

April 2012

**PHILADELPHIA
HOUSING
AUTHORITY**

BUDGET POLICIES & PROCEDURES MANUAL



Philadelphia Housing Authority
Building Beyond Expectations



April 2012

To All Philadelphia Housing Authority Personnel and Constituents:

The Philadelphia Housing Authority (“PHA”), established in 1937, is the biggest landlord in Pennsylvania and the fourth largest housing authority in the country. Although we are a public agency, we operate in many ways like a private property management company, and strive to employ the best practices of the private real estate industry. As a good steward of public funding, we also strive to embrace and implement the most transparent and dynamic financing and budgeting processes possible. In today’s volatile economy, with declining revenue levels anticipated over the foreseeable future, effective budget management and monitoring practices have become more important than ever to ensuring that the Philadelphia Housing Authority (“PHA,” “The Authority”) is effectively allocating its limited resources to be able to fulfill its goals and provide a high level of customer service during a volatile economic climate.

The following *PHA Budget Policies & Procedures* document has been revamped to establish and maintain effective management of the Authority’s financial resources, while providing a structured approach to the allocation of resources to achieve PHA goals. A comprehensive annual budget is prepared for all funds expended by PHA, and is done so in accordance with Generally Accepted Accounting Principles (“GAAP”) and best practice recommendations from the Government Finance Officers Association (“GFOA”) and other reputable organizations. This document was created as a guide for Authority personnel and an informative tool to give the public a glimpse into the Authority’s budget processes and its commitment to integrity and quality. The Authority’s governing principles for the creation of this document eschew unwavering commitments to:

Best Practices – Ensuring that the PHA is on the cutting-edge of budget practices and processes, upholding its commitment to cost-effective budgetary management, and moving toward a culture of program- and performance-based budgeting that provides departments with the necessary autonomy to best serve our clients and stakeholders, while also fostering a communicative culture of accountability and flexibility. Through a commitment to best practices, PHA is dedicated to the implementation of a budget process that takes advantage of modern technologies and streamlines the activities required to create and manage its annual budget.

Collaboration – Creating and continually evaluating a budget process that allows for communication and collaboration to ensure that our personnel and stakeholders not only understand the processes in place, but feel a sense of investment in continually upholding, adhering to, and improving those processes. As PHA modifies its budget practices and moves towards a program based budgeting approach, effective collaboration among administrative and operating departments will be critical in minimizing disruptions in transaction processing and service delivery.

Transparency & Accountability – Implementing policies and practices that ensure all stakeholders, both internal and external, are provided access to PHA financial and program information provides a wealth of advantages for PHA. A broad based understanding of the PHA budget issues and its current financial condition will make it easier to obtain the additional funding and community commitments required to properly serve the residents of Philadelphia. The very act of developing and periodically disseminating financial information and program results will improve the effectiveness of PHA operations.

A Commitment to Best Practices

Governments allocate scarce resources to programs and services through the budget process. As a result, it is one of the most important activities undertaken by governments. As the focal point for key resource decisions, the budget process is a powerful tool. The quality of decisions resulting from the budget process and the level of their acceptance is dependent on the effectiveness of the systems, methodologies, and tools used in creating and

managing the PHA budget. With PeopleSoft, PHA has one of the best budgeting systems available. One goal for the improvement of the budget process will be to fully utilize the capabilities of the PeopleSoft system.

A budget process that is well-integrated with other activities of government, such as the planning and management functions, will provide better financial and program decisions and lead to improved governmental operations. A process that effectively involves all stakeholders - elected officials, Resident leadership, governmental administrators, employees and their representatives, citizen groups, and business leaders - and reflects their needs and priorities will serve as a positive force in maintaining good public relations and enhancing services to our residents and other stakeholders' overall impression of government.

In response to pervasive weaknesses in budget practices, the GFOA prepared and issued "*A Framework for Improved State and Local Government Budgeting*". This document sets forth a series of recommended budget practices that incorporate the following basic principles:

1. Establish Broad Goals to Guide Government Decision Making
2. Develop Approaches to Achieve Goals
3. Develop a Budget Consistent with Approaches to Achieve Goals
4. Evaluate Performance and Make Adjustments

A good budget process is far more than the preparation of a legal document that appropriates funds for a series of line items. Good budgeting is a broadly defined process that has political, managerial, planning, communication, and financial dimensions. The following definition recognizes the broad scope of the budget process and provides a base for improvement of the budget process.

The budget process consists of activities that encompass the development, implementation, and evaluation of a plan for the provision of services and capital assets.

A good budget process is characterized by several essential features:

- Incorporates a long-term perspective,
- Establishes linkages to broad organizational goals,
- Focuses budget decisions on results and outcomes,
- Involves and promotes effective communication with stakeholders, and
- Provide incentives to government management and employees.

These key characteristics of good budgeting make clear that the budget process is not simply an exercise in balancing revenues and expenditures one year at a time, but is strategic in nature, encompassing a multi-year financial and operating plan that allocates resources on the basis of identified goals. A good budget process moves beyond the traditional concept of line item expenditure control, providing incentives and flexibility to managers that can lead to improved program efficiency and effectiveness.

A Commitment to Collaboration

It is vital that the budget process include all stakeholders. The budget process will aim to accomplish the following:

- Involve stakeholders;
- Identify stakeholder issues and concerns;
- Obtain stakeholder support for the overall budgeting process;
- Achieve stakeholder acceptance of decisions related to goals, services, and resource utilization; and,
- Report to stakeholders on services and resource utilization, and serve generally to enhance the stakeholders' view of government.

A Commitment to Transparency & Accountability

Regular and frequent reporting is necessary to provide accountability, educate and inform stakeholders, and improve their confidence in the government. Communication and involvement is an essential component of every aspect of the budget process.

Over the next 12-18 months, the PHA budget-related processes will continually be revamped to link budgets to strategic plans, allow for more input into the process, and establish budget management and monitoring roles at the cost center level. These improvements will be achievable, in part, through enhancements to the tools and methods used to prepare and manage the PHA annual budget and the policies and procedures outlined in this document. The policies and procedures incorporate elements of program-based budgeting to allow for greater departmental autonomy and transparency in budgeting. We look forward to serving the public with a budget produced under these integral guidelines.

Thank you for your continued cooperation and support,

Elias Rosario

**Elias Rosario, CPA
Deputy Executive Director of Finance, CFO
Philadelphia Housing Authority**

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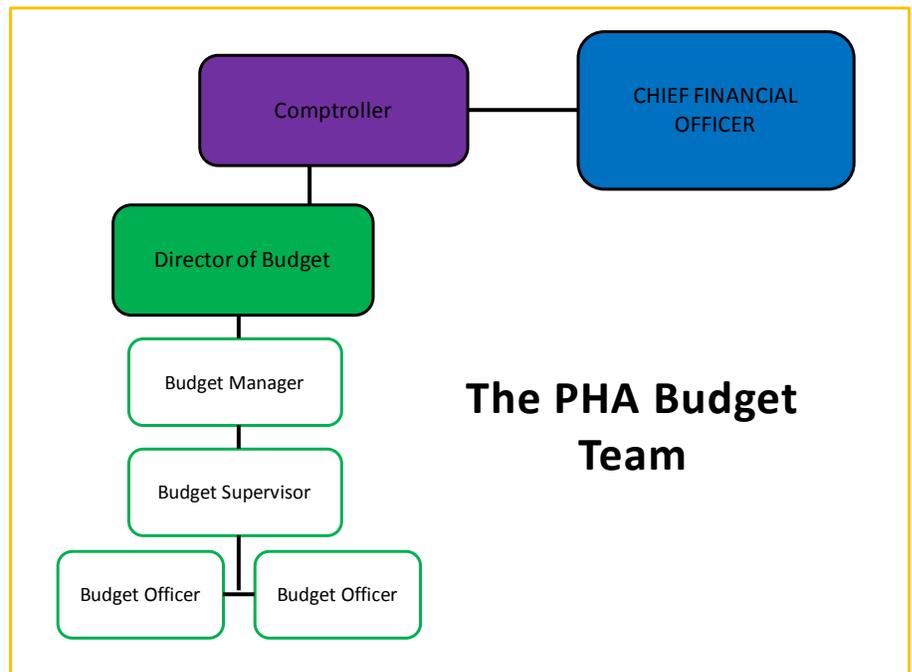
Section 1: Legacy Budget Process Overview

1.a. PHA Budget Office

The Budget Office (“BO”) has been established as a unit within the PHA Finance Department to direct the PHA budgeting process and facilitate the activities required to develop and monitor the annual budget. While the charge of the Budget Office under the legacy process was to micromanage fiscal activities Authority-wide, the refreshed mission of the Budget Office is to support Departmental liaisons and high-level stakeholders in making informed, strategic decisions about the allocation of resources, the provision of services, and the utilization of capital assets, while promoting stakeholder participation in the process.

Fig. 1.a. PHA Budget Office Organizational Chart

- Enforcing the PHA budget policy;
- Developing and implementing annual budget calendars;
- Disseminating budget guidance and instructions;
- Establishing systems, processes, and tools for the gathering and recording of budget information;
- Implementing procedures for the review, discussion, modification, and adoption of the annual budget;
- Interacting with departmental budget liaisons;
- Developing revenue projections;
- Facilitating budget discussions designed to achieve a balanced budget while meeting PHA missions and goals;
- Recommending to the Chief Financial Officer (CFO) expenditure levels based on management directives and revenue projections;
- Monitoring, analyzing and reporting on financial performance;
- Reviewing purchase requisitions for funds availability and budgetary compliance;
- Reviewing job requisitions and working with Human Resources to ensure personnel actions are in accordance with budget;
- Identifying opportunities to enhance stakeholder participation;
- Making recommendations regarding process improvements, control enhancements, and other operating efficiencies; and,
- Developing and enacting the Authority’s fiscal plan.



1.b. Legacy PHA Budget Process Approach

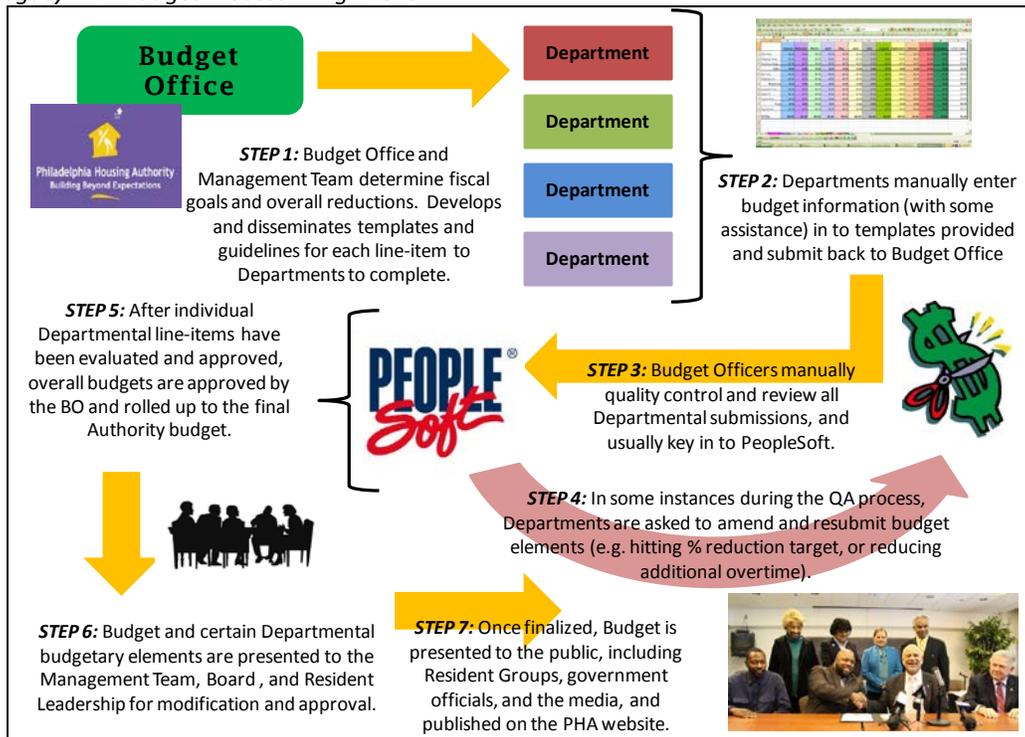
In the past, the Authority has utilized a traditional budgeting approach that is highly prescriptive, labor-intensive, and lacking in procedural transparency. Under this legacy approach, the budget is built from the bottom-up, guided by management directives relegated to line-items and reduction targets. For each department (“cost center”) and account, prior expense levels are reviewed and current year expenses are estimated, culminating in budget requests for the coming year. This approach leads to a “spend it or lose it” mentality that is common among public entities.

Persons responsible for individual cost centers are focused on maintaining spending levels they currently enjoy, rather than seeing the “big picture” of efficiently, effectively, and appropriately utilizing the Authority’s resources. Under this traditional approach, while Management and Budget dictate the reduction targets and calculate spending limits for individual cost-centers and line-items, there is little opportunity to meaningfully link spending and budgetary allotments to overall Authority goals and priorities. In effect, this approach renders departments disempowered to manage their own financial processes, and in turn divested from, their role in the Authority’s success and the importance of upholding transparent fiscal priorities to engender said success.

This approach also involves a significant amount of manual data entry, quality control, and an overwhelming mass of cost-centers and line-items (81 administrative cost centers and 86 site-specific; ~167 total cost centers) that detract attention from the development of a budget ideology and high-level strategic goals. The Management Team and the Budget Office have an unmanageable level of accounts and details to attend to that they are not able to appropriately direct focus on the development of strategic Authority goals and the engineering of the budget to fulfill these goals. High-level logistics related to this legacy PHA Budget Process are presented in the graphic below.

The most notable item missing from the legacy process is the opportunity for high-level stakeholders to deliberate on and determine strategic, over-arching Authority goals that ultimately guide the allocation of funding. This missed opportunity creates an unfortunate disconnect between the budgeting process and synergy with strategic plan goal and other mission fulfillment. This missed opportunity also jeopardizes the transparency and accountability of the budgeting process. Without tangible correlations to program goals, the public, residents, and even Authority personnel struggle to pinpoint how the dollars allocated are actualizing PHA priorities in real-time and longitudinally.

Fig. 1.b. Legacy PHA Budget Process – High-Level



1.c. Why Program-Based Budgeting?

As the PHA budgeting processes has been evaluated and enhanced, elements of program-based budgeting have been systematically incorporated in to the process. As opposed to the legacy process where traditional line-item budgets, budgets are built from the bottom-up with prior year activities driving the budget development process, Program-Based Budgeting (“PBB”), sometimes deemed “Outcomes-based,” “Zero-based,” or “Performance-Based Budgeting,” utilizes a top-down budgeting methodology, under which management allocates projected revenue levels across a series of programs.

According to the Government Finance Officers Association (“GFOA”), PBB effectively introduces goals, strategies, and performance measures into the budget thereby providing more information on the priorities of government, anticipated outcomes, and the effectiveness of an organization. Management’s allocation of resources by program can be based on many factors, including stakeholder feedback, Board initiatives,

PBB enables policy discussions and encourages questions such as:

- How much of this service do we provide?
- Did we achieve our target?
- How can we more efficiently achieve our goals
- How should we prioritize our goals to achieve the best results for our community?

GFOA Performance-Based Budgeting Guidance, 2012

management priorities, and risk assessments. Prior year budgets can become a tool in the development of program budgets, but should not be the driving force. Program-Based Budgeting empowers individual Departments to be invested stewards in their fiscal activities, and also creates a culture of upholding accountability and transparency.

Fig. 1.c. Program-Based Budget Model Guiding Principles

What Kind of Budget Process Does the PHA Want?		
Guiding Questions	(Now) Current Budgeting Process	(From Now On) Budgeting Process
What's the basic task? What are HUD's and other grantors' directives?	Fund departments, fund programs, fund costs, by individual line-item	Fund strategic priorities and intended outcomes with less attention to individual line-items
Where does the process focus energy?	At the margins, where there are cuts and adds from last year's numbers?	Across all the outcomes and all dollars, what spending is integral to supporting strategic priorities?
What is the system's basic dynamic?	Inertia maintains or, in some cases, reduces, current spending	Competition generates better options; Prioritization forces better choices
What's the incentive for departments to adhere to the process? How do you "win" the budget game?	Very little; Intimate dire consequences if there are cuts	Offer the most outcomes per dollar; Do the best job possible; Foster feelings of investment in the strategic priorities
What's the bottom line?	Dollars	Value

Moreover, the phasing in of PBB for the Authority is timely for a variety of reasons. First and foremost, PBB is a nationally-and internationally-recognized best practice that fosters transparency and creates tangible linkages between dollars and services rendered. These correlations clearly illustrate real-time impact for PHA personnel, residents, stakeholders, and the public at-large. Instead of defining mission based upon the individual activities of line-items, the PHA will see its impact through a more transcendental lens. PBB will also Program-based budgeting is also a HUD requirement, and deemed "the next building block of asset management," essentially meaning that operating budgets will now be completed at the project or program level, as opposed to the PHA or entity-wide level.

1.d. Program-Based Budgeting Approach for the PHA

As a realistic first step in the implementation of program-based budgeting at PHA, a “Performance-Based Budgeting” Approach will be established. With attention to legacy operations and processes, the PHA will infuse program-based budgeting elements at the Management level in an effort to free key decision makers from line-item and cost-center level details in order to focus on “bigger picture” strategic and programmatic goals that dovetail with the Authority’s overall strategic plan and Board and leadership priorities.

The Budget Office, in turn, will focus on translating these overarching goals in to fiscally communicated priorities via formulas at the mid- and high-tier budget levels. Line-item level details, whenever possible, will be left to individual Departments to determine and manage from their broader budget independently. This process is illustrated in greater detail in *Section Eight: Program-Based Budgeting Process Summary*.

Fig. 1.d. Program-Based Budgeting Process Summary



Section 2: General Budget Policies

2.a. Balanced Budget Policy

The PHA will produce a balanced budget which has been fully vetted and approved by the PHA Board at least ninety (90) days prior to the end of the current fiscal year. In determining what constitutes a balanced budget, all revenues and expenditures will be incorporated. From a program-based budgeting perspective, each program will also be required to achieve a balanced budget. For capital projects, the budget should balance in both the short-term (annual needs) and the long-term (project totals).

If extreme circumstances arise which preclude the adoption of a fully balanced budget, any proposed deviation must be approved in writing by the Executive Director (“ED”) and Chief Financial Officer (“CFO”) before submittal to the PHA Board for approval.

The PHA departments are prohibited from exceeding budget levels without proper authorization.

2.b. Funds Stabilization Policy

The PHA should maintain a prudent level of financial resources to protect against reducing service levels or raising rents and fees because of temporary revenue shortfalls or unpredicted one-time expenditures. The CFO, working in conjunction with the Executive Director, will determine the minimum cash levels to be maintained by the PHA. Any activities that could reduce cash levels below this baseline level should be reviewed by the CFO and Executive Director. Any actions that would reduce cash to below this level should also be approved by the Board.

PHA minimum cash levels are established at an approximate range of four-to-six (4 – 6) months of the PHA’s operating costs.

2.c. Use of One-Time & Unpredictable Revenues Policy

The Budget office, working in conjunction with the CFO, will identify and categorize budgeted revenue sources based on the probability of receipt. Only those revenues that are generally expected to be received annually should be allocated to ongoing expenditures, such as salaries, wages, or long term contract/lease commitments. Some examples of one-time revenues are:

- Potential lease revenues from community facilities
- The use of Bond revenues
- Expiring grants or foundation awards

One-time revenues should not create future year obligations and their usage should be designed to minimize disruptions once the funding source has been eliminated.

2.d. Fees & Charges Policy

The Budget Office will identify those programs and services that are expected to be self-sustaining with fees and charges covering program costs. For each of these programs, the Budget Office will gain an understanding of the fee structure and the processes used to periodically realign fees and charges with actual costs.

The Budget Office will identify both the cost of the program and the portion of the cost that will be recovered through fees and charges. Throughout the fiscal year, the Budget Office will compare fees and costs and make recommendations when modifications to fee structures or service levels are required.

Section 3: Budget Development Policies

3.a. Revenue Projections Policy – All Budget Development Activities

The Authority is required by HUD as part of its Moving-to-Work (“MTW”) agreement to submit the sources and uses budget for all MTW and Non-MTW program activities as part of the annual MTW Plan (that is submitted to HUD each year 75 days prior to the beginning of PHA’s fiscal year).

For the Authority, budgeting assumptions should be based on prior year (April - December) and first quarter of the current year (January - March) operating subsidy calculations.

Revenue projections shall be derived of funding generally expected to be received annually from Tenant Dwelling Rental revenue projections and the HUD Low Income Housing Program (“LIHP”), the Housing Choice Voucher Program (“HCVP”), and the Capital Fund/Replacement Housing Program (“CFP/RFP”). Only those revenues should be allocated to ongoing expenditures, such as salaries, wages, or long term contract/lease commitments. There are three (3) primary sources of revenue: (1) Operating Subsidy Calculation; (2) Housing Choice Voucher Program Revenue; and, (3) Capital Fund Program Revenue. Revenue is also generated from Tenant Rent.

Operating Subsidy Calculation - All forms must be submitted to HUD by *October 31st*
Required forms to be submitted:

- Excel Tool electronic forms will be used to collect funding data for CY 2012
- *HUD-52723, Calculation of Operating Subsidy Form*
- *HUD-52722, Calculation of Utilities Expense Level*
- PHAs will submit scanned copies of both *HUD- 50071* and *SF-424* forms
- *HUD-52725, Executive Compensation*

Housing Choice Voucher Program - Calculation should begin *October 1st*
Budget calculated based on the prorated portion of funding increments in effect as of the first day of PHA's fiscal year.

Capital Fund Program - Calculation should begin *October 1st*
Budget calculation based on the number of units occupied or in modernization status.

The Budget Office is responsible for generating accurate and timely revenue forecasts and disseminating those forecasts to relevant Departments and Liaisons for appropriate follow-up.

3.b. Budget Development Policy – Operating & Moving-to-Work

Cost center budgets will be prepared based on a budget ceiling provided by the Budget Office for non-personnel expenses. All budgets submitted to the Budget Office must be inclusive of all funding sources and limited to budget ceilings as provided. All budgets that are submitted to the Budget Office that are in excess of the ceiling amount will be revised by the Budget Office to equal the ceiling amount.

All cost center budgets must be submitted to the Budget Office by the dates specified in the annual budget calendar. All cost centers are responsible for budgeting funds for approved Board resolutions which will be expended in the upcoming fiscal year. The Budget Office will prepare a budget for any costs center that has not submitted a budget by the due date based on historical spending forecast.

3.c. Budget Development Policy - Limited Partnerships / PAPMC

The Limited Partnerships (“LP”) and Philadelphia Asset and Property Management Corporation (“PAPMC”) budgets will be prepared based on a budget ceiling provided by the Budget Office and the Director of Finance - PAPMC. The Operating subsidy, rent, and all other projected revenue sources will be provided to them, as well as certain known operating expenses which must be included in their operating budget for the upcoming fiscal year. All budgets submitted to the Budget Office must be balanced to match expenses to revenue, and limited to budget ceilings as provided. All budgets that are submitted to the Budget Office that are in excess of the ceiling amount will be revised by the Budget Office to equal the ceiling amount.

3.d. Budget Development Policy – Capital

For capital projects, anticipated commitments that will be made during the current budget year should be detailed by project. For mixed finance projects in which the PHA is making a capital investment, budgeted costs should be identified by project and contain a detailed breakdown of costs.

In preparation for the Five-Year (5) Capital Budget, projects that extend over more than one budget year should be clearly annotated with cost projections included for each subsequent year. The physical needs assessment should be prepared at least every five (5) years and updated annually to determine priorities for the upcoming fiscal year.

An annual cash flow schedule must be submitted to the Budget Office indicating, by month, the anticipated spending levels. Quarterly updates must also be submitted to revise cash flow estimates within twenty (20) business days after the quarter ends.

In the event that detailed capital budgets are not completed in a timely manner to allow for proper submission of budget data by project and unit turnover, the Budget Office will use an estimate based on historical or reliable industry data.

3.e. Budget Development Policy – Grants

All budgeted grant-funded expenditures must meet the guidelines specified in each of the individual grant agreements, as prescribed by the Grantor. The budget for each grant must not exceed the actual grant amount awarded.

For each grant, matching requirements must be identified and budgeted, and where applicable, the use of program income must be fully budgeted. For each grant, the budgeting processes should maximize the recovery of indirect costs. Prior to submission to Grantor, all grant budgets, including multi-year grants, must be submitted to and reviewed by the Budget Office to ensure conformance with PHA’s goals and objectives.

For multi-year grants, only planned expenditures for each fiscal year should be budgeted. Each subsequent fiscal year grant budget should not exceed the balance of the grant from the prior year carry-over. Projected carry-over of grant funding should be budgeted and submitted by the cost center prior to the new fiscal year.

All grant-funded positions will be eliminated upon expiration of the grant unless otherwise approved by the Executive Director.

3.f. Budget Transfer Policy

The Budget Office can and will approve transfers within a cost center between budget line items, subject to the restrictions outlines below. The Chief Financial Officer and/or Budget Director must approve transfers of funds between cost centers. Revisions necessitated by a substantial change in our revenue stream which requires changes in our planned spending, or a new initiative which requires a shifting of funds between cost centers must be presented to the Chief Financial Officer and the Budget Director, and will be presented to the Board of Commissioners through a semi-annual budget revision.

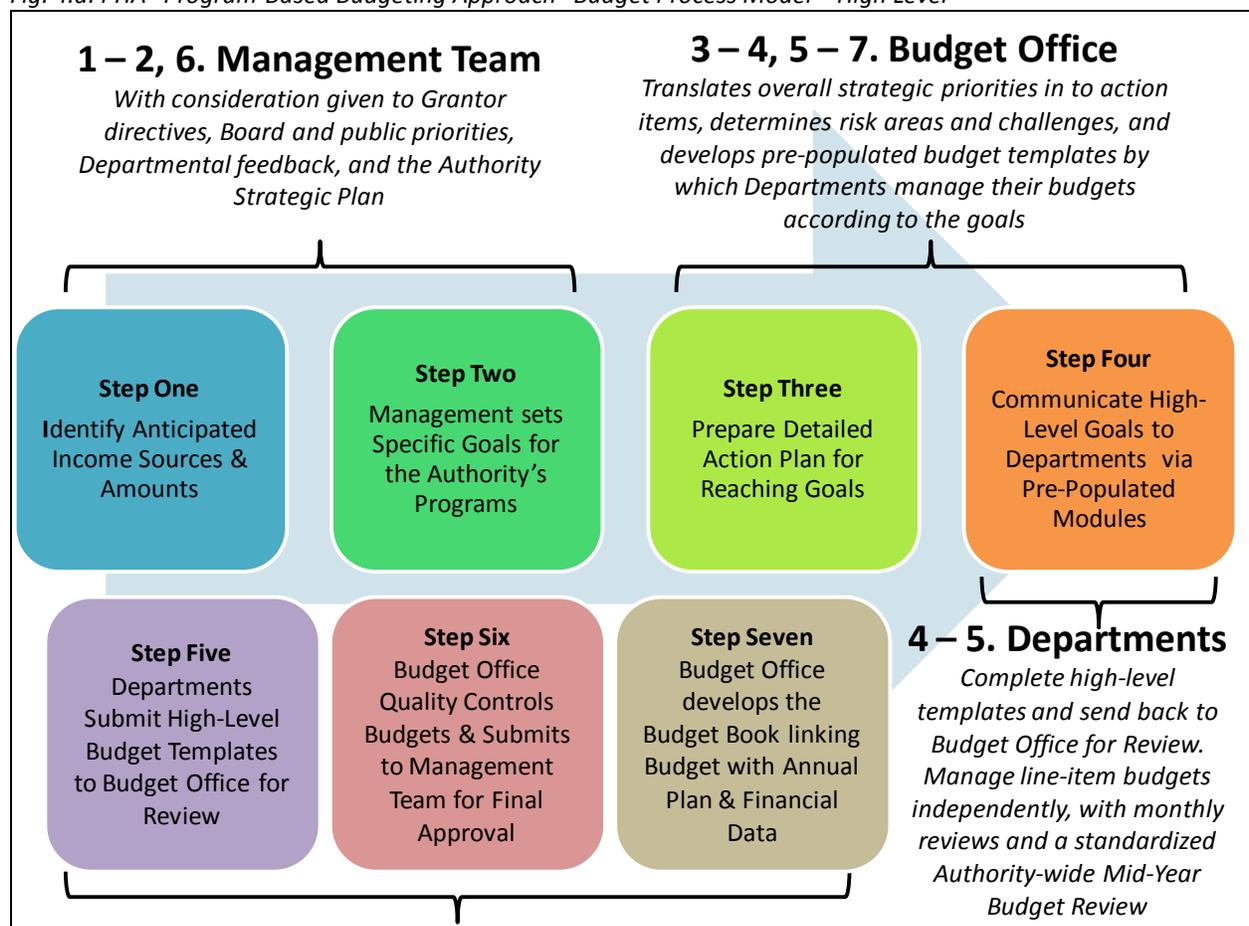
Section 4: Budget Development Process - Operating & Moving-to-Work

4.a. Program-Based Budgeting Process

Under the new budget approach, departments will be responsible for developing the detailed line-item budgets using the legacy budgeting methods currently being implemented. Wherever possible, the Budget Office should develop templates that boast pre-populated formulas and values to simplify departmental entry, and reduce the margin for user error and, in turn, multiple manual quality control reviews by Budget Office personnel.

Concurrently, the Management Team, working in conjunction with the Budget Office, will be more removed from the line-item detail, and focus efforts on allocating projected revenues by program to develop high-level budgets for each program. These top level program budgets will be reviewed with the Board and stakeholder groups to obtain feedback on the allocation of resources.

Fig. 4.a. PHA “Program-Based Budgeting Approach” Budget Process Model – High Level



Once totals by program have been approved by management and adopted by the Board, the Budget Office will be responsible for merging the program totals developed by management with the line item cost center budgets and identifying those programs and costs centers where significant differences exist.

The Performance-Based Budgeting budget process model incorporates both the operating and Moving-to-Work budgets.

4.b. Revenue Projection Process

The Authority is required by HUD as part of its Moving-to-Work agreement to submit the sources and uses budget for all MTW and Non-MTW program activities as part of the annual MTW Plan (that is submitted to HUD each year 75 days prior to the beginning of PHA's fiscal year).

For the Authority, budgeting assumptions should be based on prior year (April - December) and first quarter of the current year (January - March) operating subsidy calculations.

Revenue projections shall be derived of funding generally expected to be received annually from Tenant Dwelling Rental revenue projections and HUD (the Low Income Housing Program, the Housing Choice Voucher Program, and the Capital Fund/Replacement Housing Program). Only those revenues should be allocated to ongoing expenditures, such as salaries, wages, or long term contract/lease commitments.

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Required forms to be submitted:

- Excel Tool electronic forms will be used to collect funding data for CY 2012
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- *HUD-52722, Calculation of Utilities Expense Level*
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- *HUD-52725, Executive Compensation*

Housing Choice Voucher Program - Calculation should begin *October 1st*
Budget calculated based on the prorated portion of funding increments in effect as of the first day of PHA's fiscal year.

The Budget Office is responsible for generating accurate and timely revenue forecasts and disseminating those forecasts to relevant Departments and Liaisons for appropriate follow-up.

4.c. Budget Process – Month-by-Month Detail

Fig. 4.c. Operating Budget Process Cycle – By Month

Month	Step	Activity	Custodian
Sept.	A.	<p>During the month of September, the annual budgeting process begins with an analysis of year-to-date budget information for the first half of the current fiscal year coupled with projections made regarding activity levels anticipated for the remainder of the fiscal year. This is known as the Mid-Year Review for the current Fiscal Year.</p> <ul style="list-style-type: none"> • Current YTD Six-Month Budget Actuals data is assembled by Departments for Mid-Year Review • Budget Office compiles and prepares Six-Month Budget Revision <p>This analysis includes projections around the Operating subsidy receipts, tenant dwelling revenue, and other tenant related receipts for Operating. For MTW, analysis of the block grants receipts and non-MTW receipts, such as Housing Assistance and Utility Assistance payments.</p>	<p><i>Mid-Year Review Reports: Departments</i></p> <p><i>Six-Month Budget Revision: Budget Office</i></p>
Oct.	B.	<p>Based on the budget analysis performed in September, the revised current year budget is reviewed and approved by Senior Staff and the Board. Upcoming fiscal year revenue projections are prepared for inclusion in the required HUD forms submissions, and in advance of the expense development budget process. Operating subsidy, Dwelling rental receipts, and MTW block grant receipts are also prepared in preparation of the required HUD submissions.</p> <p>In addition, planning for the upcoming fiscal year gets underway with the development of revenue projections, the preparation of budget schedules and templates, and the scheduling of budget meetings. Perhaps the most important piece of this process is the determination of a Programmatic Dichotomy, whereby Senior Staff re-compartmentalize department budgets in to programmatic budgets.</p> <ul style="list-style-type: none"> • Senior Staff translates departmental budgets in to programmatic categories; • For programs that straddle multiple departments, the Budget Office designates a Primary Department to carry out programmatic budgeting activities; <p>★ Pending significant changes, the Mid-Year Review Report (Current FY Six-Month Actual vs. Budget Revision) is presented to Senior Staff and Board;</p> <ul style="list-style-type: none"> • Preliminary Operating and MTW Revenue Estimates are produced; • Budget Office creates and distributes the annual budget calendar containing all applicable deadline dates; • Budget Office reviews and revises budget tools and templates; • For each program area, Senior Staff and the Budget Office develop top level budgets; 	<p><i>Programmatic Dichotomy: Senior Staff</i></p> <p><i>Attribution of Primary Departments: Budget Office</i></p> <p><i>Mid-Year Review Compilation & Presentation: Budget Office</i></p> <p><i>Revenue Projections: Finance Department</i></p> <p><i>Annual Budget Calendar Creation & Dissemination, Budget Roll-Out Meeting Scheduled: Budget Office</i></p> <p><i>Development of Top-Level Budgets: Senior Staff & Budget Office</i></p>

Month	Step	Activity	Custodian
		<ul style="list-style-type: none"> Budget Office prepares the various Operating and MTW Expense Schedules for completion by the budget liaison in each cost center; and, Budget Development Rollout Meetings Scheduled. 	
Nov.	C.	<p>During November, the cost center budgeting begins based on revenue projections and top-level program budgets developed in October. The budget liaisons for each cost center complete the budget templates and schedules and the Budget Office compiles the information, culminating in a preliminary budget.</p> <ul style="list-style-type: none"> Budget Development Meetings Held with Senior Staff and Budget Preparers; Budget Office creates an initial assessment of Projection Need submitted by Departments; Budget Office Creates a Consolidated Budget Forecast; Analysis of Overall Budgeted Revenue and Expenses vs. Actual Comparison; and, Comparative analysis of top level program budgets with cost center line item budget requests. <p>From November thru December, HUD sources are monitored for changes in the initial revenue projections, and revisions are made, if necessary. Revenue estimates are added to the consolidated MTW model and compared to expense projections. All discrepancies are analyzed and resolved.</p>	<p><i>Budget Development Meetings: Senior Staff, Budget Office, Primary Departments</i></p> <p><i>Initial Assessment of Projection Need: Departments & Budget Office</i></p> <p><i>Consolidated Budget Forecast & Analysis of Expenses vs. Actual: Budget Office</i></p> <p><i>Comparative Analysis: Departments & Budget Office</i></p>
Dec.	D.	<p>December is dedicated to resolving all budget discrepancies and variances, and creating a balanced budget for the upcoming fiscal year. The proposed budget is compiled and presented to the management and Board for review, analysis, approval and adoption.</p> <ul style="list-style-type: none"> Budget Office, Senior Staff, and Executive review of Departmental Budget Submissions and Revise, as needed; Operating and MTW Budgets Consolidated with Capital Fund Budget forming the Comprehensive Budget document for PHA; Comprehensive Budget document presented to Senior Staff and Resident Leadership for Review; and, <p>★ Comprehensive Budget document is presented to the Board of Commissioners for Approval.</p>	<p><i>Review and Revision of Departmental Budget Submissions: Budget Office & Senior Staff</i></p> <p><i>Budget Consolidation to Form Comprehensive Budget: Budget Office</i></p> <p><i>Budget Document Prepared & Presented for Senior Staff & Resident Leadership: Budget Office</i></p>
Jan.	E.	<p>Upon the budget being approved and adopted by the PHA Board, it is then incorporated into the MTW Plan and submitted to the U.S. Department of Housing and Urban Development (“HUD”) prior to January 15th for review and approval.</p> <p>During January, the annual closing procedures should be developed for dissemination to all cost centers at least sixty (60) days prior to the end of the fiscal</p>	<p><i>Submission of MTW Plan to HUD: Budget Office</i></p> <p><i>Development of Annual Closing Procedures: Budget Office</i></p>

Month	Step	Activity	Custodian
		<p>year.</p> <ul style="list-style-type: none"> Comprehensive Budget is submitted to HUD as part of the MTW plan; and, Annual closing procedures drafted and approved by the CFO. 	
Feb.	F.	<p>February is used to prepare for the upcoming fiscal year, including the issuance of the annual closing procedures to provide instruction on how to close out the current fiscal year and prepare for any changes anticipated in the new fiscal year. In preparation for the next budget cycle, budget data is also verified in <i>PeopleSoft</i> Budgeting modules, and prepped for final upload into <i>PeopleSoft</i> Financials.</p> <ul style="list-style-type: none"> Annual closing procedures submitted to all cost centers; and, Meetings held, as needed, to discuss closing procedures and any anticipated issues. 	<p><i>Dissemination of Annual Closing Procedures: Budget Office</i></p> <p><i>Meetings to Determine Closing Issues: Budget Office, Departments, & Senior Staff</i></p>
Mar.	G.	<p>During March, the annual closing process gets underway while preparations are finalized for the upcoming fiscal year. Budget templates are finalized in <i>PeopleSoft</i> Financials, and verified ready for Operations by April 1st, or the first day of the PHA's operating budget cycle.</p> <p>Cost centers provide monthly breakdowns of revenue and expense expectations, and the Budget Office develops monthly cash flow projections.</p> <ul style="list-style-type: none"> Open purchase orders and requisitions are analyzed to determine whether to cancel or carry forward to the new budget year; All budget data for the new fiscal year is finalized in <i>PeopleSoft</i>; ★ Monthly Reviews Begin: Cost center budget liaisons prepare and submit monthly allocations of budgeted revenues and expenses; and, The Budget Office prepares the monthly and annual cost flow projections for the upcoming fiscal year. 	<p><i>Analysis of Open Purchase Orders & Requisitions: Budget Office & Departments (as requested)</i></p> <p><i>Finalization of Budget Data in PeopleSoft: Budget Office</i></p> <p><i>Monthly Reviews Begin: Departments & Budget Office</i></p> <p><i>Monthly & Annual Cost Flow Projections: Budget Office</i></p>
Apr.	H.	<ul style="list-style-type: none"> ★ Books are closed by April 30th and Year End Review begins thereafter. Year End Review to be completed by or in June. 	<p><i>Year End Close & Review: Budget Office, Finance Department, & Departments</i></p>
May	I.		
Jun.	J.		
Jul.	K.		
Aug.	L.	<p>During the first five (5) months of the new fiscal year, the Budget Office and individual Departments monitor revenue and expense levels and keep Senior Staff apprised of any major deviations from the projected levels of revenues and expenses. For each month, the cost center budget liaisons review actual monthly activity, provide explanations for any significant budget variances, and identify any errors in the posting of monthly transactions.</p>	<p><i>Monthly Reviews & Variance Identification Continues for Current FY: Departments & Budget Office</i></p>

4.d. Departmental Roles in Budget Development & Management

Under the new budget process, departments will enjoy greater fiscal management autonomy and assume additional responsibilities in creating and managing their budgets, including the following activities:

1. Budget Liaisons will be identified for each cost center. Ideally, for programs that straddle multiple departments, one (1) budget liaison will be assigned and responsible for budgeting around said program. These budget liaisons will receive training in the PHA budget process and on the tools and methods used throughout the budget cycle. The budget liaisons will be responsible for overseeing and validating the initial data entry of budget information into budget templates;
2. For cost centers impacting multiple departments, BO will assign one (1) “Primary Department” to take a lead role in compiling the budget information. The assigned liaison will be required to coordinate budgeting activities with the other impacted departments;
3. Department heads will be required to formally approve the budget submittal for the cost centers to which they have been assigned;
4. Once data upload into *PeopleSoft* has been completed, the budget liaisons will be required to review all budget data and identify any data entry errors;
5. For Monthly & Mid-Year Reviews: Budget liaisons will be required to assist the BO with cash flow projections by providing anticipated monthly revenue and expense breakdowns;
6. For Monthly & Mid-Year Reviews Budget liaisons will be expected to monitor budgeted activity and contact the BO when budget revisions become necessary, including revisions due to new funding sources or new grant awards; and,
7. For Monthly & Mid-Year Reviews: On a monthly basis, the budget liaisons will obtain and review budgeted activity reports and provide explanations for any variances that exceed predetermined dollar and percentage thresholds.

In addition, Deputy Executive Directors and General Managers (or designees) will be responsible for the following:

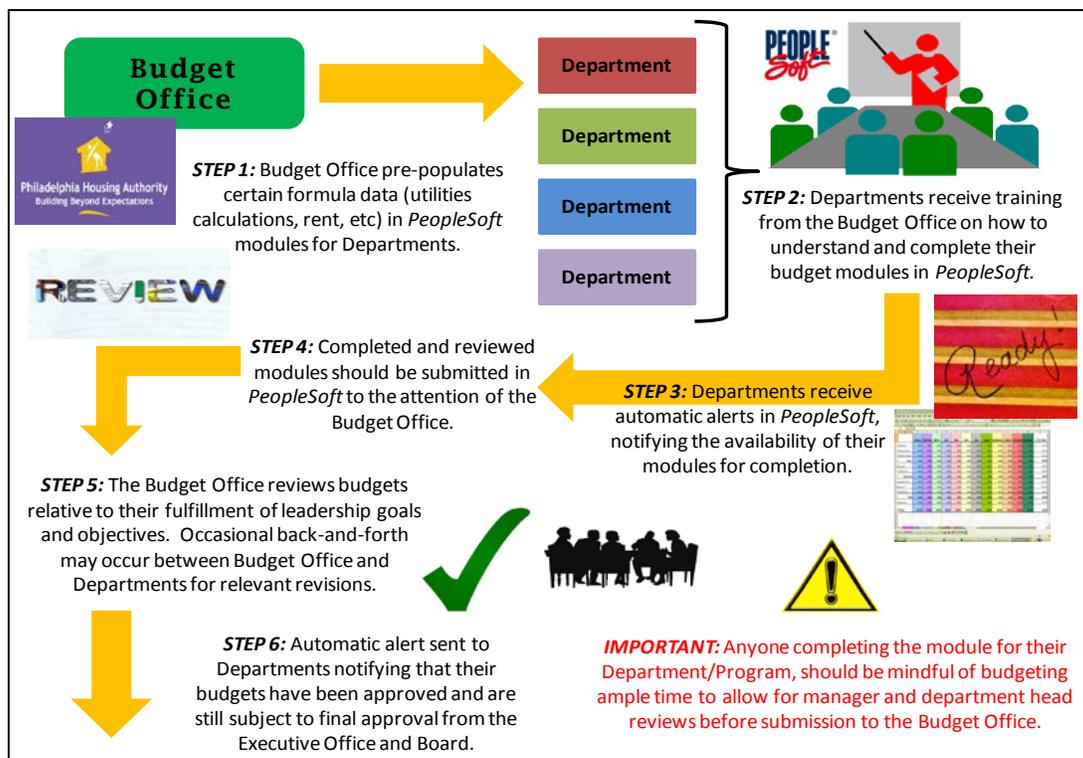
8. Monitoring cost center budgets on an on-going basis to ensure that the cost center is operating within budgeted levels and in compliance with any restrictions or limitations enacted by the PHA Budget Policy and Procedures Manual;
9. Giving timely notice to senior management, BO and other staff regarding changes in objectives or other conditions that may cause variances from the approved budget plan; and,
10. In no instance should the expenditure of funds exceed approved spending authority without prior budget amendment.

4.e. Budgeting Tools & Data Entry

The data entry of budgeting information can become a time consuming and error-prone task. If not properly designed, data entry can become very redundant and the processes of purchase requisitions and vendor payments can be delayed.

PHA has many cost centers and accounts (81 administrative cost centers and 86 site-specific; ~167 total cost centers). A key goal of the Performance-Based Budgeting Approach is to ensure the line-item budget detail is entered only one time. Budget processes and tools will be designed to capture the data entered at the cost center level and use this information to build the PHA budget. Budget modules will be revised and housed in *PeopleSoft*, and wherever possible, pre-populated with formulas or non-negotiable values, to streamline this process, while also allowing for an automated upload of budget data into *PeopleSoft*.

Fig. 4.e. PeopleSoft Data-Entry Detail



4.f. Budget Approval – Executive- & Board-Level

Once the budget has been developed, vetted, and finalized, it will be presented to the Management Team for final review and amendment by the Budget Office. This process should be streamlined and guided by the priorities determined in the front-end process by the

Management Team. Budget issues should be presented and mitigated in such a way that fulfillment of or threat to pre-determined Authority priorities and strategic goals are the framework for decision-making.

Once reviewed and approved by the Management Team, including the Executive Director, the Budget will be summarized by high-level programmatic and operating priorities and certain fiscal items of note, and synthesized in to a succinct Board Budget Presentation Template and brought before the Board of Commissioners. This template will include the salient budget points and governing principles, without delving in to line-item details and issues.

Upon approval from the Board, the Budget will be combined with the Annual Plan, these Policies & Procedures, and other fiscal information, and memorialized in a Budget Book that is accessible to all Authority personnel and the public at-large. This Book will identify synergies between budget allocation and priorities, and will provide a transparent and comprehensive glimpse in to the budget development and actualization process at the PHA.

4.g. Budget Presentation – Public & Stakeholders

Upon Board approval of the Annual Budget, the PHA may opt to develop presentations for the following audiences. Presentation templates for these audiences may be accessed below:

- Resident Leadership / Action Councils
- Government Authorities
- Public Housing Organizations
- Local / National Media

Section 5: Budget Development Process – Limited Partnerships / PAPMC

5.a. Program Overview

PAPMC is a private service affiliate that manages all limited partnership Low-Income Housing Tax Credit (“LIHTC”) properties. It is a non-profit, management entity that is separate from the PHA. PAPMC operates using a calendar year.

5.b. Limited Partnerships/PAPMC Funding

In addition to the collection of rent, PAPMC invoices the PHA for the Annual Contribution Contract (“ACC”) Subsidy for each of its units. The limited partnerships can invoice up to the combined total of the HUD Project Expense Level (“PEL”) and Utility Expense Level (“UEL”) in effect for that year. The limited partnerships are contractually obligated to break even at their operational level. Any excess ACC Subsidy that would cause a profit is returned to the PHA.

5.c. Limited Partnerships/PAPMC Investor Submission Deadlines

The Limited Partnerships investors have various deadlines for submitting the Annual Budget. These deadlines range from the beginning of October through the end of December of the current year (October 1st thru December 31st). A detailed list of Limited Partnership Investor Budget Deadlines can be provided by the PAPMC Department.

5.d. Budget Process – Month-by-Month

Fig. 5.d. PAPMC/Limited Partnerships Budget Process Cycle – By Month

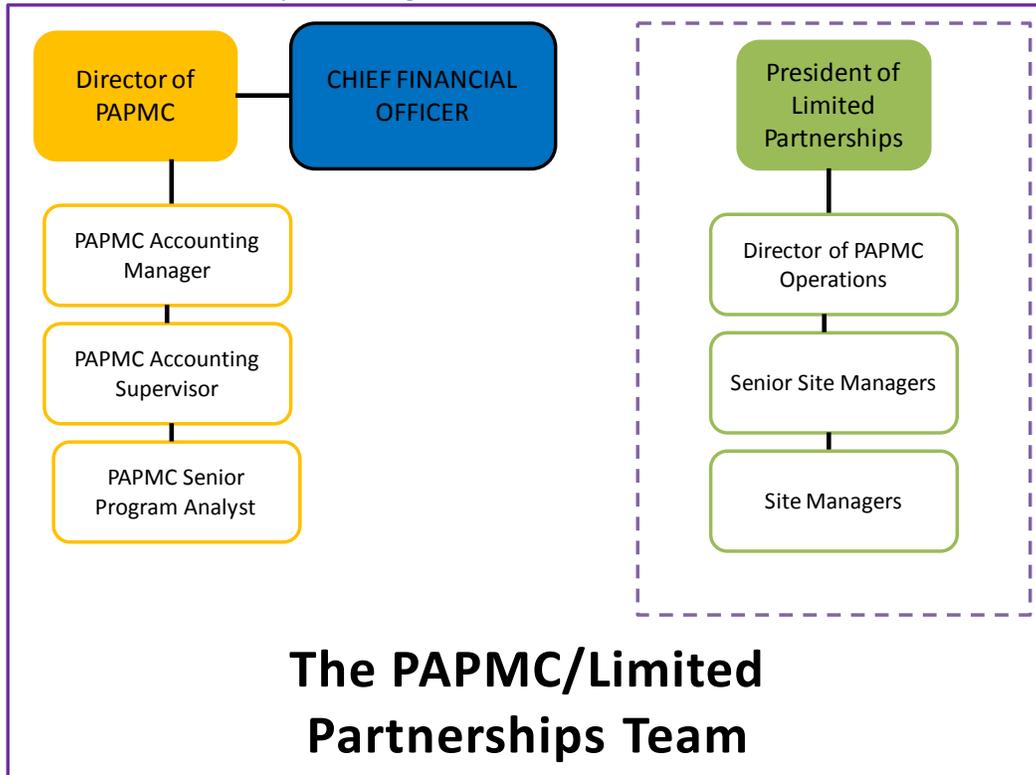
Month	Step	Activity
July	A.	During the month of July, the annual budgeting process begins with an analysis of year-to-date budget information for the first half of the current fiscal year coupled with projections made regarding activity levels anticipated for the remainder of the fiscal year.
Aug.	B.	Based on the budget analysis performed in July, initial projections will be made by the Budget Manager, Director of PAPMC – Finance, and Director of PAPMC Operations for the Operating Subsidy, certain other revenue and expense items needed to prepare the Operating Budget for the upcoming calendar year for the individual operating units within the PAPMC. Budgeting begins based on revenue and expense projections developed in July. The budget liaisons for the Business Units will complete the budget templates and schedules and the Budget Office compiles the information, culminating in a preliminary budget. The Business Units budgeting begins based on the prepared revenue and expense projections developed in July. The budget liaisons for each Business Unit will complete the budget templates, culminating in a preliminary budget. <ul style="list-style-type: none"> Budget Development Meetings Held with Senior Staff and Budget Preparers; and,

Month	Step	Activity
		<ul style="list-style-type: none"> Budget creates an initial assessment of the projection need submitted by each Business Unit.
Sept.	C.	<p>September is dedicated to resolving all budget discrepancies and variances, and creating a balanced budget for the upcoming fiscal year. The proposed budgets are compiled and verified for adherence to the balanced budget requirement for revenue matching purposes.</p> <ul style="list-style-type: none"> Comprehensive Budget document is prepared for the individual partners for each Business Unit.
Oct.	D.	<p>★ Submission of budget to investors begins.</p>
Nov.	E.	
Dec.	F.	
Jan.	G.	<p>The current fiscal year operating activity is monitored and compared to the submitted budget for the upcoming year to determine whether revisions to the submitted budget are needed to reflect changes in the ongoing operating activity. The budget is finalized and adopted by the PHA. On January 1st, the annual is loaded into PeopleSoft financials for use in the current calendar year.</p>
Feb.	H.	<p>During the next first five (5) months of the new fiscal year, the Budget Office monitors revenue and expense levels and keeps management apprised of any major deviations from the projected levels of revenues and expenses. For each month, the cost center budget liaisons review actual monthly activity, provide explanations for any significant budget variances, and identify any errors in the posting of monthly transactions.</p>
Mar.	I.	
Apr.	J.	
May	K.	
June	L.	

5.e. Departmental Roles in Budget Development & Management

The individual Site Managers are, and will continue to be, responsible for creating and staying within their budgets. The Site Managers report to Senior Site Managers, who report to the Director of PAPMC Operations. The Director is ultimately responsible for approving the budgets and keeping the sites within budget parameters. The PAPMC Accounting Manager will continue to be responsible for updating the overhead numbers and supplying to operations. The President of the Limited Partnerships tangentially reports to, or is accountable to, the Executive Director of the PHA.

Fig. 5.e. PAPMC/Limited Partnerships Team Organizational Chart



5.f. Year End Close

The Limited Partnerships are subject to the same year-end procedures and restrictions based on the calendar year-end process.

Section 6: Budget Development Process - Capital

6.a. Capital Improvement Program Overview

The Philadelphia Housing Authority's Capital Improvement Program ("CIP") provides funding for land acquisition, land improvements, design, feasibility studies, engineering services and construction. Capital projects are planned and executed as follows:

1. Project Development: This phase of the project provides funding for costs incurred by PHA to define the scope of work for a specific project. Project Development costs include preliminary design studies, data collection public review/comment, legal review, technical assessment and cost estimating.
2. Design: These costs typically include professional consultant fees which include legal counsel, technical review; assessments by engineering and architectural firms. Feasibility studies, construction management services, advertising fees and bid reviews.
3. Land Acquisition: These are costs incurred for the purchase of land, easements and rights of way, surveys appraisals, environment audits and legal fees.

6.b. Capital Improvement Program Phases

1. Construction: This phase includes all construction related costs that are incurred in order for a project to reach completion. These costs include construction contracts, professional and technical services (engineering, architectural and legal), advertising as well as fees for permits and licenses.
2. Administration: These costs include in house project management expenses to supervise and administer the CIP program. Administrative oversight is provided in each phase (project development, design, land acquisition and construction) as well as contract management, monitoring and the processing of related financial transactions.

6.c. Capital Issue Mitigation & Management Process

From time to time, disagreements with contractors arise which cannot be easily resolved on the basis of the contract. In these instances, the Budget Office works with the General Counsel's Office and the Capital Construction Division to settle these disputes. Legal settlements are paid from the PHA's capital budget.

Errors and omissions are discovered by the contractor during the walk through and review of designs submitted by the architects. If additional work is required to resolve design errors, the general contractor will submit a Request for Information ("RFI") to the project manager with cost estimates. The information from the general contractor is presented and discussed at the

weekly Change Order Committee (“COC”) meeting and, routed for approval. Errors and omissions are usually funded from contingency.

The need for emergency procurement can occur at a moment’s notice at any of the Authority’s developments. Emergency procurements are expedited to ensure the health, safety and security of the residents of the Philadelphia Housing Authority. Emergency procurements are funded from contingency.

6.d. Revenue Projection Process

The Authority is required by HUD as part of its Moving-to-Work (“MTW”) agreement to submit the sources and uses budget for all MTW and Non-MTW program activities as part of the annual MTW Plan (that is submitted to HUD each year 75 days prior to the beginning of PHA’s fiscal year).

For the Authority, budgeting assumptions should be based on prior year (April - December) and first quarter of the current year (January - March) operating subsidy calculations.

Revenue projections shall be derived of funding generally expected to be received annually from Tenant Dwelling Rental revenue projections and HUD (the Low Income Housing Program (“LIHP”), the Housing Choice Voucher Program (“HCVP”) and the Capital Fund/Replacement Housing Program (“CFP/RFP”). Only those revenues should be allocated to ongoing expenditures, such as salaries, wages, or long term contract/lease commitments.

Capital Fund Program - Calculation should begin *October 1st*

Budget calculation based on the number of units occupied or in modernization status.

The Budget Office is responsible for generating accurate and timely revenue forecasts and disseminating those forecasts to relevant Departments and Liaisons for appropriate follow-up.

6.e. Budget Process – Month-by-Month

Projects included in the capital budget process are derived based on discussions and input from various departments within the PHA. Normal ongoing Capital activity (Conventional and Scattered Sites unit rehab, environmental and asbestos issues, handicapped accessibility issues) must be properly accounted for and funded in the Capital fund development process. In order to determine the priority of the balance of available funding for capital projects, need assessments were performed by the PHA. Authority departments then submitted projects that encompass both the improvement and development of housing throughout the City. Each department estimated the project’s cost, assigned a project manager, determined the priority

level, gave an explanation and justification of the project and identified costs which would extend beyond the five (5) years.

Following this process, the capital projects and cost estimates are compiled and forwarded to the Budget Office for funding. The following timeline illustrates the PHA’s Capital Budget Process by month:

Fig. 6.e. Capital Budget Process Cycle – By Month

Month	Step	Activity
May	A.	The Senior Budget Analyst and Budget Manager develop capital budget ceilings using PHA’s Five (5) Year capital model by analyzing capital fund availability, projecting capital revenues and determining the value of reserve balances. The Senior Budget Analyst and the Budget Manager then distribute these budget ceilings to the Construction Department (“CD”) and the Development Department (“DD”).
June	B.	The Construction Department submits a Needs Assessment (by property) to the Budget Office; The Development Department also submits initial budget requests which are based on the mixed finance deals anticipated to close, as well as new units expected to come on-line in the target Fiscal Year.
July	C.	The Budget Office develops and updates its capital model to contain funding scenarios through FY2015. This model reflects estimated sources and uses of funding based on planned and future construction activities as submitted by CD and DD. Funding requests for capital projects to be carried out in Fiscal Year (“FY”) are then incorporated into the Comprehensive Budget. As part of the budget process, the Budget Office identifies planned expenditures and compares them to available funding for the Fiscal Year. To ensure that sufficient funding is available to carry out capital activities, the PHA incorporates any prior year’s capital fund carryover to the Fiscal Year revenue portion.
Aug.	D.	★ The Budget Manager submits a draft of the five-year capital Summary to the Budget Director for review.
Sept.	E.	During September and October, capital plans are adjusted by the Budget Office to ensure budget allocations are in place to fund projects anticipated to be completed for both CD and DD.
Oct.	F.	★ The semi-annual budget revisions will occur based on the Budget Office analysis of the submitted changes requested by the Department Heads. Ideally, these potential revisions will coincide with the formal Mid-Year Review Process.

Month	Step	Activity
Nov.	G.	★ The Capital Budget Summary is incorporated into a draft of the FY Comprehensive Budget Document
Dec.	H.	The completed budget summary is presented to the Executive Director for review and comments.
Jan.	I.	★ The Comprehensive Budget document is presented to the Board of Commissioners for Approval.

6.f. Year End Close

Capital Fund requisitions are not included in the traditional Year End cut-off process.

Section 7: Operating Budget Management & Monitoring Processes

7.a. Budget Control & Monitoring – Monthly & Mid-Year Reviews

Throughout the fiscal year, Budget Officers will monitor and evaluate the operating performance of the PHA by using a variety of analytical tools and techniques, namely *PeopleSoft* dashboards and reports. Each cost center will be enabled and expected to generate their own budget reports focusing on programmatic goals, and will also be provided with monthly budget reports comparing budgets to actual expenditures and obligations.

Post-Budget development, the Budget Office will be responsible for the following management and monitoring activities:

1. Requesting and acquiring budget reports and real-time information from individual departments;
2. Monitoring budgeted resources for the Authority during the fiscal year;
3. Analyzing and reporting on budget variances for operating, capital, and grant budgets;
4. Approving budget availability for all purchase requisitions, contracts and contract modifications presented to the Board of Commissioners (Board) for approval;
5. Reviewing and acting appropriately (approve, deny, or submit for editing) on transfers between budget lines within a cost center; and,
6. Monitoring the Authority’s positions roster and payroll expenditures.

The Budget Office will also be responsible for completing the following analyses on behalf of the PHA:

7. Performing impact analysis related to expenditure plan modifications and revenue fluctuations;
8. Preparing monthly, quarterly, and annual reports to reflect the fiscal performance of the PHA. These reports will compare actual expenditures relative to the fiscal year budget to determine whether the Authority is operating efficiently;
9. Preparing quarterly cost center budget reports. These reports will detail the year to date expenses, obligations and fund availability by major HUD account. In addition, an open purchase order report will be included for each cost center; and,
10. Establishing financial forecasts in order to project future operating revenues based on analytical assumptions, as well as agreements with HUD and other organizations including developers and contractors.

7.b. Purchase Requisitions & Contract Modifications

All purchase requisitions are prepared through the *PeopleSoft* e-Procurement system. All purchase requisitions and contract modifications greater than or equal to \$1000 must be forwarded to the Budget Office for approval before procurement activities are initiated. Requisitions below this threshold, may be approved by Department heads without Budget Office approval.

Budget Officers will review purchase requisitions and contract modifications for the following:

- Availability of budgeted funds
- Eligibility of expense
- Correct coding of General Ledger (“GL”) account and activity

If no other issues exist, the purchase requisition will be approved. If issues exist with the requisition, the Budget Officer will deny or reject the purchase requisition and return it to the preparer for further updates or modifications. Upon denial, the Officer must attach a message during the process of denying or rejecting the requisition which states why the requisition was not approved and, the required course of action.

If an approved requisition’s estimated cost becomes an actual expense over the approved amount (due to a competitive bid or through contract negotiations), the Department of Procurement and Contracts (“DPC”) will resubmit the requisition to the Budget Office and the user department for approval of additional funds before adjusting the dollar amount on the purchase order.

7.c. Job Requisition

Job requisitions are routed through the *PeopleSoft* process flow and reviewed by the Budget Director to determine if a request to fill a vacant position is authorized. If the vacant position is available, the Budget Director will approve all job requisitions; this indicates that the funding for the vacant position is available.

In addition, the Full Time Equivalent (“FTE”) for a cost center shall remain constant during the fiscal year. No additional positions will be added to a Cost Center during the fiscal year without written approval of the Executive Director or otherwise required under an executed grant agreement.

7.d. Budget Revision Procedures (*Non-personnel budget lines only*)

Operating Budget revision procedures are required to assure consistency, accuracy, and tracking. Ideally, any significant budget revisions will be foreseen through the monthly review process and handled in a compiled way via the Mid-Year Review Process. The following budget revisions require Board approval:

- The acceptance of all new grant funding awards.
- Increases or decreases in the Authority's Annual Comprehensive Budget due to revised or new management initiatives and/or reorganization.
- Significant changes to subsidies that alter PHA revenue.

Budget revision requests for new funding increases or decreases to the Authority's comprehensive budget should be submitted to the Budget Office as they are received. Any new revenue sources should be fully budget within 30 days of award.

Other budget revisions are due to the Budget Office by the 15th of October of each calendar year. Requests submitted after this date will not be accepted. Exceptions are limited to emergency situations, which require immediate action due to the implementation of new management initiatives or regulations.

7.e. Budget Transfer Process

The Budget Office can and will approve transfers within a cost center between budget line items, subject to the restrictions outlines below. The Chief Financial Officer and/or Budget Director must approve transfers of funds between cost centers. Revisions necessitated by a substantial change in our revenue stream which requires changes in our planned spending, or a new initiative which requires a shifting of funds between cost centers must be presented to the Chief Financial Officer and the Budget Director, and will be presented to the Board of Commissioners through a semi-annual budget revision.

7.f. Year End Close - Requisitions & Open Purchase Orders

Any open purchase requisition that has not been approved by the Budget Office (that is within the threshold requiring Budget Office review) by the last day of a fiscal year will be cancelled and deleted in *PeopleSoft* as of the first day of the new fiscal year. A year end closing procedure for open purchase orders will be implemented by the DPC for all cost centers. Each Deputy Executive Director/General Manager will be responsible for reviewing open purchase orders to determine if any remaining balances at year-end need to be accrued. Accruals can only be made for goods or services received during the current fiscal year.

All purchase orders will be closed at year-end according to cut-off dates established in conjunction with the DPC and Budget Office unless otherwise notified by the cost center. This request must be submitted in writing by the specified due date determined by the DPC.

Purchases received but not paid should be properly accrued by forwarding a request to the Office of the Comptroller. This request must be made by the due date specified by the Office of the Comptroller. An accrual should not exceed the available budget or remaining balance of the purchase order.

Capital Fund requisitions are not included in this cut-off process. Moving-to-Work funding is subject to case-by-case review to determine best practice for handling year end procedures.

7.g. Year End Review

A Year End Review, folded in to a Year End Close Process, is a valuable learning opportunity for the PHA as it phases in this PBB process, and will continue to be enduringly useful as the process becomes more standardized across the Authority. The Year End Review will allow for the Authority to identify under- and over-performing Departments and Business Units, commend and encourage efficiently performing Departments, and create opportunities to offer valuable guidance for all Departments, such as coaching and issue mitigation for struggling cost centers, moving in to the next budgeting cycle.

The Calendar Year will be the basis the Year End Review, which will be started after April 30th (when the books close) and completed by June 1st.

Section 8: Program-Based Budgeting Process Summary

To establish an annual budget development and multi-point monitoring process that incorporates the best practices outlined by the GFOA, while also blending elements of a program-based budgeting philosophy, the following “Performance-Based Budgeting” approach process has been established and initiated, effective April 1, 2012:

1. **Create a Culture of Involvement & Accountability:** All PHA departments will be involved in the creation of budget documents for the funds, operations, and programs for which they are responsible. For programs split between multiple departments, management will delegate responsibility to a “Primary Department” which will take the lead role in budget development for an appropriately allocated program.
2. **Assert Budget Office Role:** The Budget Office will be responsible for overseeing the budget creation process and monitoring budgeted activities throughout the year.
3. **Simplify & Automate Tools:** All budgeting tools will build on data entered at the departmental level with duplicative levels of data entry being eliminated, thereby reducing the extent of errors in budget data.
 - a. All budget modules will be revised with formulas and pre-populated values during August - October, to the extent possible, to improve their functionality, enhance their validity, and make the tools more user-friendly.
 - b. Data entry of budget information into PeopleSoft will be accomplished through the budget modules. Therefore, the excel spreadsheets should be used only as tools to assist the budget preparer and Budget Office in developing their initial budget estimates and requests.
 - c. The Budget Module in PeopleSoft 9.1 will be completed by May 30th, 2012.
4. **Create a Program Dichotomy:** The Management Team will begin embracing Performance-Based Budgeting model by first determining the program breakdown for budgeting purposes.
 - a. A balance is needed - too many programs can make budget management a cumbersome responsibility. Conversely, combining diverse PHA activities into a relatively few number of programs can make it difficult to assess budgetary compliance and identify budget issues.
 - b. In theory, the division of PHA into program areas should provide more flexibility to department heads to move funds within a program, while limiting the ability to move monies between budgeted programs.

5. **Communicate New Program Dichotomy:** Once the program structure has been defined, all departments should receive a budget overview document from the Budget Office explaining how the PHA operations have been compartmentalized into specific programmatic budgets.
6. **Develop Revenue Projections:** Once programs have been identified and the methodology and dichotomy disseminated, the next step in budget process will be to make revenue projections for each program. The total expected revenue level by program will become the basis for all program-based and line-item budgets.
 - a. Before using revenue projections to make budget decisions, some independent validation should be made of the estimates used in projecting revenues.
 - b. Revenue projections by program should become the basis for all expense budgeting activities. Consequently, these projections should be reviewed and approved by the Board and senior management before the detailed budgeting process gets underway.
 - c. At this stage, third party stakeholders should be given an opportunity to review and comment on the breakdown of projected revenues by program.
7. **Engage in Performance-Based Budgeting Process:** Once total budgeted revenues by program have been finalized, the expenditure budgeting process should begin. This process will take three (3) distinct and concurrent phases –
 - a. *Phase One:* Departments can begin fleshing out their line item budgets using prior year data, current year activity levels, and the approved revenue projections.
 - b. *Phase Two:* Senior management and the budget team can begin allocating projected program revenues to specific programs and program areas, including the breakdown between payroll and non-payroll costs. Management would also identify the monies within each program to be devoted to repairs, maintenance, and new asset purchases.
 - c. *Phase Three:* While program activities are being budgeted, the PHA will also begin developing its capital budgets taking into account both need and resource availability.
 - d. Under the above scenario, senior management and the Budget Office will build the top-down program budgets while departments compile the traditional line item budgets. After both processes have been completed, the Budget Office will perform an analysis comparing the results of both processes and identifying areas where significant differences exist.
8. **Finalize Line-Item Budgets:** The Budget Office will work with senior management and the Board to finalize the line item budgets for each program, while ensuring a balanced budget for each fund and program.

9. **Upload Budget Data in *PeopleSoft*:** Once a budget has been agreed to, the Budget Office will handle the upload of the budget in to *PeopleSoft*.
 - a. To the extent possible, all budget information will be uploaded in *PeopleSoft* prior to be first day of the fiscal year. This will prevent delays in the processing of purchase requisitions, vendor payments, and rental vouchers.

10. **Present Budget to the Public:** The PHA may elect to present its budget, in a simplified, easily intelligible, and standardized format, to Resident Leadership and councils, government officials, the media, and other stakeholders upon Board and Executive level approval.

11. **Initiate Monthly & Mid-Year Reviews:** In addition to the creation of annual budgets for each program, the PHA must have a strong understanding of monthly cash flows to manage its operations. For each budgeted program, a breakdown of revenues and expenses by month should be developed by the BO working in conjunction with the program departments.
 - a. On a monthly basis, the Budget Office will produce budget vs. actual reports for all funds and accounts. Departments will be required to review and approve these reports within 15 days of month end. This will allow transaction posting errors to be corrected before financial reports are submitted to the Board and senior management.

12. **Identify & Mitigate Variances:** On a monthly basis, the Budget Office will identify budget variances that exceed dollar and percentage thresholds. Each department will be required to submit written explanations for variances exceeding pre-determined thresholds. As part of the monthly financial reporting process, the Budget Office should compile these explanations and provide a variance report to management.

Fig. 8. Program-Based Budgeting Process Summary



Section 9: Glossary of Terms & Definitions

- Accounts Payable (“AP”): An accounting entry that represents the PHA’s obligation to pay off a short-term debt to its creditors and/or vendors/contractors.
- Budget Liaison: Person or persons responsible for completing the budget for a respective department or program.
- Budget Office (“BO”): The mission of the BO is to help decision makers make informed choices about the allocation of resources, the provision of services, and the utilization of capital assets, while promoting stakeholder participation in the process.
- Capital Expenditures: Funds spent on capital improvements that change the nature of property, extends its useful life or otherwise improve it beyond the natural improvement expected with routine repairs/maintenance.
- Capital Improvement: A major expenditure that generally falls into one of the following categories: land and non-structural improvements, new structures major repairs or major equipment.
- Capital Improvement Budget: A list of projects that identifies sources and uses of funds in a five year capital plan.
- Full-Time Equivalent (“FTE”): Full-time employee.
- Line-Item: Individual items accounting for detailed Departmental budget and expenditures.
- Low-Income Housing Tax Credit (“LIHTC”): This act provides an incentive for home developers to build, buy and refurbish housing for low-income taxpayers. The Low-Income Housing Tax Credit also provides a non-refundable credit for those who invest in low-income housing projects as a means of stimulating the flow of capital into this sector. The type of housing structures typically used for this credit are multi-family dwellings.
- Moving-to-Work (“MTW”): A demonstration program for public housing authorities that provides them the opportunity to design and test innovative, locally-designed strategies that use Federal dollars more efficiently, help residents find employment and become self-sufficient, and increase housing choices for low-income families. MTW gives PHAs exemptions from many existing public housing and voucher rules and more flexibility with how they use their Federal funds. MTW PHAs are expected to use the opportunities presented by MTW to inform HUD about ways to better address local community needs.
- Non-Recurring Expenditures: Expenditures which are not expected to re-occur. Due to the nature of construction, it is quite possible for PHA to incur the following expenditures which have been included in the FY2011 budget: Settlements for \$1.5 million with the contractor for Wentworth Gardens; Errors and Omissions caused by the architects; and/or, Emergency Procurement.
- PeopleSoft: The financial accounting, management, and reporting software used by the PHA.
- Primary Department: In an instance where a program straddles multiple departments, the Budget Office will assign a custodian Primary Department to take a lead role in compiling the budget information. The assigned liaison will be required to coordinate budgeting activities with the other impacted departments.
- Program-Based Budgeting: Under program-based budgeting, a top down budgeting process is established under which management allocated projected revenue levels across a series of programs. Management’s allocation of resources by program can be based on many factors, including stakeholder feedback, Board initiatives, management priorities, and risk assessments. Prior year budgets can become a tool in the development of program budgets, but should not be the driving force.

APPENDICES

APPENDIX A: Budget Process Assessment

Please Note: The following Report was created by Grant Thornton

BUDGET CREATION

BUDGET MONITORING

Department Resources

Budget Director

Budget Manager

Budget Supervisor

Budget Officer II

Budget Officer I

Overview

The Budget Department is responsible for calculating all components of budgeted revenues and related expenditures. The budget process will be updated throughout the year through the use of a semi-annual budget revision process. It is categorized into several key areas: Operating, Move to Work (MTW), and Capital. The Operating and MTW budgets are required to be submitted by the senior staff and their department heads 90 days prior to the conclusion of each fiscal year (March 31). The business units are required to have their budgets completed prior to the conclusion of each calendar year. The budget team works closely with the business units during the 4th Quarter (calendar quarter), reviewing and providing input to their upcoming projections and final budget. The output of this process results in a completed budget, an operating plan, and individual business unit plans. The Capital Budget process is comprised of an overall five year plan and the result of the physical needs assessments, which is generally completed in the July/August time frame. The Capital Budget process results in a formal Capital Plan (5 year plan).

Key Reports

- Approved Budget
- MTW Summary Report

Key Processing Activities (Inputs-Processing-Outputs)

Listed below are the primary inputs into the Budget process as well as outputs generated as a result of the day-to-day activities:

Inputs

- Department Budget Requests
- Business Unit Budget Requests
- Physical Needs Assessments
- Prior Year Costs Review

Outputs

- Approved Budget
- MTW Summary Report
- MTW Plan
- Operating Plan
- Capital Plan
- Business Unit Plans

The following summarizes the key activities associated with the core sub-processes within Budgeting – Budget Creation and Budget Monitoring

Key Activities

- Budget Creation
 - Operating Budget and MTW
 - Internal PHA Departments
 - Review the prior and current year’s costs and determine next year’s budget goals
 - Meet with senior staff to establish priorities for the budget according to each individual department goals
 - Each department/site receives a department-based budget package indicating the allowable and required expenses for the next fiscal year based on the current revenue stream
 - Business Units
 - Historical information is used to compile the site budgets
 - Meet with the site representatives to review the completion of the budget templates
 - Site managers forward the approved budgets to the Budget Department for input into the Excel budget spreadsheet templates
 - Budget prepares a separate expenditure schedule detailing maintenance material and contracts, capital expenditures, and extraordinary maintenance items
 - The expenditure schedule is sent to all applicable site managers
 - Budget reviews the completed budget templates and holds a revision sessions with site managers, as necessary
 - Final approved values are entered into the budget spreadsheets

- Capital Fund Budget
 - Development Projects
 - Utilize the physical and urgency needs assessment to validate each capital project's budget requirements
 - The 5 year plan will be adjusted and updated each year to indicate the budget requirement shift and PHA's upcoming revenue stream
- Grants (e.g. DARE, GREAT, and CHIP)
 - Nominal grant amounts are received to support these programs and are budgeted in accordance with grantor's program policy
- Budget Monitoring
 - Quarterly and Yearly Budget Reviews
 - Operating budgets are reviewed every quarter to ensure each PHA department is following the budget requirements or to make necessary adjustments /reallocations within existing budget lines according to need
 - Maintenance budget is reviewed often due to the continual need for improvements, repairs, and outside maintenance
 - Budget Reviews and Approvals of E-Procurement Process
 - Budget must approve anything with a static value of greater than \$500
 - Any variable that fails the Budget check (must be approved at every stage - requisition, purchase order and voucher) must be reviewed and assessed by Budget in determining if payment request should be approved
 - If the line item is over obligated it will fail the budget check and must be reviewed
 - Operational costs are reviewed for the possibility of adjustment and if the adjustment is +/- 10 %, an adjustment entry must be made

Risks

(The risks listed below represent the primary risks inherent in this process. Any risk, if not properly mitigated, may result in errors or omissions to financial reporting, compliance goals and objectives or in not achieving operational goals. The parenthetical reference (e.g., "C1") identifies the corresponding control that PHA has implemented to mitigate the corresponding risk.)

- R1 Budget limits may be exceeded. **(C1, C3)**
- R2 Site units may not receive adequate funds to cover operational expenses. **(C1, C2, C3)**
- R3 Static Budgets do not allow for changes due to unforeseen circumstances. **(C1, C3)**

Controls

(The controls listed below represent the primary controls that PHA has in place to address the associated risk noted above. These control activities represent actions, supported by policies and procedures that, when performed properly and in a timely manner, manage or reduce the aforementioned risks. The parenthetical reference (e.g., “R1”) identifies the corresponding risk that is addressed by the applicable control activity.)

- C1 Budget reviews are conducted each quarter and line items are reviewed as needed to identify variances and anomalies that occur throughout the course of business. **(R1, R2, R3)**
- C2 Historical cost data is used to benchmark creation of new fiscal year budget.
- C3 The Budget is approved at various management levels throughout PHA, culminating with the approval by Executive Management.

Additional Resources, References and Detailed Policies and Procedures

Listed below are references to existing documentation that provides further detail and insight into the Budget processes:

- PHA Public Services – Budget – Creation and Revenue (November 2002)

