

**HUD/Performance Based Contract Administrator Call**  
**August 25, 2004**  
**2 PM – 3:30 PM**

**1. Performance Based Contract Administration Updates**

- Administrative Fees

Deborah Lear said one of the primary reasons HUD is extending the PBCA contracts for another 10 years is based on the PBCAs input that longer term contracts provide for better economies of scale created by the length of contract. PBCAs should be able to negotiate better, long-term leases for office space and equipment and enter into more favorable contracts generally. Under the RFP, many applicants bid the maximum 2% bid fee because of the inherent risk in participating in a new program—longevity of the program, operational costs, and start up costs. The program is now permanent, the start-up costs are no longer at issue, and PBCAs are cognizant of the costs to run the program. Further, in this climate of justifying program costs to OMB, HUD needs to be proactive in providing supporting documentation of the reasonableness of the administrative fees charged relative to the PBCAs operation of the program.

Given this environment, HUD would like to determine a strong justification for why the fees are where they are, and if they need to remain there. HUD has very little specific data of the PBCA administrative costs and needs to develop a framework to assess and justify the fees. Deborah is interested in ideas from PBCAs on how to structure this framework including how often should administrative fees be assessed, what the PBCA costs are, and how to maintain a reasonable profit for the PBCAs. Ideas/comments should be sent to [Deborah\\_k.Lear@hud.gov](mailto:Deborah_k.Lear@hud.gov) and cced to [mcohen@ncsha.org](mailto:mcohen@ncsha.org).

Alan Smith of New York argued the assessment shouldn't be done on a piecemeal basis and also expressed concern about the impact of the new FMRs. This was echoed by Lucie Du and Massachusetts.

Deborah Lear said consideration will be given to many factors including PBCAs that already have low fees or small PBCAs that will not benefit from economies of scale. She also pointed out that while the PBCAs have added tremendous value to HUD by reducing payment errors, performing tasks HUD staff cannot, and helping the program move from code red to code black in its audits, OMB still only focuses on the bottom line cost figures.

In order for PBCAs to assess financial cost of administering the program, the tasks set forth in the upcoming revised ACC are important. Deborah Lear said HUD, in the new contracts, are changing the existing fee structure to place greater weight on tasks that take more of the PBCA time such as management/FHEO/RHIIP reviews, and shifting weight away from tasks that the PBCAs do not perform under the ACC.

Dorli Bokel pointed out that PBCA money and time is spent on activities like quality control that are not included in the IBPS tasks but should be.

It was suggested consideration be given to the following:

- Value added tasks
- Zero based budgeting
- Cost format broken down by IBPS
- State by State justification

## **2. CAOMs**

Some CAOMs do not appear to be empowered and or informed of local HUD office policy changes and are not functioning as a central point of contact regarding procedural issues, especially in the case of multiple HUD offices overseeing a single PBCA.

It was agreed the next call will include the CAOMs and much of the call will be devoted to discussing CAOM issues. Topic suggestions should be emailed to Mike Cohen at [mcohen@ncsha.org](mailto:mcohen@ncsha.org).

## **3. Funding**

Eileen Walker discussed the 4<sup>th</sup> quarter of FY '04 funding issues. She said HUD is attempting to use its limited resources to accomplish three objectives: 1) Allocate funds for all contracts requiring initial or subsequent renewals, 2) allocate funds for all multiterm contracts with renewal anniversary dates for this fiscal year and 3) curing any shortfalls for the immediate future.

As discussed in the July conference call, HUD recently learned it would not be able to use recaptures to fund contract amendments and shortfalls, a tactic it has used in the past. It is pursuing a technical fix with Congress, but this has put added pressure on the remaining funds.

Based on confirmation from the multifamily Hub offices, HUD has funds allocated for all contracts expiring through August 2004. Funds for September are not as timely as hoped but HUD expects to fund all of these contracts in the near future.

All work on renewals should be completed in anticipation of funding; the PBCA should obtain the owner's signature so that the only remaining activity is obtaining the PBCA signature and notification of funding for submission to Ft. Worth in order to expedite processing of renewals.

She said the outlook for the 1<sup>st</sup> quarter of FY '05 is unclear right now, due to uncertainty over when Congress will appropriate HUD's budget.

**Next call: September 22, 2 PM**

Please email all topic suggestions to Mike Cohen at [mcohen@ncsha.org](mailto:mcohen@ncsha.org).