

Community Development Authority of the City of Stevens Point Minutes

Meeting Date: September 27, 2011

Board Members Present: Mayor Andrew Halverson, Chairman, Dave Cooper, George Hanson, Hans Walther, Marge Molski.

Board Member(s) Not Present: Paul Adamski.

Also Present: Mike Morrissey, Interim Executive Director, Housing Authority; Donna Bella, Chief Financial Officer, Housing Authority; Denice Scantlin, Senior Accountant, Housing Authority; Mike Lensmire, CPA Clifton Gunderson; John Niedbalski, Maintenance Supervisor, Housing Authority; Laurie Grube, Occupancy Specialist, Housing Authority; Dave Pawelski, Maintenance, Housing Authority; and Tom Grube, citizen.

1 / 2 The meeting, held in the City Conference Room at 1515 Strongs Avenue, was called to order by Chairman Halverson at 5:00 pm and roll call conducted.

3. Ms. Molski moved to approve the minutes from the August 3, 2011, August 10, 2011, and August 17, 2011 meetings. The motion was seconded by Mr. Hanson. There being no further discussion the Chair called for a vote.

Ayes all, nays none

4. The next item on the agenda was the review and approval of a tax credit program auditor. Ms. Bella said this is required by the investors as a part of the operating agreement. She explained that in 2007 we were audited by the firm Suby, Von Haden and Associates (SVA). Ms. Bella said that SVA knew the tax credit side of the audit but did not know the public housing side. She said a lot of confusion occurred because SVA would make general ledger entries to the tax credits side of the books but not to the public housing side which would cause both sides of the general ledger to not balance. Ms. Bella commented that Hawkins, Ash, Baptie (HABCO) was the only auditor she was aware of that knows both the tax credit side and the public housing side. Mr. Hanson asked what the time frame was once the auditors came to getting the audit prepared. Ms. Bella explained that they usually spent 2-3 days in the office doing field work and then went back to the firm to work up the audit. She explained that the audit needs to be done by March 15th because the auditors have to submit it to the IRS. Mr. Morrissey said there would be time to put out a Request for Proposal (RFP) to explore other options. Chairman Halverson said that would be a good idea to see if there are other firms out there, see the prices and to do it as soon as possible. He said that it may end up coming back to Hawkins, Ash, Baptie anyway but wanted to look at other options. Mr. Hanson made a motion to send out RFP bids and have them returned for selection by the end of October, 2011. Ms. Molski asked if we were asking for two bids, one for the tax credit programs and one for the public housing. Chairman Halverson said it would be for the tax credit audit only at this time. Ms. Bella mentioned that the investors would still have to approve any changes in auditors as they hold the majority interest. The motion was seconded by Mr. Walther.

Ayes all, nays none

5. Mr. Morrissey then gave an update on the financial overview of the Housing Authority. He said the Housing management is pretty good, inventory is good to fair. He said with properties that are 30-40 years old, there are updates that need to be made at Madison View and Scattered Sites. Mr. Morrissey said Edgewater Manor also needs updating badly but it is not Public Housing. Based on his brief time at the CDA Mr. Morrissey said the process of the intake, recertification, budgeting, reporting to HUD appear to be good.

He said there are no formal, adopted administrative policies at the Housing Authority and currently management uses the city's policy as a guide where it is applicable. Mr. Morrissey said business hours vary. He felt hours should reflect the needs of the agency and their clients. He said you have some employees that work for nine hours with an hour lunch break, some eight hours with a one hour lunch break and some that work eight and half hours with a half hour lunch break. Mr. Morrissey said it all depended on if they were union represented or not. He said no performance evaluations have been done in five to ten years for either the Executive Director or any of the other employees.

Mr. Morrissey explained that the Community Development Authority was formed in May 1978 according to "WIS ss66.1335(a) which provide that any redevelopment authority created under s. 66.1333 operating in the city and any housing authority created under s. 66.1201 operating in the city, shall terminate its operation as provided in sub. (5). Upon the adoption of an ordinance or resolution creating a community development authority, all housing and redevelopment authorities previously created in the city under ss. 66.1201 and 66.1333 terminate." Mr. Morrissey said that the CDA board is the governing board not the advisory board that has been present for the past 30 years. Chairman Halverson asked what actions were taken under the advisory board and Mr. Morrissey said they approved invoices, policies, dealt with tenant issues, and approved budgets, clearly acting on matters which were the responsibility of the CDA. Mr. Morrissey said this was not intended or malicious in nature, it is just the way it evolved. He also said that some of those items were brought to the CDA board as well. Chairman Halverson asked if the claims, invoices and checks that are currently being prepared by the Housing Authority and brought to him to cosign and verify the totals, were approved by that Board. Mr. Morrissey replied yes and they should be reviewed by the CDA board. Mr. Morrissey said the Housing Authority has adopted a total separate identity. There is nothing identifying them as the Community Development Authority, no stationery letterhead, no sign, nothing. Everything says Stevens Point Housing Authority.

Mr. Morrissey said he hired Mr. Lensmire from Clifton Gunderson to evaluate the financial audit and Mr. Nagel, the former Assistant City Attorney for the City of Wausau, to look at the Human Resources side of the Housing Authority. He said he did this under the micro procurement policy of the Housing Authority, which can be done if less than \$2,000.00. Ms. Molski asked what the date of the forming of the CDA was and Mr. Morrissey said 1978. Chairman Halverson said it was reaffirmed in 1982 by Mayor Haberman and added that we now know where we are today. Mr. Morrissey said that there are still some checks being hand-written for the Home Ownership Opportunity Reserve Account (HOORA) and Housing Trust Fund (HTF) accounts. Ms. Bella said that is correct and that the Mayor is the cosigner of those checks as well, which Chairman Halverson affirmed. Mr. Morrissey said that process probably isn't the best policy. He also said he hasn't been there quite a month but he feels that what he had in his initial report a year ago is still true and that the Housing Authority may be over staffed by approximately 25%.

The floor was then turned over to Mr. Lensmire to go over the financials of the Housing Authority. A two page handout was given to everyone present. Mr. Lensmire indicated the first three columns were public housing and the next one was Edgewater, which is City owned and includes the HOORA and HTF accounts. He said the HUD grants are projected as coming into the project and then going back out. Mr. Morrissey said the last blue line is the operating finances of each managed property. Mr. Lensmire pointed out the green section of the report which is the cash flows portion. He said this takes into consideration depreciation which should be subtracted out because it has nothing to do with the cash flows. Mr. Morrissey indicated the cash flows give a clearer picture as to which projects are breaking even financially. Ms. Bella indicated that currently monies can be distributed between the projects through an inter-fund. She said HUD currently allows fundability between projects and an allocated overhead method to Housing Authorities but there has been some talk about taking that away in the future. Chairman Halverson replied that was good to know. Ms. Bella asked Mr. Lensmire if the chart included the Capital Fund Financing Program (CFFP) loan. Mr. Lensmire replied it was omitted because it is a transfer in from HUD and then a transfer out for the payment to the bank. Ms. Bella asked if the invoices for the Capital Funds were included. Mr. Lensmire replied yes. Ms. Bella explained that the board approved the use of reserves for some capital improvements rather than having the reserves get recaptured by HUD. Ms. Bella said that that approval had taken place long before HUD started talking about the recapturing of reserves. Chairman Halverson said he did recall that and it was approved to use those reserves. Chairman Halverson commented that the public housing programs are barely making it plus there are updates to the units which need to be done and the rumor is that Capital Funds may be cut as well.

The focus shifted to Edgewater and the explanation of the HTF/HOORA accounts which have roughly 2.8 million. Ms. Bella said that was correct, those are the Baird accounts and the interest earned on those accounts is then transferred to the Anchor Bank accounts and loaned out through CAP Services via the HOORA and HTF accounts. Chairman Halverson asked if that total was for all four accounts and Ms. Bella indicated that it was the aggregate of the four. Mr. Lensmire said that Edgewater has one more year to pay off its debt and that would be done in September of 2012. Ms. Bella said that was correct. Mr. Morrissey said it appeared that the programs profits were marginal. He commented that Mr. Niedbalski and his maintenance crew do a good job but said the family units are subject to many factors and they show their wear more than senior units. Mr. Hanson asked if the Hi-Rise remodel brought that building up to par and Ms. Bella indicated that it did. Chairman Halverson said we have a big decision to make about Edgewater in the future.

The discussion then turned to the Hi-Rise renovation and the diagram on the second page of the handout. Mr. Lensmire said the information portrayed on his chart was from the HUD's Real Estate Assessment Center's (REAC) website and he thought it explained the financing quite well. He asked Ms. Bella if she put this info on HUD's website and she replied no. She said that the Stevens Point Housing Authority was being showcased on HUD's website because it was the first of its size to do this kind of arrangement – the Section 42 tax credits with a HUD capital lease. Ms. Bella explained that the Housing Authority pledged its future capital fund money for the next ten years to renovate Hi-Rise. She said that with the renovation of the building, the need for the capital fund money wouldn't be so prevalent because it was basically a new building. Mr. Lensmire explained that the FHLBC grant is on the books as a liability, however, no payments are ever made, and it will be forgiven as long as the managing member stays in compliance with the tax credit requirements. The Hi-Rise Affordable Housing, LLC, which is technically the CDA, has a .1% interest and the tax credit investors have a 99.9% interest. Mr. Hanson asked what happens between year 2016 and

year 2023; whom gets the tax credits. Mr. Lensmire said there are no tax credits after 10 years as they will have been exhausted. Ms. Bella then indicated that after the 10 years is complete, the investors could say they don't want the property any longer and the ownership would revert back to the CDA.

Next item on the agenda was the structure and operational issues of the Housing Authority. Mr. Morrissey then hung three flow charts on the wall. The first chart showed Option A, which is the current way the Community Development and Housing Authority are structured. He said with this option the Community Development Department would cost the city \$114,300 and the Housing Authority \$781,155. Next was Option B and was a merger with the Community Development Department and the Housing Authority. Mr. Morrissey said in this option, the Community Development Department splits the time worked between the Community Development department and the Housing Authority. He said an Executive Director is named and a Public Housing Manager is created. He mentioned that the Public Housing Manager in Wausau makes around \$70,000. Mr. Morrissey said there are a few issues with option B; #1) the employees of the Housing Authority could become city employees; #2) the benefit conversion, according to Lisa Jakusz, Human Resources Manager, would cost the city approximately \$6,000; #3) the Housing Authority has a labor agreement in place; #4) consideration of outsourcing for lawn mowing and snow removal costs would need to be added back into the budget. Ms. Molski asked if the outsourcing was for only the two buildings and Mr. Morrissey indicated that it was for Madison View as well. Mr. Morrissey replied that the scattered sites units are responsible for their own lawn cutting and snow removal. Mr. Morrissey said that with option B the Community Development Department portion would be \$57,150 and the Housing Authority portion would be \$580,280. He said Option C would be having a separate Redevelopment Agency at the city and an independent Housing Authority. Ms. Bella explained the maintenance structure and indicated that when management laid off an employee two years ago in November a drop in unit turnaround time was seen. Ms. Bella explained that turnaround time affects the Public Housing Assessment System (PHAS) score, which is a requirement by HUD for part of the calculation of operating subsidy. She explained that HUD requires us to operate under Asset Management which means just what Mr. Lensmire outlined in his chart – each project must be able to stand on their own. Chairman Halverson said that too, was good information to know. He said that we should not operate so lean that the housing needs don't become an opportunity for most residents that qualify. Chairman Halverson said there is a social justice here as well - the margin and the mission. He asked Ms. Bella to explain what Mr. Hamilton meant by the problem is solved. She said that she normally would not speak for another person but in her opinion when he made that statement a few years back that the economic picture was different. She said that he explained it to her that the elderly have lots of opportunity for housing in the Stevens Point area but that families will always need our housing. Ms. Bella said she would never understand why Mr. Hamilton opted to not renew the contract for Edgewater with HUD as the Section 8 New Construction. She said that they had conversations about why not wait until the debt was paid but he was convinced that because of the vacancies, we would have more opportunities for that building. She said, in her opinion, had he renewed the contract, Edgewater would still be getting a subsidy for up to 6 months for vacancies. Mr. Morrissey agreed. Ms. Bella said now the market rent is \$530.00 and people don't want to pay that for an old, out-dated apartment even if it is on the river. Ms. Bella said there are a lot of vacancies at Edgewater. She said initially, there was a lot of resistance from the tenants at Hi-Rise when the discussions began about renovating their units. Many tenants said they didn't want their rent to increase and they didn't want more space because they would have to clean it. However, once the model unit was completed residents were lined up at the door saying they wanted a new

apartment. Ms. Bella said this same principal applies to the tenants at Edgewater, they don't want to move because they like the convenience of where the building is and they have friends there, but their apartments are in real bad need for updating. Mr. Morrissey suggested that the board meetings be held at Edgewater and Hi-Rise. He further stated that there should be a resident on the board. Chairman Halverson said that there is currently a vacancy on the CDA board; it would be a great opportunity to explore. Ms. Bella indicated there is a resident that lives at Hi-Rise Manor that served on the advisory board that is interested in serving on the CDA board. Chairman Halverson said it should be reviewed and Mr. Morrissey suggested that an invitation be put out to our residents and see who applies.

Mr. Morrissey then went on to explain that he has a problem with the use of time clocks by Housing Authority employees. He explained that time clocks are used only by the represented employees whereby they punch in, out and in for lunch, and then out again at the end of their shift. Chairman Halverson asked if they were swipe clocks and Ms. Bella replied they are biometric, they require a fingerprint. Mr. Morrissey said it seems highly regulated; the CDA has cameras at the remote locations. He went on to say that apparently the auditors told management that they needed to track the employees' time. Mr. Morrissey said the non-represented employees hand in a slip for sick and vacation but have no timesheet. He said that leaves a chance for employees stealing time and suggested that the non-represented employees punch a time clock as well. Ms. Bella indicated that she doesn't like the time clocks either but the auditor did say there should be something in place because we had no way of tracking the remote sites. She said when it was discussed Mr. Hamilton, the auditor and the labor attorney felt that in order to adhere to the law and the labor agreement biometric clocks would work best. That way there would be no "buddy punching" that could happen with a swipe clock. Ms. Bella explained that there are three exempt employees. She said in April of 2009, she returned to the office after attending a conference where the attorney that was presenting said that it was not unlawful to grant exempt employees a one hour paid lunch break. Ms. Bella said she mentioned this to Mr. Hamilton who was working an 8 hour day and taking a one hour paid lunch break. Ms. Bella said Mr. Hamilton told her to check with the city to see what they do. She said she emailed Lisa Jakusz, the Human Resources Manager and asked if city employees worked 8 hours in a day with a one hour paid lunch. Ms. Bella said Ms. Jakusz replied theoretically yes but with board meetings and workloads that rarely happened. Ms. Bella said that was the same situation for the Housing Authority non-represented employees who attend meetings, have large workloads, etc., so Mr. Hamilton implemented the change. Mr. Morrissey commented that the unequal treatment could be an issue. He said that the city of Wausau is currently looking at having everyone punch a time clock. Chairman Halverson said that because he is chief of administrative operations, he can see when staff is working. He said he did not have a problem letting staff go on a Friday afternoon when he sees that the work is getting done. Chairman Halverson said it was pretty loose but it was documented and city employees are allowed to be flexible. He said there is a represented employee that is allowed to take her child to school and then adjusts her hours accordingly. Chairman Halverson said it is up to the management style and for the Executive Director to deal with. Mr. Morrissey said he feels the time-clock is counterproductive and repressive. Ms. Grube said that when she started with the Housing Authority there was flexibility but then the union came in and apparently the labor attorney told management they should not be as flexible because that would set a precedent and the agency should be adhering to the labor agreement. That is what the time clocks do and if you have a time clock for the employees in the remote sites you had to do it for the office as well. Chairman Halverson said that's correct, if they are under the same labor agreement it needs to be the same. Mr. Morrissey commented it is like working on the plantation. Mr. Niedbalski then

commented that they tried to exercise flexibility with the staff by approving a request from the employees to change their daily hours. He said he and Mr. Hamilton approved the request to the employees and they were raked over the coals by the union rep who told Mr. Hamilton that any/all changes in hours must be done through the union. Chairman Halverson commented that this will not matter because there won't be a labor agreement in the future.

6. Next was a discussion as to when the next meeting will be. Mr. Morrissey said October 11, 2011 at 4:30. Chairman Halverson then moved to temporarily injunct the city's administrative policies where applicable. Mr. Hanson seconded the motion.

Ayes all, nays none.

7. Chairman Halverson moved to enter into closed session to consider employment, promotion, compensation and performance of the agency employees. Mr. Hanson seconded.

Ayes all, nays none.

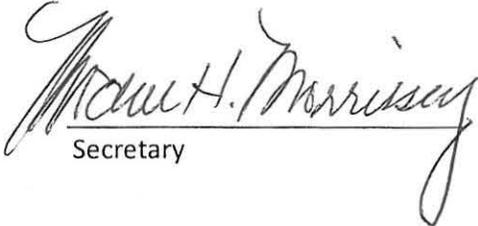
8. Motion to reconvene into open session was made by Ms. Molski and seconded by Mr. Hanson.

9. There being no other business to come before the Board, the Chairman adjourned the meeting at 6:50pm.



Chairman

10/11/11
Date



Secretary

10/11/11
Date