

MEMORANDUM NO. 15-09-01 MF-129

TO: SDHDA Management Agents and Owners

FROM: Vona Johnson, Director of Rental Housing Management

SUBJECT: 2016 Operating Budgets *Vona*
Insurance Forms
Audit Contract

DATE: September 14, 2015

Attached are the Permanent Insurance Specifications, Fidelity Bond Requirements, and the FY 2015 Audit Contract (Contract Between a Multifamily Development and Independent Public Accountant for Audit Services) for your SDHDA financed properties. We are asking that these documents as well as your 2016 Budget be entered by November 15, 2015, according to the following instructions.

Please complete the budget, with narrative justification, for each SDHDA financed development through the internet based Web Compliance Management System (WCMS). If you have not gained access to WCMS, or if you are having problems accessing it, contact Tasha Jones at (605) 773-3182 or tasha@sdhda.org. You may also refer to the Help functionality within the system if you prefer.

Within each budget, each line item must be accompanied by narrative explaining how the amount was determined. A detailed narrative must accompany any line item that is a 5% or \$500 increase from last year and all miscellaneous accounts as detailed in the attached Accounts Notes. Further, any capital improvements, whether included in buildings, building equipment, furnishing, or the repairs/maintenance expense accounts, need to be described in detail in the narrative. Submissions without adequate narrative justification may be changed or denied at SDHDA's discretion. Note: your budget will not be reviewed until cash flow reports through October 2015 are entered into WCMS.

For those properties that have experienced bed bug/cockroach infestations or those located in an area where infestations are becoming more commonplace, you will want to take a look at increasing exterminating expenses under the contracts line item in your budget. SDHDA will consider increasing rents in order to increase the replacement reserve escrows, when possible, to help owners deal with the increased instances of infestation. Please make sure to provide a detailed description of this in the narrative section when submitting your budget.

Complete submissions received by November 15, 2015, including detailed narratives and all cash flow reports, will be approved on a first-in-first-out basis and our goal is to return

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approved budgets to you by January 1, 2016. Generally, your explanation can be placed in the notes section of the form, however, if that section for a particular line item is not long enough for your explanation, please submit a separate email with the detail including the account number for each line described.

If you are unsure as to where to account for an item, please first refer to the attached Account Notes. Feel free to contact your Housing Management Officer (HMO) (Kevin Merrill at kevin@sdhda.org or Wayne Schaeffbauer at wayne@sdhda.org) if you continue to have questions.

Also, please be reminded that if your property has a Utility Allowance, you must submit a Utility Analysis so the Utility Allowance can be adjusted accordingly. Please refer to HUD Housing Notice H 2015-04 dated June 22, 2015, to familiarize yourself with the new methodology for completing a Multifamily Housing Utility Analysis.

A fidelity bond naming both the Development and SDHDA as obligees and Fidelity Bond Certification is required to be in place and a **copy of your original policy submitted to SDHDA**. If the fidelity bond is to be renewed annually, a copy of the renewal notice and evidence the premium has been paid at the Management Agent's expense must be transmitted to SDHDA. If the fidelity bond is for continuous coverage, only evidence the premium has been paid at the Management Agent's expense must be included. Note: the fidelity bond for non-profit developments only, may be paid at the development's expense.

A Permanent Insurance Proposal and Quote form and Permanent Insurance (Agent's) Certification form is enclosed to allow enough time for negotiating insurance quotes. Refer to the SDHDA Management Agent Handbook and to the Permanent Insurance Specifications Multifamily Units (Form AM 703) for complete requirements. Please have the insurance agent complete and submit the Permanent Insurance Proposal and Quote and Preliminary Insurance Certification form to SDHDA. **Also, please submit a copy of your original insurance policy to SDHDA.**

The Permanent Insurance Certification must be completed and submitted to SDHDA immediately upon issuance of either the policy or a binder for a new policy. You must seek bids from a minimum of three companies if the premium rate has increased by more than 10% or if your current insurance company no longer meets SDHDA's Insurance Requirements. In all cases your agent must complete and submit the Permanent Insurance Proposal and Quote and the Preliminary and Permanent Insurance Certification forms. As a reminder, all insurance claim checks received on behalf of the property must be submitted to SDHDA for deposit into the Reserve for Replacement Account where the funds will be held until the repairs are made. Insurance claim checks are not allowed to be deposited into the project's operating account.

The 2015 Audit Contract for your SDHDA financed multifamily development must be completed by using the attached PDF form. Return a signed original along with the auditor's peer review and letter of comments by December 1, 2015. The SDHDA Audit

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Guide can be located on SDHDA's website at www.sdhda.org under the Property Managers tab, Forms/Manuals/Resources – Section 8 Forms, Manuals, Resources - Manuals.

Please email your HMO to let them know when your final budget has been entered and include any additional narrative description that does not fit in the note section of the budget form in that email. All other forms are to be signed and sent via mail or email in a PDF format to Melody at SDHDA, PO Box 1237, Pierre, SD 57501, or melody@sdhda.org by November 15, 2015.

We appreciate all of your efforts to utilize the electronic submissions of your budget and cash flow reports. If you are having problems, we strongly encourage you to work with Tasha Jones at tasha@sdhda.org or 605-773-3181 to determine what the problems are and how we can resolve them. Please be sure to let one of us know if you have any questions.

Thank you! We look forward to seeing you at the Annual Conference here in Pierre on October 27 and 28, 2015. See details at www.sdhda.org.

- Attachments:
- Permanent Insurance Specifications (AM 703)
 - Fidelity Bond Requirements (AM 704)
 - Contract Between A Multifamily Development and Independent Public Accountant For Audit Services
 - Account Notes

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THIS IS A MULTIFAMILY MEMORANDUM. PLEASE RETAIN IT IN THE MEMORANDUM SECTION OF YOUR SDHDA MANAGEMENT AGENT HANDBOOK UNTIL AND UNLESS SUPERSEDED BY AN UPDATED MEMORANDUM.