPs. AMP number one's running good, I'm running at 4.18. AMP number two is running real well, that's got 8.68. AMP number three is running 2.91. AMP number four's running 3.40, still above 2, 2.66 under AMP 5, AMP 6 running pretty well. Here I see an AMP though AMP number eight is running at 1.90. So when we get to the concept of fungibility a little bit later on... A Little bit later on, we will then look at this AMP and see if there's a way in which we can then borrow or not borrow but use fungibility as a method to increase the performance of AMP number eight without hurting the other AMP that we're taking then potentially some of the cash position from out here as well. So you can see that the worksheet, then taking my blank worksheet and inserting the information into each one of the AMPs. And so let's say you're a PHA, and you don't have nine AMPs. That's okay, just enter your four AMPs, the worksheet then will then score you based upon how you're then performing, under the weighted average of those four particular AMPs as well.

0:20:33.9 DM: Let's go back to our instructions. So in terms of entering in the information on the worksheet for the Quick Ratio, we're gonna enter then that cash, which is unrestricted, which is the

FDS 111. We're also gonna enter then the account 114, is your cash tenant security deposit. We will also enter cash restricted on payment of current liabilities, if you have in those accounts. Then I'll enter then my account 120, which is total receivables net allowances for doubtful accounts. I'm gonna enter my investments unrestricted, which is FDS 131. I'm gonna enter FDS 135, investments restricted for payment of current liabilities. I'm gonna enter account 142, prepaid expenses in other assets. I'll enter account 144, in a program due from, I'll enter then my current liabilities and I'll enter then the account 343-010, which is that CAP fund program portion of the long-term capital project mortgage revenue bonds as well.

0:21:56.5 DM: So we entered those on the worksheet, which we showed you, and the worksheet, once the data's entered, the bottom of the worksheet, then it's gonna give you those FDS subindicators are gonna appear. You don't have to write that formula, the appearance on that formula will automatically be made to the worksheet in this area right here. And so again, just enter the data, enter the raw data for each one of the AMPs onto the worksheet, then... And the worksheet then will get your totals up in that particular area as well. Let's take a now... A look at The Months Expendable Net Assets Ratios. And so we know that The Months Expendable Net Assets Ratios is the second worksheet in here, and that's gonna measure those accounts that relate to then the reserves. And unlike the first worksheet where you had to enter much of the data on your current assets and current liabilities, in the MENAR worksheet, much of that data is then brought over from the previous worksheet as well. In other words, once you entered onto the worksheet into that account, you don't have to re-enter it every time, it'll automatically bring that over to the next worksheet as well.

0:23:34.2 DM: But under The Months Expendable Net Asset Ratio, then I also have some additional accounts above and beyond, because it's measuring your ability to have reserves. And so it's also looking at your operating expenses as well. And because of that, then I'll need to enter the FDS account, the 96,900 account, which is your total operating expenses. I'll need to measure the FDS, the extraordinary maintenance account, which is 97100. I will also enter the FDS account 97200, which is a casualty loss noncapitalization account. And then the FDS 97800, which is your dwelling units rent expense as well, and then I would repeat that for each one of the AMPs. So let's now go over to the worksheet. And so now at the bottom, where you now see, I come off the Quick Ratio, portion of my worksheet and now I'm gonna enter now The Months Expendable Net Asset Ratio. And you see that it already brought over those other accounts that previously, I placed in on worksheet number one. So I don't have to reenter those particular worksheets, and then I'm gonna enter however, my total operating expenses, into the worksheet. And so we're gonna say my total operating expense is 468,300.

0:25:22.3 DM: Don't have any Op-Cap fund operating expenses. No extraordinary maintenance on this particular, no casualty losses and no dwelling unit rent expense as well. That gives me a... And then take my expenses divided by 12, that gives me a ratio of 2.64. Now, what is that telling me? Well, 2.64 is less than four. And so in that case, I'm not getting my full 11 points. This also is a variable that is subject to fungibility. So if I increase my cash position, if I do have an ability of moving money from one asset, one AMP to another AMP, then also I can increase the performance of the agency out here as well, but for right now, we're just showing what the current variable is, and then it automatically then will do your calculations. And so right now, the subindicator is indicating that I'm gonna get nine points under AMP number one, which is less than what's the maximum, because this point indicator is also worth 11 points. 11 points.

0:26:37.9 DM: And so let's take a look at now a finished worksheet. Under subindicator number two, which is my Months Expendable Net Asset Ratios. See if I can expand this for you a little bit, no. And so under this subindicator, and it also indicates that AMP number two is running again at about 9.14, which is greater than four, so it's gonna get the full 11 points. AMP number three, 1.65. So again, it needs some help, it's running at 7.5 in terms of the total points available. AMP number four, just barely below the bar, 3.65, getting 10.5 points. And so you can see in here that some of my AMPs are doing pretty well. AMP number nine is doing pretty well, is scoring above four. AMP number six also scoring pretty well, it's now got five, and also I need is a score four or higher, and that's getting my full 11 points. But I can also see I've got some AMPs that need some help, such as AMP number eight. AMP number eight is pulling a 7.6 out of a potential full 11 points, 7.5 under AMP 3, 9.0 under AMP number one. So this gives you again, your measurement for that particular agency's performance under the liquidity measure, which is measuring the reserves, which is measuring the reserves, measuring the financial viability of the reserves for that particular agency out here as well.

0:28:36.8 DM: Now, let's go back and take a look at our third ratio, which is now the Debt Service Coverage Ratio. And so we know that the Debt Service Coverage Ratio is then looking at then those FDS schedules, it's looking at your excess operating over your operating expenses as well, so your account 97000, the FDS account, 96700 interest expenses and amortization cost. FDS account, 96710, which is your interest on mortgage and bonds payable. AMP... Excuse me, FDS schedule 96720, which is the interest on notes payable, short and long-term, and then the FDS schedule 11020, which is the required annual debt payments as well. And so we had entered those onto our blank worksheet, and then at the bottom, just like in the other indicators, if you have a score of 1.25 or higher, it will generate a score of then two points, if it generates a score of below one, then you know that you're gonna be scoring zero.

0:30:04.2 DM: So let's take a look at the worksheet for this particular PHA. And again, at the bottom which click on to then DSCR, which is your Debt Service Coverage Ratio. And in this particular PHA, they're not carrying any debt. If they were carrying any debt though, the information then would be put into the worksheet on your FDS 9700, on that line, 97600 on that line, AMP 1, and so on down the line, and you would then fill that out for each one of your AMPs as well. By not carrying any debt, which most PHAs do not carry debt on their public housing property, then you're gonna score your two points under that indicator as well.

0:31:15.2 DM: And so you can see that it's gonna bring over those fields into now your PHA scoring summary. And since we only added the first AMP in here, it's gonna show that again, it scored then four, ratio of four, and it only need a ratio of two, so it got its full 12 points there. On the second AMP, on the MENAR it scored less than satisfactory, so it scored 8.99 out of a potential of 11, and then it got the two points for debt, so it scored 22.99 out of a potential score of 25. Now, let's look at a finished worksheet.

0:32:08.0 DM: Here it carried its debt over, no debt, so it's getting twos all across the board for all nine AMPs, and then it gives you then your scoring summary. Now, what is this telling me under the PHA scoring summary is AMP number one again 4.18, so it's getting my full 12 points, it's doing pretty well but you can see AMP number eight is scoring less than premiere, so it's scoring 11.52 out of a potential of 12 points, it's just below the margin, but it's still below the margin. Here, my Debt Service Coverage Ratio is telling me though, that I've got several different AMPs that need some work. Here I've scored 2.64 out of a potential of four points, so it scored 8.9, that gave me my

22.99. AMP number two is scoring a 25, so it's doing really well, matter of fact its Quick Ratio is 8.68. Its Months Expandable is greater than 4 it's 9.14, so it's scoring 11, no debt, so it's scoring the full 25 points. This is also telling me that AMP number two is potentially what I call a cash cow. In other words, it might have... It's a high-performing under the financials, it's in great position in terms of its liquidity, it's in great position in terms of its reserves, and maybe I might need to then look at that one from a fungibility standpoint. And moving money from that AMP over to another AMP as well, that can help the performance of the overall agency as well.

0:33:54.7 DM: Now in order to calculate for the financial scores for all the indicators as well, the next field I wanna enter, you see this pink field on the PHA score, FASS. I will also need to put the data into there in terms of the unit months available, which is your summary line item 111.90 unit months available. And in this case, this happens to be a 100 unit project with not pulling units offline for modernization, not having... That are offline for other reasons as well. And so it's now saying that I've got 1,200 then unit months available. So in other words, take the units times then 12 that will give you your unit months available. Now, the spreadsheet will now take the unit months available, or the units, and then put the weighted average. So it's telling me that AMP number one is a 100 unit property. It scored 22.99. The spreadsheet will automatically then make the calculation for the weighted average, which gives me then 2299.44. AMP number two, which is a 200 unit, don't have units pulled offline for any other reason as well. So that's 2400 unit months available.

0:35:26.0 DM: Scored 25, so it's scoring now 5,000 on its weighted average. So this spreadsheet will automatically make these calculations, and you see down here at the bottom, it's gonna give you a PHA total that's then divided by the total number of units that you have in your public housing program. And so that gives me a weighted average of 23.24 overall PHAS score under the financial indicator as well, out of a potential of 25 points. The spreadsheet will automatically make these calculations, you don't have to do these calculations, let the spreadsheet do what the spreadsheet does best, which is then use the formulas in order to make the calculation as well. So now I know that I need to do a little bit of work on now my financial indicators under now AMP 1, AMP 3, AMP 4, just slightly off the mark, AMP 5, AMP 6 is running good getting the full 25, AMP 7 a little bit of work, AMP 8, a little bit of work, and AMP number nine, again getting the full 25 points.

0:36:46.0 DM: So the summary, then by adding the data, let's go back to the data that we put into the Quick Ratio for each one of the AMPs, will then summarize in terms of the total score. In my Months Expandable, I didn't need to add these fields, these fields were brought over from the worksheet on the first calculation. But then I just needed to add my expense accounts into the pink field. My debt service coverage if you carried debt, it would show your debt if no debt, again, show no debt. Leave those accounts zero it's gonna show no debt and give you full two points. The next worksheet just gives me my summary in terms of the individual AMPs and a performance related to the AMPs, it then gives me my overall PHAS score as well. So we've now added the information under the financial. And let's go back to our instructions. Because we've now got our summary, we now have our worksheet now completed, and then further analysis can be done in terms of whether I need to make improvements for that particular performance on those particular AMPs as well, all at your fingertips. All looking at the same thing that HUD will be looking at when you submit your final reports on your FDS schedules for your public housing program.

0:38:34.0 DM: And so the next thing we wanna then look at is gonna be my management operations as well. And under my management operations, the objective is to measure the performance of these management operations and the performance of each AMP. Just like before, that we're looking at then the weighted average of the AMPs. And so when they change the interim rule, which we are under right now in terms of the operations, it's looking at then three variables under the management. Occupancy is the heaviest of all the hitters in terms of the indicators as well. Occupancy is not only measured under your management, but occupancy is also measured under capital funds.

0:39:27.0 DM: So, occupancy is a total of 21 points of the total 100 points that I'd use to measure the performance of the agency as well. 16 of those points directly relate to occupancy under your management indicator. Five of those points directly related to occupancy as of the end of your fiscal year under your capital fund indicator as well. And so we know that HUD stresses keep your units filled. Keep your units filled month by month by month because this occupancy under your management indicator is a running total. Occupancy under the capital fund indicator is a snapshot as of the end of your fiscal year. And so we know that it is critical, and it's looking at our vacancies and making sure that we're filling these vacancies quickly, and we're keeping our places filled as well.

0:40:25.4 DM: It also is looking at your tenant's accounts receivable. And under my accounts receivable, that's looking at your collections on the accounts, on tenant accounts, in terms of not only rent, but other charges, late charges and other things that become due and payable coming from the tenant as well. The next account that it's looking at is the accounts payable account, and that's a payment of your vendors as of the end of your fiscal year. But you always wanna make sure that you're measuring the performance of this indicator at all times to make sure that your bills are paid timely and your vendors are taken care of as well.

0:41:11.3 DM: And so in looking at this variable, this variable also makes adjustments, HUD will make adjustments to this account based upon the physical and neighborhood environment as well. In other words, if you're located in an area that is a high impact area, where it has a high poverty rate, then HUD has an additional bonus point that they add. This spreadsheet does not do that. However, you can manually do that as well. And also, another variable that they make an adjustment to the physical condition and the indicator as well relates to the DOFA date, date of full availability, and if that date of full availability is beyond a certain period, then it says they will also add an additional bonus point to your score for that particular AMP. Now, this spreadsheet does not do that as well, but you can again do that manually if you're looking at your particular score in your indicator as well.

0:42:22.7 DM: So we know that the management score is worth 25 points. We know that in order to not be classified as a sub-standard agency that we have to score at least 15 points under the management indicator, and we have to score at least 15 points under the financial indicator as well. In other words, we gotta get at least 60% of those points available. Under the management indicator that you have then, total is worth 25 points. Occupancy is worth 16 of those points. In order to get occupancy, a good rating under occupancy, you're looking at an occupancy rate of 98% or higher, and the occupancy rate falls off very quickly. It'll fall off... If you're falling below 98, let's say I'm running at 97.999, well, you're only gonna get then 12 points, because HUD does not round up in this indicator as well. It is what it is. My accounts receivable is worth five points, and you're looking at a collection rate of 98.6% in order to score well under this variable as well, or a variable of 1.4 or less on your receivables.

0:43:45.2 DM: Payables, again you're looking at that payable account and it's also worth four points. And so the spreadsheet then will make the calculations once we enter the data into our spreadsheet as well. The occupancy, in order to score well, you're looking at... To get your full 16 points, you're looking at an occupancy rate of 98% or higher on each AMP, each AMP. And if that AMP is falling below that 98%, then you're gonna be scored according to... If you're running between 97.999 to 96, you'll get 12 points, if you're running 95.999 to 94, you're gonna get 8 points, you're running at 93.999 to 92 you get 4 points, if you're running between 91.999 to 90 you'll get one point, and if you fall below 90 you're gonna score 0. So you can already see this indicator drops off very quickly, four-point gaps, in here.

0:44:49.8 DM: And if you're running at... Even at 95% which is generally a pretty good percentage in the private market, that you'd only get then eight points, half the points potentially available for that AMP under the scoring system as well. My tenants accounts receivable also measuring, then my collection, court cost, maintenance cost, other charges, maintenance fees, rents, late charges, all those are things that get charged into the tenant account. And what you're looking for is a ratio of less than 1.5 or 1.49, and then I can get my full five points. If I'm running between 1.5 and 2.5, then I'm gonna get then two points. And if I'm falling below 2.5 in terms of my accounts receivable or higher than 2.5, for my accounts receivable, I'm gonna score zero. So it really is... It's telling you that you gotta be collecting all of your accounts. And I know in certain cases out here, and I know it's sometimes it's difficult as well especially when we're dealing with issues such as the virus and those factors as well.

0:46:10.6 DM: But the reality is, is that if a tenant comes in and the reports changes then you'll make those particular changes. They bring in the documentation, we'll make those changes, and we wanna do them quickly as well. If in fact they do all that, those amounts then we wanna make sure that we're doing the necessary processing to collect those accounts as well. Don't forget we can also be using these other tools that HUD also sets, and these accounts that are also now available, on payments that may be coming through the state on Federal Appropriations, that can also bring these accounts back current. In terms of the ratio for my receivables, again, less than 1.5 or basically 1.4 below, you're gonna get your full five points. Between 1.5 and 2.5, you get two. And if I'm greater than 2.5, you're gonna score a zero.

0:47:07.1 DM: The last indicator under the management indicator is my accounts payable. And under my accounts payable for this sub-indicator, it's worth four points. In order to get my four points you're looking at a ratio of less than 0.75. In other words you're paying your bills, and you're paying them timely out here as well. If you're running between 0.75 and 1.5, you're gonna score two points. And if you're running then greater than 1.5, you're gonna score zero. Here again is where you need to be in coordination between your operation side, your management side and the accounting department. And making sure accounting is processing these and paying these out in a timely fashion as well. So just like in the other portions of the worksheets, you wanna make sure you're careful in only putting data into the pink fields. Do not rewrite over the formula fields. And that's why we always encourage you to save the original worksheet just in case you do make an error and write over a formula field. And so you always preserve the original worksheet as well.

0:48:29.7 DM: And so just like in the previous indicator, we're now gonna go over to our worksheet. I'll bring up the blank worksheet first. And we're now looking at an occupancy rate. And we're gonna be looking at then AMP number one first. And you can see I only have one pink field to add in here, under AMP number one. And so I'm gonna show then I have a unit month's lease

1180, under that field. And then for unit months available, let's go over to my unit months available worksheet. And that was on this field right here, that will now add that variable of the 1200 unit months. So you can see it's already gonna bring over your units... Over your units as well to give you that score.

[pause]

0:50:20.4 DM: And so now it's saying that from an operational standpoint, that I'm running at 98.33%, so I'm gonna get my full 16 points. That's telling me AMP number one as far as occupancy rate is running well. And then I would enter that same data for AMP 2, AMP 3, AMP 4, AMP 5, AMP 6, AMP 7, AMP 8 or how many AMPs you have, it'll automatically make the calculations under the worksheet as well. And then so let's take a look at a finished worksheet.

0:50:58.5 DM: So this is telling me that under this performance for the management side, I'm running good on AMP 1. AMP 2 is running 99%, it's running real well. AMP number three however is running at 90% occupancy. So it's a smaller property, but I'm having problems refilling my units probably in a timely fashion as well. And then so it's only gonna score me one point. It's running 90%. AMP number four is running pretty good at 98%. 98% on AMP 5. 97... A little bit of tweaking there. If I can get that thing above 98%, I can get my full 16 points, so I'm only less than 0.33 points away between getting this AMP up. Probably just keeping that place filled just a little bit better, and I could get my full 16 points. AMP number seven running good. AMP number eight, running at 97.82, just barely below the bubble. And AMP number nine also below the bubble. I'm getting 12 points there. Not necessarily bad or poor performing, but I'm trying to get that full 16 points as well.

0:52:21.4 DM: The next variable that we'll be looking at, again we've added now our occupancy variables. Remember that you'll also be relying upon that MASS sub-indicator, which also allows you to make adjustments to your occupancy denominator as well. Based upon HUD approved units that have been brought offline let's say for modernization or for fire and extensive damage. So you can make adjustments to the worksheet based upon that as well. However, make sure that you have HUD approval on those as well, under that particular MASS indicator.

0:53:09.5 DM: So the next indicator that we're looking at is now my accounts receivable. Here I'm gonna enter the FDS account 126, accounts receivables tenants. I'll also enter the FDS account, 70,500, which is my total tenant revenue. Then I'll enter the FDS account 96,400 bad debt tenant rents into that indicator as well. Let me go back... I didn't give you the account that you use for occupancy, but occupancy, that variable that we entered, was the unit months lease, which is account 11,210. Now, make sure your operations and your accounting department also agree with the unit months lease. In other words accounting department will use either the first day of the month or the last day of the month into the accounting onto this FDS account. Make sure that your agency is in coordination for that, because what accounting enters is gonna be what HUD uses to measure the performance of the agency as well. Let me drop back down here to accounts receivable, which is at indicator number seven, worksheet number seven.

0:54:36.4 DM: And now at the bottom, we'll click on TAR, stands for the Tenants Accounts Receivable. And under the tenants accounts receivables we'll just enter AMP number one. We'll say the account on line 126 or account 126 is 1651. Total tenant revenue, account number 70,500 is 68,038. No bad debt. So that's given me an indicator of 2.43%, which is less than... Also total satisfactory, because I'm trying to achieve the score of five. So in this case, I'm running at 2.43, I'm slightly below the bubble. Slightly below the bubble and I probably wanna bring this accounts receivable down so I can again get this number down here on the percentage of the sub-indicator value is 1.43, then I could be scoring five points under that.

0:56:00.5 DM: Just like in my previous indicators I'll enter AMP 2, AMP 3, AMP 4, AMP 5, for those variables under the line items that now the FDS schedules for those particular accounts, and it'll give me my scores across the sheet as well. Let's take a look at a finished worksheet. And so this is now looking at AMP 1, we're scoring at 2.43. AMP number two is scoring real well 1.27, so it's getting five points there. AMP number three is not scoring very well at all, 13.70%. Well above the 1.4% that I'd be looking for as well. So I've got some work to do on that particular AMP, in order to get those accounts receivables down. Over on AMP 4 I'm getting again my 1.17, so I'm getting my full five points. AMP number five running pretty well 1.19, so I'm getting my full five points. AMP number six, 1.88 slightly above the bubble as well where I wanna be, so that's getting 2.0. AMP 7, not performing well, 7.76 and AMP number eight, 7.46 and AMP number nine, 5.43. All not performing well, so I'm scoring zero, zero, zero for those AMPs as well. And depending on the weighted average of that AMP, it can have an overall negative impact on my overall score as well.

0:57:51.1 DM: Now, let's go back and take a look at our third variable, which is the accounts payable. Under the accounts payable, here we're gonna be entering two fields as we're looking at then the payments on my accounts done in a timely fashion as well. And under this account, once the data goes into the spreadsheet, the spreadsheet will automatically make the calculations as well. So starting with my blank spreadsheet, adding the data, and it will then give me my sub-indicators score for that particular variable. And so let's now go over to the worksheet, and we're now looking at our accounts payable. And you can see that I've brought over my expense accounts from the second worksheet that we had, and so we don't have to add that number back in, but I am gonna add in now the account FDS 312, which is my current accounts payable of less than 90 days, and we're gonna say that is 18,785.

0:59:20.6 DM: If I have a PASS to account, I'll add that in there, anything greater than 90 days add that in. And so that's telling me right now under this sub-indicator, that it's 0.48, and I'm running well because I'm gonna get my full four points. And then I would add just like I did before AMP 2, AMP 3, AMP 4, AMP 5, AMP 6, AMP 7, AMP 8, AMP 9. If I have those nine AMPs, or however many AMPs I have, I'll then put that on the spreadsheet as well. Let's take a look now at the finished product. Coming on to my accounts payable spreadsheet. So here AMP 2 running well is 0.39 less than 0.75, so that's given me my four points there. Four points under AMP 3, here AMP 4 not running as well. It's now scoring a 0.88, two points there. But I'm leaving two points on the table because I'm not paying at least those bills in a timely fashion out here as well.

1:00:38.0 DM: AMP 5, two points there 0.93. AMP 6, again, running about the same 0.93, two points there. AMP 7, AMP 8, AMP 9 all running pretty good performance. So these would be the three properties, AMP 4, AMP 5, AMP 6 that I'd probably wanna be checking into, to see what the problem is in terms of paying their bills and paying them on time as well. Now just like in the financial indicators, the next thing it's gonna do is give me my scoring summary. Let's go back to my first worksheet where we're adding in these variables. And so since we only did AMP number one, it's just gonna show me AMP number one. So it's saying my occupancy's running good, 98.33%, 16 points. My tenants accounts receivable needs a little bit of work, 'cause I'm running two out of a potential of five points there, and my accounts payable in pretty good shape. So I'm getting 22 points out of a potential of 25 points for that particular AMP.

1:01:58.4 DM: Let's go back to our worksheet that's now completed. And so now I have all nine of my AMPs entered in here, and so this now gives me a good summary of now my AMPs, and you can see AMP number three, 90% occupancy, scoring zero under my TARs, and accounts payable is running okay, but I'm only getting five points out of potential of 25 points. AMP 2 running good, AMP 1 needs a little bit of work on the accounts receivables. AMP 3, needs a little bit of work on the accounts payable. AMP 4, AMP 5, needs a little bit of work on the accounts payable and so on down the line. So at a snapshot, I'm now seeing now a picture of my AMPs and the performance of the AMPs.

1:03:07.5 DM: Just like previously where I've entered now my data, it's now gonna give me that summary in terms of the weighted average. So automatically the calculator will now take then the weighted average of each score, multiply it times the number of units to calculate my overall score for my management, just like it did for my financials. So I'm running at 19.89 for my management. That's telling me that I'm above the bar in terms of being labeled a sub-standard agency, because if that fell below 15 I would then be classified as a sub-standard agency, but it's also telling me that I need to do some work on my properties as well. Where do I need to spend some time? Well, AMP number three for sure, because in there potentially it's only getting five points.

1:04:10.4 DM: It's a smaller property so it doesn't have heavy weight, but it does have impact on your score. Which property has the highest weights? Well, AMP number two, 200 units has high weight. AMP number five also has high weight. AMP number eight also has high weight. The weighted average is based upon the number of units on the property, and so you can see that these have impact. Which one probably had the biggest impact on me? AMP number eight. AMP number eight in terms of its performance brought the overall performance to this agency downward as well. Let's take a look at that, AMP number eight. AMP number eight, I bring an occupancy up. I'm leaving four points on the table there because I can bring that up to 98%. That's gonna give me my full 16 points.

1:05:05.9 DM: My receivables need a lot of work 'cause I left all my five points on the table and my payables, I'm okay. So it's my receivables, and it's my occupancy issues on AMP number eight that is bringing down the performance of this agency as well. Now let's go back to our instructions. So we now see at our snapshot, at our fingertips, we now see the performance of the scores of the performance of each one of the AMPs as well. And it's also showing me where I need to make some improvement at my fingertips as well. So you don't have to wait until the end of your fiscal year in order to run this analysis. You don't have to wait until the end of your period, and all of a sudden I get my HUD score to see how I'm performing for the agency as well.

1:06:06.3 DM: By loading this data into your systems monthly or quarterly, then I can get a good summary in terms of how I'm performing in terms of the agency as well. Now don't forget that when you're doing your internal accounting, that your internal accounting is based upon accrued accounting. Accrued accounting. Month-to-month-to-month is really more your cash position. So when you're using your worksheet and projecting from your worksheet, then you might want to put some accrued numbers as well, especially in terms of the financial scoring sub-indicator as well. Now let's go back to the value of the worksheet, and how it can really help you in terms of the performance of the agency as well.

1:06:56.4 DM: You remember I was talking earlier about the concept called fungibility. And fungibility is a concept that also says that I can move money from one AMP to another AMP, in order to increase the performance of the particular agency out here as well. Now from a management standpoint, it's not gonna necessarily help on the management because management is measuring occupancy, management is measuring tenants accounts receivable, and management is measuring accounts payable. But it can help in terms of the financial indicators. And so let's take a look at our financial indicators, and we said that AMP number two is a cash cow. It is got $473,356 in terms of its cash unrestricted.

1:07:53.3 DM: That gives me ability to move cash from one property to another property in order to shore up those variables. Now let's take a look across worksheet number one, and so it's scoring... Ratio here looks good, scoring above two, hit above two, above two, above two, above two, above two, above two. But here I got AMP number eight. And AMP number eight is running lower than general expectations as well. So now let's take... I'm gonna take $100,000 from AMP number two and move it over to AMP number eight. Well, let's just... We'll just move 50 first and see how that does. So I'm gonna make this 42,000. I'm gonna make now AMP number eight 87,000.

1:08:58.9 DM: So I just move money from AMP number two to AMP number eight under what? Concept called fungibility. Now I'm looking at my spreadsheet number one, and we're running perfect. 12, 12, 12, 12, 12, 12, 12, 12, 12. Every one of my AMPs is running now in good shape as far as the measuring liquidity. But let's also take a look at my Months Expendable Net Asset Ratio, because that also is using much of the same accounts. And so in that case, it didn't bring me quite far enough on AMP number eight. So I probably wanna bring some more money over there, but you can also see that I need some work on several different accounts under the reserve accounts. So now I have AMP 1, it's running at 9.0. 9.0, and I'm trying to get that up to 11. So I'm trying to get that up to a ratio of four or higher.

1:10:15.7 DM: So I can then AMP 1... AMP 2 is running in good shape, that's my cash account. AMP 3 needs a little bit of work as well. AMP 4 needs a little bit of work. Not too bad. 3.65, out of potential ratio of 4.0. AMP 5 needs a little bit of work as well. It turns the reserves. AMP 6 is running in good shape. 5.54, and I just need a ratio of four. So it potentially might have some cash, although it's not a large property. AMP number seven, 9.5 have a potential for 11 points and AMP 8, maybe just a little bit more money there.

1:11:25.3 DM: So let's go back to now AMP number two. Without damaging AMP 2... Now, let's make this... Back to my Quick Ratio, and we're gonna make this... We're gonna take $200,000. So, make sure I didn't bring that down below, so I'm still running okay on my Quick Ratio, and I'm still running okay on my liquidity. So, now I have $200,000. Now, to potentially move under what's called fungibility to my other properties as well, in my cash unrestricted. So, we know that AMP 1 needed some help, so I'm gonna give them $50,000. Oops.

[pause]

1:12:33.4 DM: So, I'm gonna make that 130,060, I gave them $50,000. So under my... So I say, you don't write over the formula fields. So that brings me my 130, 130. Let's go back and make your changes here on the Quick Ratio as well. We said AMP number three also needs some improvement, so I'm gonna make that 194. We said AMP number four also needed some improvement. They give them $50,000. So now I gave AMP 1, AMP 3, AMP 4, that leaves me with another $50,000, so I'm gonna then move that over here, AMP 8. And so now let's take a look at my Months Expendable Net Asset Ratio. So previously, I had very few that were running at 11 or close to 11, and now I brought those scores then up to 11, just by moving money from my cash account to my other properties as well that I had. And let's take a look at my overall PHAS score. So previously, that was well below the 24.14, so by increasing that, I've now increased my overall score under my financial. And probably if I would play with a little bit more, under the concept called fungibility I could bring this to that 25, 25. So by working and using the worksheet in here as well, this is where our worksheet can help us increase the performance of the agency under the world of PHAS, everything is acceptable, everything is within the world.

1:15:21.2 DM: Now, you wanna make these changes before the end of your fiscal year. Because once you submit your data, of course, then it's automatically then audited as well, but do your changes in terms of your positions under fungibility prior to the end of your fiscal year. And then your account... And then your auditors will then review your work and what you've done as well. Make sure that also you're, under that variable, that you don't bring that reserve level, if it's gonna bring it below one, I can't do that. And generally, what I want that reserve level to be that MENAR, what I wanted to be at, is 4.0 or higher, in terms of the calculations. So what do we have? So, by looking at then, the instructions, and following these instructions and following these accounts as well, I can then measure the performance of the agency under my PHAS score for my financials and my management. I don't have to wait for the world of HUD in order to make these changes as well.

1:16:48.6 DM: I can take the scores, and implement these scores, and improve the overall performance of the agency in order to improve my PHAS scores, primarily under my management, I'm measuring them timely. Don't forget, your heaviest of all the indicators is your fiscal, which is worth 40 points. You can't prepare your agency in two weeks when you get that notice, or that 10 days when you get that notice as well, you always wanna be prepared for the world of HUD, prepared for reviews, prepared for month-to-month-to-month, and running your operations for the agencies as well. Back in running agencies as well, under the PHAS, we were always a high performing agencies that I ran when I was doing it in the programs as well, not necessarily in the consulting world, but I can tell you it's a lot of work. It's a lot of work, you have to stay on top of it, you gotta get your staff to stay on top of it, and look at these variables every single month, look at your performance every single month, and you can score well in the world of PHAS.

1:18:00.9 DM: On behalf of FirstPic, on behalf of the Department of Housing and Urban Development. We hope that it's been helpful. We hope that the spreadsheet is a tool that you can also use. Don't forget, just download the tool, download the worksheets, put your data into the worksheet and then monitor your PHAs monthly or quarterly. But don't necessarily wait for the HUD score to come out to know how you're performing under that agency as well. Again, I wish to thank you very much, in using these tools, and hopefully in the future, we'll see at other, with other worksheets or with other tools that we supply to the world of HUD as well. Again, thank you very much.