

Issues for Public Housing Maintenance Management Under the Asset Management Approach

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OVERVIEW

- 24 CFR 990-PH Operating Fund Rule and revisions mandated switch to asset management approach for most PHAs
- Final Rule in fall of 05
- Dramatically changes how most PHAs will address property maintenance in the future

NEW OPERATING FUND FORMULA

- Based on Harvard Cost Study
- Established PEL (Project Expense Levels for PHAs)
- Shifts control and accountability from Central Office to the properties.
- Requires Project Based-Accounting, Budgeting and Management (PBA/PBB/PBM)

HUD RATIONALE

- With Project-Based Accounting, Budgeting and Management HUD believes PHA can:
 - Determine true cost of operating PH
 - Measure the performance of each property
 - Meet requirements for underwriting in private equity markets

OTHER GOALS

- Overall improvement in public housing stock
- Redirect focus away from agency-centric management
- Focus on performance and repositioning of public housing properties

ASSET MANAGEMENT

- HUD definition - a process of overseeing management and function associated with an asset to ensure the goals of owner are met.
- Goals are generally economic in nature
- PHAs have a more complicated set of economic and social goals

MAINTENANCE DEFINED

- Property maintenance is the application of resources (labor, time, equipment and capital) to meet the physical needs of the PHA's properties and the service needs of residents in a manner that is consistent with the short and long term goals of the PHA.

MAINTENANCE PLANS

- First step under asset management:
 - PHAs will have to develop new approaches to maintenance management
- Property-by-property maintenance planning is key
- PHA will have to draft individual plans for each individual asset management project

MAINTENANCE PLANS

- Maintenance Plans:
 - Must reflect the specific needs and resources of each project
 - Must be comprehensive
 - Should include written narratives of goals and necessary steps and procedures
 - Includes a site-specific budget

PLANNING CONSIDERATIONS

- Deciding on maintenance department structures
- Setting goals
- Drafting policies and procedures
- Establishing maintenance systems
- Managing staff and supervisors
- Budget formulation and tracking

MAINTENANCE DEPARTMENT STRUCTURES

- Traditionally there have been four general approaches to maintenance organization structure
 - Centralized structures
 - Decentralized or site-based structures
 - Contracted maintenance
 - Hybrid systems (combinations of several of above approaches)

CENTRALIZED STRUCTURES

- Under centralized structures, most staff assigned and monitored from a central location
- Staff dispatched as needed to individual properties
- Many large PHAs have adopted versions of this approach historically

CENTRALIZED STRUCTURES

- Centralized structure strengths:
 - Economy of scale
 - Uniformity
 - Centralized administration
 - Roving supervision

CENTRALIZED SYSTEMS CON'T

- Centralized system weaknesses:
 - Charge backs for staff and materials
 - Lack of accountability
 - Loss of supervisory control
 - Transportation
 - Record keeping
 - Communication
 - Lack of recognition

DECENTRALIZED STRUCTURES

- Most or all staff assigned to individual sites or properties
- Typically, site-based crew under control of site-based foreman or property manager
- Some PHAs have centralized supervision over site-based staffs
- Many private management firms use this structure

DECENTRALIZED SYSTEMS

- Decentralized maintenance systems strengths:
 - Responsiveness
 - Recognition
 - Responsibility
 - Skills development
 - Familiarity

DECENTRALIZED SYSTEMS CON'T

- Decentralized system weaknesses:
 - Conflict with union work rules
 - Duplication of effort
 - Skill levels
 - Difficulty in maintaining correct staff levels
 - Supervisory control

CONTRACTED MAINTENANCE

- System of contracting out for maintenance activities
- Usually used in combination with other structural options
- Some organizations, especially small properties, might be able to contract out for the entire maintenance function

CONTRACTED MAINTENANCE

- Strengths of contracting out maintenance:
 - Pay only for services used
 - Access to specialized skills without adding to payroll
 - Personnel administration transferred to contractor
 - Economy of scale available through contractor

CONTRACTED MAINTENANCE

- Weakness of contracting out maintenance:
 - Communication
 - Contract management issues
 - Service interruption
 - Verification of costs
 - Contract process time and cost impacts
 - Inventory usage, cost and control

HYBRID MAINTENANCE STRUCTURES

- Many PHAs utilize a combination of systems
- Some staff may be site-based, while others are centrally located and dispatched
- PHAs commonly add contractors to accomplish routine or specialized tasks

MAINTENANCE DEPARTMENT PLACEMENT WITHIN PHA ORGANIZAION

- Often function of size of PHA
- It will be more difficult for PHA to keep old centralized structural models
- Whatever the structure, it should facilitate, not restrict flow of information and accomplishment of the needed work

DEFINING GOALS

- Age of properties
- Status/progress of modernization
- Unmet maintenance concerns
- Amount of annual turnover
- Inventory of vacant units
- Presences of hazardous materials

DEFINING GOALS, con't.

- Community perceptions of PHA
- PHAS performance scores
- Does PHA operate under an MOA
- What financial resources are available
- Under asset management, goal setting must be done on a property-by-property basis

MAINTENANCE GOALS

- Maintenance goals should be:
 - Defined in measurable terms;
 - Realistic and achievable;
 - Directly related to wider PHA goals
 - Should not focus on one area or property to the detriment of other essential activities

POLICIES AND PROCEDURES

- Job descriptions
- Work rules and quality standards
- Training opportunities
- Disciplinary procedures
- Grievance procedures
- Substance abuse prohibitions

EFFECTIVE PROCEDURES

- Clearly written in plain language
- Easy to interpret
- Based on industry standards
- Rational and Fair

ESTABLISHING MAINTENANCE SYSTEMS

- Identifying maintenance program elements
- Work assignment and tracking
- Inspections
- Preventive Maintenance
- Vacant unit turnaround activities
- Information management

ESTABLISHING MAINTENANCE SYSTEMS

- Training
- Procurement and inventory control
- Quality control
- Managing relationships between properties/COCC/other departments

SIX ELEMENTS OF A MAINTENANCE PROGRAM

- Janitorial and grounds-keeping tasks
- Scheduled and preventive maintenance
- Corrective maintenance
- Capital improvements
- Deferred Maintenance
- Resident upkeep.

MAINTENANCE WORK ASSIGNMENTS

- Key factors:
 - Know the work to be done
 - Have staff or contractors with needed skills available to complete the work
 - Prioritize the work
 - Efficiently assign the work
 - Establish work standards
 - Monitor work completion

EFFECTIVE WORK ASSIGNMENTS

- Plan around known program factors:
 - Heavy trash load days
 - Move-out/Move-in schedules
 - Holidays
 - Vacation periods
 - Scheduled staff leave periods

SKILL LEVELS

- Janitorial tasks
- General maintenance
- Technical maintenance

SCHEDULED/UNSCHEDULED MAINTENANCE

- Scheduled
 - Preventive
 - Corrective
 - Cyclical
- Unscheduled
 - Usually corrective in nature

PRIORITIZING WORK

- Within each maintenance category, there is considerable variation in the urgency of the work to be performed
- Most desirable model:
 - Complete all scheduled and preventive maintenance according to the maintenance plan;
 - Unscheduled maintenance per priority.
- Set work standards to guide staff

INSPECTION & PREVENTIVE MAINTENANCE

- Regular, scheduled inspections and preventive maintenance critical to effective maintenance program
- Assures required/recommended maintenance is completed
- Identifies and corrects problems before they become severe
- Utilizes staff efficiently

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INSPECTION & PREVENTIVE MAINTENANCE

- Monitors condition of systems
- Helps plan for expenditures
- Reduces utility costs
- Documents improvement needs

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PREVENTIVE MAINTENANCE PROCEDURES

- Develop specific preventive maintenance schedule of activities
- Unique to each project, but basic factors similar
- Generally speaking, reduces time and resources spent on corrective maintenance activities
- Prolongs useful life of equipment

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INSPECTION STANDARDS AND RECORDS

- PHA must:
 - Have system to record inspection results
 - Use HUD Uniform Inspection Standards as comparative basis
- System must allow for rapid transfer of inspection information to work order system

INSPECTION STANDARDS AND RECORDS

- Depending on system used, inspectors may:
 - Write work orders during the inspection:
or
 - Call work orders in to work order office
- Some PHAs use repair teams as part of inspection process, coupling with preventive maintenance activities

UNIT TURNOVER PREPARATION STEPS con't

- Notification of pending/actual move out
- Securing the unit
- Inspecting the unit
- Creation of work orders/schedules
- Quality control inspections
- Resident move-in
- Recording data for PHAS

MAINTENANCE INFORMATION SYSTEMS

- Maintenance programs work best when Executive Director is involved through:
 - Regular site visits
 - Direct feedback from residents
 - Participation in creation of annual maintenance goals and plans
 - Monitoring of maintenance productivity and quality indicators

SOURCES OF DATA

- Work orders
- Inventory records
- Inspection reports
- Discussions with residents
- HUD/other outside monitoring reports

SOURCES OF DATA

- Financial reports
- Monthly departmental reports
- Move in/out reports
- Quality control reports

REQUIRED REPORTS

- Summary of work order productivity
- Reports on unit turnover
- Resident comments
- Inspection report summaries
- Operating statements
- Special project reports
- PHAS indicator reports

WORK ORDER SYSTEMS RECORDS

- Should record:
 - Location and nature of service
 - Urgency of work based on standards
 - Who is assigned to complete the work
 - Time taken to complete the work
 - Materials usage and cost
 - Resident charges
 - Additional comments
 - Signatures

WORK ORDERS MONITORING

- Can monitor
 - Individual/group productivity
 - Performance on PHAS indicators
 - Maintenance costs
 - Numbers of work orders produced/completed
 - Repair trends
 - PHA performance compared to industry standards

CORRECTIVE MAINTENANCE PROCEDURES

- Assignment difficult due to responsive nature of approach
- Recorded information must be clear, accurate and useful
- Must establish emergency response system
- Supervisory review of daily activity required
 - Weekly maintenance summary

BUILDING A TRAINING PROGRAM

- Assess current skill levels
- Identify training program goals
- Develop programs to build skills that meet the demands of the job
- Monitor and assess the training program
- Give recognition to participants

POSITIVE EFFECTS OF TRAINING

- Increases productivity
- Improves quality of work
- Decreases costs for labor and materials
- Improves staff morale
- Provides training to residents to enhance their prospects of employment

PROCUREMENT PLANNING STEPS

- Review and analyze needs and required resources for each asset management property
- Assess staff skills versus needs
- Assess current inventories

PROCUREMENT PLANNING STEPS

- Determine best type of procurement to use
- Establish procurement budget
- Designate staff responsible for initiating and authorizing procurements

PROCUREMENT CYCLE

- Planning and budgeting procurement
- Approving procurement
- Estimating cost
- Developing specifications
- Identifying sources
- Soliciting quotations/negotiations

PROCUREMENT CYCLE CON'T

- Selecting vendors
- Accepting delivery/approving payment
- Disbursing inventory for use
- Tracking actual expenses against the budget

EFFECTIVE CONTRACT MANAGEMENT

- Clear designation of responsible staff person
- Identification of vendor contact and responsibility
- Monitoring
- Periodic inspection of delivered goods and services

INVENTORY MANAGEMENT

- Success of maintenance program depends on availability of parts and supply system
- PHA Must know:
 - How much needed
 - How often to buy
 - How to securely store materials

ASSESSING NEEDS

- Create annual supply list using:
 - Usage data
 - Staff input
 - Preventive maintenance schedule
- List is best estimate of annual need
- Set agency goals on quality of materials
- Supply list will change to meet new circumstances

PROCUREMENT SCHEDULES

- Once supply list determined, PHA must decide:
 - How much inventory to stock
 - Timing of ordering and delivery
- Decisions based on program/seasonal plans and requirements

INVENTORY TRACKING SYSTEMS

- Monitor:
 - Amount of stock on-hand
 - Expendable and non-expendable equipment
 - Stock locations
 - Costs

INVENTORY TRACKING

- History of orders and deliveries
- Disposition procedures
- Disbursement records
- Maximum stocking/reorder levels

OTHER INVENTORY ISSUES

- Periodic inventory counts
- Warehouse locations and distribution controls
- Matching inventory control to Maintenance Department needs and realities

WAREHOUSE EFFICIENCY

- Critical elements:
 - Location
 - Travel time
 - Security
 - Ease of delivery routes
 - Facility design

QUALITY CONTROL AND MONITORING

- Daily inspections and approval of representative sample of completed work
- Telephone surveys of residents
- Comment cards left in residences
- Written surveys (including review of PHAS required survey results)

MAINTENANCE BUDGETS

- Budgets are essential maintenance planning and management tools
- Ideally, budget should be reforecast each year
- Base budget projections on current conditions and what PHA wants to accomplish

STEPS IN THE BUDGET PROCESS

- Assess property baseline conditions;
- Create clear and detailed plan, including capital improvements;
- Detail necessary staffing and materials;
- Estimate financial needs; and
- Schedule necessary periodic expenditures

BUDGET GUIDANCE

- Collect pertinent information from field staff and supervisors
- Do not assume staffing levels need to go up
- Use the budget as a living document
- Institute regular PBM budget vs. actual reviews
- Analyze timing of expenditures to achieve goals

REVIEWING BUDGET/ACTUAL REPORTS

- Are baseline conditions still true?
- Were there unanticipated occurrences?
- Have goals changed?
- Have improvements and purchases occurred?
- Were finances correctly forecast?
- Was staffing correctly anticipated?

THE "CURRENT MONTH ESTIMATE" APPROACH TO USING THE BUDGET AS A PLANNING TOOL

PUBLIC HOUSING ASSESSMENT SYSTEM

- PHAS final rule: September 1, 1998
- HUD:
 - Continues to modify scoring process in communication with industry reps
 - Has issued proposed changes to PHAS that are still pending final implementation
- Changes refocus PHAS away from agency-wide review and toward property performance

CURRENT MAINTENANCE RELATED PHAS INDICATORS

- Indicator 1: Physical Condition of PHA
- Indicator 2: Financial Condition of the PHA
- Indicator 3: Management Operations
- Indicator 4: Resident Services and Satisfaction can also reflect the status of maintenance operations

INDICATOR 1: PHYSICAL CONDITION

- Current regulations result in PHA overall score.
- Proposed will still score overall, but focus on conditions at individual sites
- Changed PHAS measures condition of sites, building exteriors, building systems and dwelling units
- Frequency of inspections based on scores of individual properties, not on overall PHA score

INDICATOR 2, FINANCIAL CONDITION

- Scoring done through submission of unaudited and audited financial statements to HUD
- Under changed PHAS, financial performance of individual properties evaluated as basis for overall PHA score
- Some previous sub-indicators moved to Management Operations

INDICATOR 3, MANAGEMENT OPERATIONS

- Current PHAS contains several maintenance-related sub-indicators and components:
 - Vacant unit turnaround
 - Work orders
 - Annual inspection of units and systems

INDICATOR 3, MANAGEMENT OPERATIONS

- Under the proposed changes, the sub-indicators change. They include:
 - General appearance and security
 - Follow-up and monitoring of property inspections
 - Maintenance and modernization
 - Leasing, including vacancy rate and turnaround time
 - General management practices

INDICATOR 3, MANAGEMENT OPERATIONS

- Several current sub-indicators are deleted or subsumed under the proposed changes
 - Response time to emergency work orders
 - Reduction in actual vacancy rates
 - Financial indicator elements
 - Capital Fund sub-indicator removed
 - New indicator created to measure capital fund activities

INDICATOR 3, MANAGEMENT OPERATIONS

- Applications of adjustments for physical conditions would be applied on a property-by-property basis
- Evaluation done by HUD or its agents using new format, not by agency certification

INDICATOR 4, RESIDENT SERVICES AND SATISFACTION

- Proposed rule eliminates survey
- HUD believes it does not give an accurate picture of property conditions and its low response rate renders it a questionable tool
- Some components would be measured under proposed Management Improvements

OTHER PROPOSED CHANGES

- The proposed changes
 - Add a new indicator, Capital Fund which is scored on an agency wide basis
 - Replaces the current Improvement Plan with a Corrective Action Plan to track necessary improvements
 - Moves the role of TARS to the HUD Field Office

OTHER PROPOSED CHANGES

- Annual assessments will be conducted through a combination of on-site assessments and data submission to REAC and periodic physical inspections
- HUD will score small PHAs (under 250 units) every other year unless agency is designated as troubled

PROPOSED SCORING

- High Performer:
 - Overall score equal to or greater than 90%
 - Will not be designated a high performer if more than 10% of total units are in projects that fail the Financial Condition, Physical Condition or Management Operations indicators

PROPOSED SCORING

- Standard Performer:
 - Overall score of at least 60% and at least 60% in each of the 3 key indicators
- Substandard Performer:
 - Overall score of at least 60%, but under 60% in one or more of the three indicators
- Troubled Performer:
 - Overall score of less than 60%

PUTTING IT ALL TOGETHER

- Asset management represents a mandate to PHAs to reformulate how they do business
- Stresses individual property performance and viability
- It also represents an opportunity for Boards to redefine public housing and structure it for the future

HUD's Goals

- Improve overall operational efficiency of PHA management
- Preserve and protect each asset
- Provide approaches to monitoring performance at the site level
- Facilitate investment and reinvestment in PH by other public/private entities

PUTTING IT ALL TOGETHER

- As maintenance represents one of biggest cost factors to PHA, its successful conversion to an asset management approach will help determine success of entire process
- Boards/Directors must reprogram how they think of the PHA and their own roles

PUTTING IT ALL TOGETHER

- Critical to focus on individual properties, their needs and resources
- The PHAs will have to change to accomplish the goals of conversion
- Site and regional managers will become the main movers \$ shakers
- Boards and executive management will become strategic component

Role of the Property Manager

- Leadership
- General Administration
- Management and supervision
- Property performance
- Occupancy
- Maintenance
- Purchasing
- Marketing

PUTTING IT ALL TOGETHER

- New focus may force PHAs to dramatically change decision making and resource allocation
- Organizational changes may be dramatic within each PHA-no cookie cutter solution
