Operating in a tight budgetary environment…

IDEAS TO INCREASE REVENUES AND REDUCE COSTS

Casterline Associates PC
11 Davis Road – Suite 225
Valley Forge, PA 19482-0962
(610)783-6844 / www.casterline.net

Revenue Enhancement Idea #1: Energy / Water Savings

- Utility costs represent 23% of a PHA's Public Housing expenditures, on average. Therefore it is an extremely important area to pay attention to.
- HUD provides Operating Subsidy for utilities. Since the early 1980's, this formula has included incentives to encourage housing authorities to conserve.

- PHAs are entitled to receive 75% of the benefit of reductions in consumption compared to the prior three year average. This is a form of "bonus" subsidy.
- PHAs are required to bear 75% of the cost of increases in consumption compared to the prior three year average. This is a form of penalty against the subsidy.
- These bonuses and penalties are known as the 75/25 split.

Utilities conservation strategies:

- Energy Audits – To identify areas where improvements can be made.
- Capital Improvements – Consider using HUD's Energy incentives and/or an Energy Performance Contract (EPC) to get more "Bang for the Buck".
- When doing an EPC, consider the merit of self implementation.
- Already have an EPC? Check to see if you should refinance the loan. Big savings may apply.
- Resident Accountability – Including excess utility surcharges or resident-paid utilities.
- Resident Education – To inform residents that waste can lead to cuts in other services.
- Reimbursements – From outside users of non-dwelling space and other consumers of the PHA's utilities.

Energy Performance Contracting

- Because utilities represent such a large share of costs, HUD has increasingly emphasized the importance of conservation. Incentives have been created, including the Energy Performance Contracting program that enables PHA's to secure what amounts to free capital improvements. Current incentives include the following:
  - The 75/25 split mentioned above
  - Frozen rolling base

(continued next slide)

- Energy add-on for loan amortization
- Frozen resident-paid utility allowances
- Rate savings add-on

See HUD's Public Housing Energy Conservation Clearinghouse for more information:

http://portal.hud.gov/hudportal/HUD?src=/program_offices/public_indian_housing/programs/ph/phecc

Simplified Example: Energy Add-on

- A PHA Borrows $1,000,000 over 12 years (up to 20 years is allowed with HUD approval).
- Improvements include windows, doors, lighting, toilets, shower heads, and other improvements.
- Annual debt service plus monitoring and verification costs = $120,000
- Annual savings = $150,000 for improvements that will be completed.
- Options include "Add-on" method where PHA receives $120,000 per year Add-On for energy loan amortization, or "Frozen Base" approach where PHA freezes its rolling base.

PHA chooses "Add-on" method

This Creates "Excess" Savings (a good thing):

- Year 1: $150,000 x 75% = $112,500
- Year 2: $150,000 x 75% = $112,500
- Year 3: $150,000 x 50% = $75,000
- Year 4: $150,000 x 25% = $37,500
- Total $337,500
- This occurs because of 75/25 split but phases out as rolling base "normalizes"
- Excess Savings is a cushion against pro-ration
- Improvements are "Free" – No CFP impact

Revenue Enhancement Idea #2: COCC Can Claim 50% of Energy/Water Savings

The Central Office Cost Center Benefits Too!

- An added benefit is that the central office receives 50% of the excess savings. According to HUD Asset/Management/Project Based Accounting Guidance (PIH 2007-9 Attachment – Supplement to Financial Management Handbook):

Energy Service Contracts. PHAs requesting HUD approval on energy performance contracts will have to structure the contract to allow for actual reporting at the AMP level. This change applies to both energy service company (ESCo) contracts and contracts where the PHA functions as their own ESCo.

For those PHAs where HUD has already approved an EPC, reporting will be required at the respective AMP level, but the PHA may utilize reasonable allocations to meet reporting requirements if actual AMP data is not available.

Frozen rolling base incentive - The PHA operating subsidy eligibility shall reflect the retention of 100 percent of the savings from decreased consumption until the term of the financing agreement is complete. The PHA must use at least 75 percent of the cost savings to pay off the debt, e.g., pay off the contractor or bank loan. If at least 75 percent of the cost savings is paid to the contractor or bank, the PHA may use the full amount of the remaining cost savings for any eligible operating expense, of which 50 percent must remain at the AMP level and the remainder may be used to fund the COCC.

Add-on subsidy incentive - This incentive provides an additional subsidy to a PHA to pay debt service on an EPC loan. A PHA using this method should realize a positive subsidy flow through the normal calculation

of the operating subsidy formula – computation of utilities expense level (§ 990.170). Fifty (50) percent of the cost savings attributed to the add-on subsidy incentive must remain at the AMP level and the remainder may be used to fund the COCC.

- Resident paid utility incentive - Under this incentive, a PHA may exclude from its calculation of rental income the increased rental income due to the difference between the baseline utility allowance and the revised utility allowances of the projects involved, for the duration of the contract period. Fifty (50) percent of the cost savings attributed to the resident paid utility incentive must remain at the AMP level and the remainder may be used to fund the COCC.

- PHAs already in an EPC: are you defederalizing 50% of the savings by paying this fee to your COCC?

A couple of other recommendations (NEW!):

- Consider a self-implemented EPC to save significant dollars and gain more control.
- Currently in an EPC? Rates have dropped – consider refinancing to lower interest costs and fund more improvements.
- The two of these can be combined into one strategy: refi your loan and self implement additional energy conservation measures

Revenue Enhancement Idea #3: Self Implemented EPC (program is orchestrated by PHA)

- HUD regulations allow for self-directed EPCs. A PHA can implement a program without the use of an ESCo. With self-implementation HUD will allow a PHA to avoid some of the markup associated with using an ESCo and also take an administrative fee for it's central office cost center. This fee is limited to 15% of project costs, but it is a non-federal fee-for-service (defederalized funds).

Self Implementation of an EPC (continued)

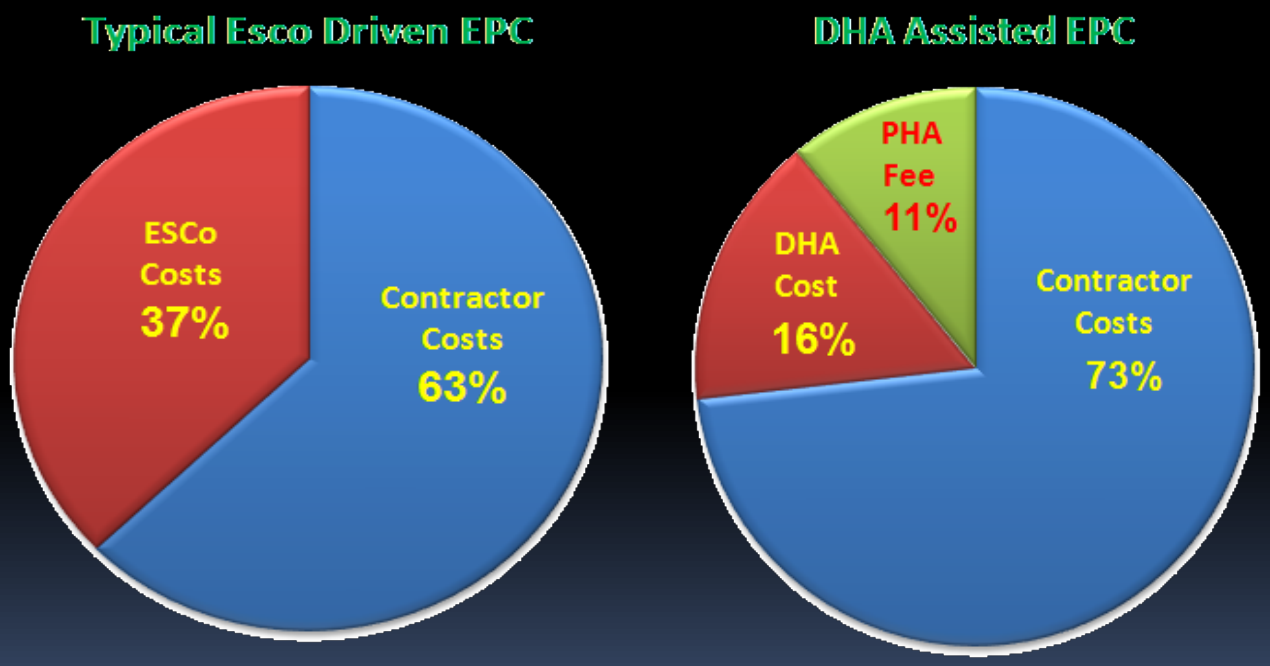
- The vast majority of existing EPCs are not self-directed. This may be attributable to the fact most PHAs lack the requisite experience and are hesitant to take on all of the work involved in designing and implementing a successful EPC. Considering the workload confronting by the ever- shrinking staffs of most PHAs, it isn't surprising that they seek a more turn-key approach.
- There are options to obtain outside technical assistance to do a self implementation of the EPC. This enables the PHA to self implement without having to figure out everything on their own.

ESCO versus Self Implemented EPC (example using a PHA client that self implemented):

Project Design & Implementation Costs:	Typical ESCo Fee Proposal				DHA-Assisted Self Implementation Pricing			
	Estimated Values	Cost as a Percentage of: Unburdened Construction Cost	Total Direct Project Costs	Total Cost of Implementation / Savings	Estimated Values	Cost as a Percentage of: ECM Construction Cost	Total Direct Project Costs	Total Cost of Implementation / Savings
Direct Project Costs								
ECM Unburdened Construction Cost - *from contractor bids*	$ 4,830,570		79.4%	62.8%	$ 5,634,509		82.3%	73.2%
Comprehensive Energy Audit:	41,380	0.86%	0.7%	0.5%	179,537	3.2%	2.6%	2.3%
Construction Management	386,440	8.00%	6.4%	5.0%	619,796	11.0%	9.0%	8.1%
Designs & Specifications	156,458	3.24%	2.6%	2.0%	179,537	3.2%	2.6%	2.3%
Training	-	0.00%	0.0%	0.0%	-	0.0%	0.0%	0.0%
Legal / Bonds / Permits	55,214	1.14%	0.9%	0.7%	-	0.0%	0.0%	0.0%
ESCo Controlled Contingency / Cost of Risk	241,528	5.00%	4.0%	3.1%	-	0.0%	0.0%	0.0%
Project Development	129,802	2.69%	2.1%	1.7%	179,537	3.2%	2.6%	2.3%
Commissioning	125,610	2.60%	2.1%	1.6%	56,345	1.0%	0.8%	0.7%
Administration	79,556	1.65%	1.3%	1.0%	-	0.0%	0.0%	0.0%
Other - (Financial Consultant)	36,000	0.75%	0.6%	0.5%	-	0.0%	0.0%	0.0%
Total Direct Project Costs	$ 6,082,558	25.9%	100.0%	79.1%	$ 6,849,261	21.6%	100.0%	89.0%
Indirect Project Costs								
Administration (ESCo overhead)	$ 912,384	**18.9%**	15.0%	11.9%	$ -	**0.0%**	0.0%	0.0%
Administration (YHA overhead)	$ -	**0.0%**	0.0%	0.0%	$ 845,176	**15.0%**	12.3%	11.0%
Total Direct & Indirect Costs	$ 6,994,942				$ 7,694,437			
ESCo Profit	699,494	**14.5%**	11.5%	9.1%	-	**0.0%**	0.0%	0.0%
Total Cost of Implementation / Savings	$ 7,694,437				$ 7,694,437			
Total ESCo / DHA Cost	$ 2,863,867	**59.3%**			$ 1,214,752	**21.6%**		

Increase in ECM Unburdened Construction Cost	**$ 803,939**	**16.64%**
DHA Fees & Costs	**$ 538,611**	

- Financial Benefits of Self-Implementation
  HUD will allow a Self-Implementing PHA to earn a non-Federal (COCC) fee-for-service for up to 15% of Direct Project Costs



Advantages of Self Implementation

- Elimination of any conflicts of interest - All ESCos are profit driven and ESCo profits come primarily from the installation of energy conservation measures. Therefore, they have a very compelling financial motivation to maximize the scope of physical improvements. However, this is not always optimal approach for their client. PHAs may be better served by maximizing the excess savings produced by the program, building in more substantial replacement reserves and providing more resources for the monitoring and verification of savings.

Advantages (continued)

- Reduction of Soft Costs / ESCo fees – ESCos create value for their clients. An EPC is a self funding initiative which generates substantial capital for PHAs, where once there was none. But many PHA EPC projects incorporate ESCo fees that account for up to 40% of total project cost or more. Of course this creates a circular problem: the funds available for actual physical improvements are decreased and the program generates fewer savings. A large PHA client self implemented an EPC this year and was able to keep soft costs including construction management below 25% of total implementation cost, and this includes a 15% overhead fee paid to the Authority's COCC (defederalized funds!).

Advantages (continued)

- Greater Control over Scope of Work and Contractor Selection – ESCos normally serve as the general contractor for the projects they design. In this capacity, they exercise a great deal of influence over the sub-contractors selected to implement the project. Unfortunately, this often results in the use of out-of-town or out-of-state contractors. Local contractors are often disqualified by the ESCo or not invited to bid. In addition, the measures installed sometimes are selected on the basis of a cost-to-savings ratio without regard for the greater capital needs of the PHA. A self-implementation gives the PHA absolute control over contractor selection and the project scope can be designed to augment the overall capital improvement goals of the agency.

Disadvantages

- Effort – There is no denying that an EPC is a complex initiative which requires a considerable effort to design and implement. EPC projects will normally require the services of a professional engineer, general contractor, lending partner and EPC consultant.
- Financing – Securing financing for a self-implemented project can pose a challenge.
- Savings Guarantees – There are many ways to compute utility savings and not all of them directly correlate to the financial benefit realized by a PHA engaged in an EPC. Some ESCo's purport to guarantee the savings. But a detailed analysis of these guarantees sometimes shows that the ESCo has designed the language to minimize their risk.

Revenue Enhancement Idea #4: Refinance Existing EPC Debt (For PHAs that already have an EPC)

- Rates have dropped significantly since the time many PHAs implemented their EPC
- There is literally hundreds of millions of dollars in EPC debt outstanding – a significant share at rates higher than the current going rate

- Refinancing EPC loans (continued):
  - Refinancing the EPC can enable the PHA to complete more improvements at the same level of debt service, because the interest cost is reduced – this will lead to more water and energy savings due to the reduced consumption
  - Consider this strategy for other PHA debt as well
  - According to HUD no re-procurement is needed, guidance stating that is supposed to be forthcoming

Revenue Enhancement Idea #5: Take Full Advantage of All Administrative Space

- Some PHAs have more administrative space than they need or can afford. You should evaluate the amount of space you are occupying to see if you can get by with less.
- Use only the amount of Admin and/or COCC space needed and lease out the rest.

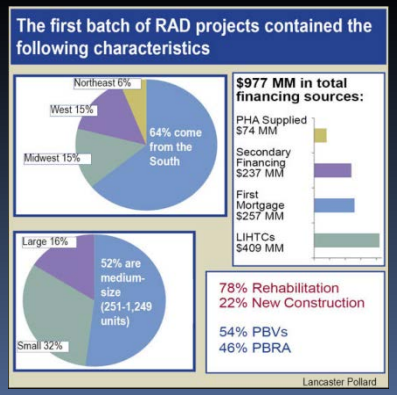
- Make sure outside users of nondwelling units are contributing rent, unless there is a compelling reason for them not to.
- Community space rental.

Revenue Enhancement Idea #6: Sell Off Un-Needed Assets

- Some PHAs have property or equipment that is not being used, and these idle assets can be sold in order to turn them into cash.
- Sell off unneeded property and/or equipment.
- Make sure you have a board-approved disposition policy (required), and follow it to get the best possible prices for anything that you sell.

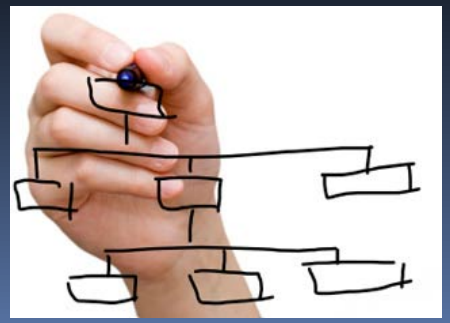
Revenue Enhancement Idea #7: Use RAD To Raise Equity for Capital Improvements

- Under RAD HUD allows PHAs to remove the Declaration of Trust thereby allowing the Authority to borrow against the equity and / or utilize Low Income Housing Tax Credits to raise additional equity contributions from investors, to finance improvements
- The "New and improved" RAD site should have lower expenses



Cost Reduction Idea #1: Evaluate Staffing Levels

- This is a tough one to confront, but staffing, and associated costs such as benefits and people-related overhead, represents one of the largest categories of expenses within the typical PHA's budget.
- PHAs need to make sure staffing levels are reasonable. Provided on the following slide is a chart showing some traditional guidelines concerning staffing levels.



Traditional Ratios for Public Housing for Administrative Personnel (HUD 7460.7 Guidebook, pre asset management)

- Public Housing Administrative Personnel – Large Program: 65 units per person
- Public Housing Administrative Personnel – Medium-Sized Program: 77 units per person
- Public Housing Administrative Personnel – Small Sized Program: 79 units per person

Note - HUD Asset Management Guidelines:

100-125 units per person

Traditional Ratios for Public Housing for Maintenance Personnel (HUD 7460.7 Guidebook, pre asset management)

- Public Housing Maintenance Personnel – Large Program: 40 units per person
- Public Housing Administrative Personnel – Medium-Sized Program: 50 units per person
- Public Housing Administrative Personnel – Small Sized Program: 54 units per person

Note – HUD Asset Management Guidelines:

75 units per person

- HCV Staffing Ratios per HUD (note that some of this information is dated – ABT Associates is working on an Admin Fee study for HUD and should have more current information soon)

	Units per FTE			
PHA Size	1994 National Mail Survey	1999 Ohio	2003 Ohio Survey	2011 Admin Study Sample
1 – 199 units	37	110	111	**87**
200 - 499	116	135	111	**124**
500 -999	115	149	129	**167**
1000 - 4999	145	127	128	**163**
5000 plus	162		129	**130**
All	**128**	**132**	**131**	**131**

- Consider contacting other comparable PHAs to compare staffing levels, especially if your COCC, AMPs, or HCV program are showing losses.
- Make sure to compare to PHAs that are comparable in size in terms of Public Housing and Section 8 Units. If you would like assistance in conducting this analysis consider contacting us, as we are doing this for clients.

Cost Reduction Idea #2: Defraying COCC Expenses to AMPs and HCV

- There are many opportunities to charge staffing costs that originate in the COCC to AMPs/HCV. Beyond the obvious examples of the Intake/Wait-List function, Collections, Security, and Resident services, consider the following (next slide):

Footnote: See the PIH 2007-9 Supplement for more information, this is the primary HUD Project Based Accounting guidance.

- Your Capital Fund Director (or comparable position) can be charged "At Cost" to AMPs based upon time spent for any front line work (including construction oversight and inspecting the work, and physical needs assessments).
- Any person within Central Office who engages in front line work may be billed to AMPs based upon documented time spent (e.g. Executive Director doing AMP Management, or Maintenance Director who does some hands-on

maintenance work). Sometimes these services can be billed at market rate. When the rules say bill at cost, the cost must be reasonable (you can't bill an Executive Director salary if he/she is doing work that has a lower value).

- To the extent your Central Office is occupied by personnel that can be charged to AMPs such as Intake personnel, HCV staff, Resident Services etc, all costs related to supporting the COCC can be prorated between COCC, AMPs and HCV, (e.g. utilities, insurance, office expense, telephone, computer-related expenses, etc) perhaps based upon FTE's.

Cost Reduction Idea #3: Moving Functions to an AMP to Reduce COCC Costs

- Asset Management has special rules that provide an incentive to do as much as possible at the site level, rather than from the COCC
- This creates opportunities for Asset Management PHAs to reduce costs in COCC and also to reduce overall costs

Real life story: A client of ours had a full time COCC employee in charge of processing Tenant Accounting and Collections. Some days of the month she was busier than others. The collections were dropped into a lockbox at each site, and picked up by a courier each day. One day, the courier, and the courier's backup, were out. The PHA decided to let the AMP Managers take the rent payments out of the drop box and bring them to COCC. Someone suggested "From now on why not have the AMP Manager take the receipts out of the box each day, list them, and make the deposit, then the Assistant AMP Manager can process them through the system". After some consideration and "Tweaking" for internal control purposes, the PHA did just that. The COCC Tenant Accounting / Collections person was transferred to fill a vacant position in Leasing and Occupancy for a savings of $50,000+ per year including benefits.

Cost Reduction Idea #4: Incentive Based Compensation

Consider establishing bonuses tied to measurable objectives, such as:

- Occupancy Rate and/or Unit Turnaround Time
- Accounts Receivable and/or Collections
- Budget Variances (coming in under budget)
- Cost Saving Ideas!

Also, consider non-cash incentives, also tied to the same type objectives:

- Awards (coupled with ceremony)
- Authority Outing

Incentive compensation and non-cash incentives cost money, but if they are tied to items that increase revenues or reduce expenses the net impact can be positive to the PHA.

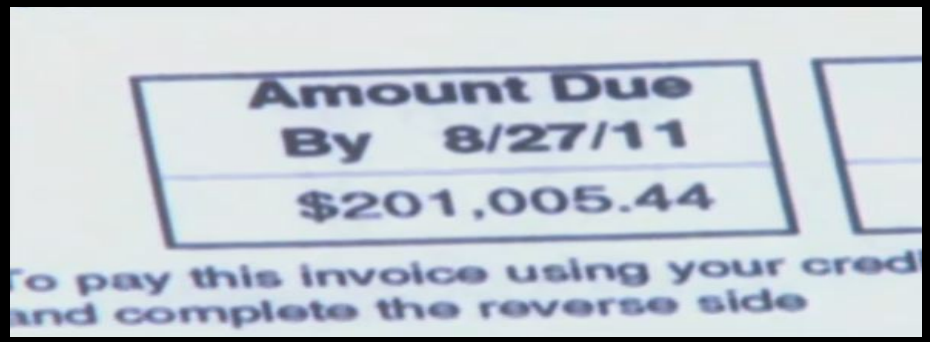
Important note: when employing these strategies make sure source of funds allows for these costs

Cost Reduction Idea #5: Federal Express and Other Overnight Couriers

- This one happens to be a pet-peeve of mine, so forgive me for listing it first! We frequently receive fed-ex packages from Housing Authorities and there are many times when the package did not need to be in our hands that fast. One recent case comes to mind, it was a contract received from a client that was sent Fed-Ex "First in the Morning" (a notch above "Priority" I believe), and who knows how much that cost. The contract was for work that was not to commence for another two months.

- This was not an isolated case, we frequently receive Fed-Ex packages delivered priority overnight, when two day, three day or – don't even say it: regular mail! – would have gotten the documents there in time.
- Casterline Associates PC is not innocent in this regard! I have from time-to-time discovered that certain staff members of mine are sending out things Priority/Overnight Fed-Ex that didn't really need to be there that fast. Perhaps that is why this one is a pet-peeve!

- Recommendations:
  - Look at Fed-Ex bills to see what you are paying and to try to identify what is being sent. Regular mail is much much cheaper, or even two or three day Fed-Ex service instead of priority overnight. Try to determine if the items really needed to be shipped that way.
  - Educate staff, teaching them to really think about whether something needs to go overnight mail.
  - Also consider: sending documents electronically through email, either PDF or scanned, or even via fax.



Cost Reduction Idea #6: Cell Phones

- Do you have more Housing-Authority paid cell phones than you need?
- Are the bills scrutinized to make sure what you are paying for makes sense?
- When is the last time you reviewed / renegotiated your cell phone plan(s)?

- Recommendations:
  - Review who has Housing-Authority paid cell phones and ask yourself, "is it essential for this person to have a cell phone paid by the Authority"?
  - Review usage plan to make sure have the best deal in terms of the number of minutes, etc.
  - Consider "shared minutes" and "unused minutes rollover" programs offered by many cell service providers. In fact currently some providers will not even charge for voice minutes or texts, but only for data usage. In that case make sure to control data usage!

Cost Reduction Idea #7: Increase the Value of Training

- Training is of course a necessary part of doing business and can add great value if managed properly. You want to make sure that information learned in training is shared and that ideas obtained during training are actually implemented. You also want to make sure that the highest quality training is obtained in the most cost effective manner.

Recommendations:

- Ask staff that has attended training to share what they have learned with others, as applicable.
- Try to find at least one revenue enhancing or cost saving idea from each workshop, hopefully one that more than pays for the cost of the training. Then write it down and implement it!
- Also consider in-house training as an alternative, especially if you have multiple staff that need to be trained on the same subject matter and/or other nearby PHAs that would be interested in pooling funds to save on training dollars. Ask the trainer or firm to split the proceeds with you to create revenue for the PHA to compensate for hosting.

Cost Reduction Idea #8: Payroll Service

- Sometimes payroll is more effectively handled by an outside service rather than processing it in-house. Whether this is true is dependent on a number of factors, including the size of the Housing Authority, the complexity of payroll distribution (when using a payroll service you <u>sometimes</u> end of having to journalize payroll and if it distributed to 100 different labor accounts this can be time-consuming).

Recommendations:

- Consider the use of a payroll service to cut down on administrative / clerical efforts and costs. This is best suited for smaller or medium-sized agencies.
- Additional benefit: can enhance internal controls and reduce risk of IRS penalties.

Cost Reduction Idea #9: Share Your Central Office

- This one is sort of an extreme suggestion, but has been effectively employed by some PHAs.
- Recommendations:
  - Consider the merit of combining Central Office functions with other nearby smaller PHAs to share costs. There are a number of PHAs throughout the US that have formed consortiums or groups to share administrative costs.
  - Nearby PHAs that are smaller than yours might be struggling even more with the funding cuts (and ever-increasing paperwork), and consolidation of Admin functions might be the answer.

Cost Reduction Idea #10: Form a Cost Savings Working Group

- There is no better to way to find out areas where money is being wasted than by talking to your staff. We recommend forming a Cost Savings Working Group with representatives from Housing Operations, Maintenance, Resident Services, Construction, Section 8, and Finance as well as other functional areas as applicable.

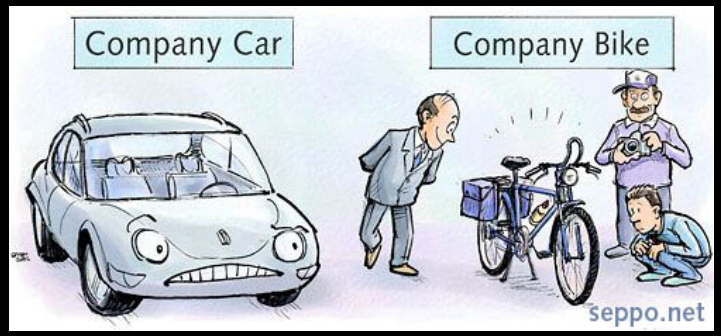
Some tips that might help this approach succeed:

- Front line staff often knows where money is being wasted but may not volunteer the information unless asked.
- ASK for volunteers to participate. Folks that participate voluntarily are more likely to be helpful and to have good ideas.
- Reward employees for identifying savings.
- Make the Authority's environment one of "watching costs"!

Take the initiative now and set a date for the first meeting of this new group!

Cost Reduction Idea #11: Consider Signing Checks Yourself

- Stop using a check signing machine to sign checks. Instead, have the checks come to you to be signed by hand with all backup attached. This gives you the opportunity to review and ask questions. Make sure to take the time to look at what you are paying for – you might be surprised!



Cost Reduction Idea #12: Housing Authority Owned Vehicles

- Vehicles can be expensive to purchase and maintain.
- There are complicated IRS implications. If you have Housing Authority provided vehicles make sure you are in compliance!

- In addition, Housing Authority provided vehicles have caught the attention of Congress and HUD. Look for more HUD oversight in this area (speculation on my part).

- Letter from Senator Charles Grassley, Ranking Member Senate Judiciary Committee, to HUD Secretary Shaun Donovan:

"Additionally, it appears that a significant number of executive directors and other PHA officials have abused the take-home vehicle perk. Managers, Board members, and even some family members have been allowed to use PHA vehicles with little or no oversight. Officials have stated that the vehicles are necessary in order to respond to emergencies, but these officials have never responded to or, due to their position, have no reason to respond to

an emergency. Additionally, the PHAs have been lax in enforcing the required driving logs that would provide a comprehensive picture of vehicle use." (the letter continues describing various specific situations in which PHAs supposedly "abused" vehicle use)

"With PHAs across the country facing significant financial challenges now and in the coming years, I continue to be concerned about questionable spending for unnecessary vehicles draining precious resources from the core mission of providing safe and affordable housing for those in need. Therefore, I am requesting the following information for each of the 25 largest PHAs included in Attachment 1 along with information from HUD headquarters:

1. Provide the HUD regulations pertaining to the purchase and use of take home vehicles by public housing authority and HUD headquarters employees.

2. Document the total number of take-home vehicles for each PHA and at HUD headquarters.

3. Document the make, model, model year and cost of each take-home vehicle for each PHA and at HUD headquarters.

4. Document the total number of employees at each PHA and at HUD headquarters with take-home vehicle privileges, as well as the reasons for this privilege.

5. Document the total number of fuel cards currently issued to each PHA and HUD headquarters, and the individuals with the authority to use the cards.

6. Document the total expenses for take-home vehicles paid by the PHA and HUD headquarters, including fuel, insurance and maintenance."

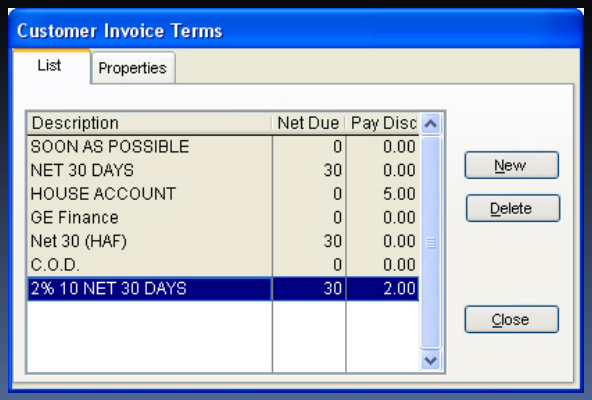
Recommendations:

- Substitute auto allowances for Authority-provided vehicles for upper management at the PHA. Costs can be more easily controlled and record-keeping is more straightforward. This also minimizes risk of controversy over personal use. Note however that auto allowances provided without an accountable plan means that the allowance will likely be taxable to the person driving the vehicle. An accountable plan is one in which usage is tracked, business versus personal. See IRS Circulars for details.
- When replacing vehicles consider MPG. Gas prices will likely get worse!

- Do you have more vehicles than you need? Vehicles are expensive to operate and maintain. Assess each vehicle one at a time and ask yourself, do we really need this car/truck.
- Decentralizing maintenance operations (e.g. Asset Management) can reduce the need for vehicles.

Cost Reduction Idea #13: Negotiate and Utilize Purchase Discounts

- Does your Authority take advantage of Purchase Discounts? This can result in a huge savings to the Agency. In fact, do you realize that 2/10 net 30, if you pay within 10 days, is equivalent to 36% interest?



Description	Net Due	Pay Disc
SOON AS POSSIBLE	0	0.00
NET 30 DAYS	30	0.00
HOUSE ACCOUNT	0	5.00
GE Finance	0	0.00
Net 30 (HAF)	30	0.00
C.O.D.	0	0.00
2% 10 NET 30 DAYS	30	2.00

I have noticed (and am thankful) that Housing Authorities generally pay their bills timely. So why not earn discounts for quick payment when they are available.

Recommendations:

- Negotiate and utilize discounts for payments made quickly.
- Make sure that you are taking the discounts when they are available.

Cost Reduction Idea #14: RFP Response Time

- Make sure when you put out RFPs that you allow plenty of time to respond. That way you will put more competition into the mix and hopefully receive more responses to choose from. Short turnaround time on RFPs, unless there is a clearly visible reason (i.e. an emergency), will sometimes cause potential bidders to fear that it is not open competition or they might just not have enough time to put together a response.

Cost Reduction Idea #15: Transparent Pricing

- When buying goods, services, or construction, ask for all elements of the cost in the proposal, especially on larger proposals. This can include Labor, Benefits, G&A, overhead and profit. This transparent pricing often makes bidders consider costs more carefully and enables the PHA to have more information to negotiate.

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Cost Reduction Idea #16: Be A Hands On Manager

- Employees do properly what we inspect, not what we expect
- Go into the field to find out how it is done if you want to get real answers
- There is no replacement for being face to face and actually seeing what is happening

Cost Reduction Idea #17: Monitor Departmental Budgets

- Fix accountability by department and function
- Reward for underspending budgets (we have a client that provides an annual bonus if the PHA comes in under budget)

Cost Reduction Idea #18: Reduce Inventory

- This was an integral part of Asset Management
- The carrying cost of inventory is 2% per month
- Go to just in time inventory
- Control shortages and shrinkage

Cost Reduction Idea #19: Strengthen Internal Controls

- When is the last time you had an in-depth review of internal controls performed (other than your IPA Auditor)?
- Internal Control checklists may be found online
- For a more objective view, consider hiring a firm to do this

Cost Reduction Idea #20: Slash Your Paper and Printing Costs

- Doubled-sided copying
- Generic paper products
- Lower grades
- Don’t print things, keep them stored electronically (make sure you back up)
- PHA industry is slowly moving paperless!