

Minutes of the Special Joint Meeting
Of the Boards of Commissioners of the
HOUSING AUTHORITIES OF THE CITY AND COUNTY OF FRESNO

Tuesday, February 7, 2017

5:00 P.M.

The Boards of Commissioners of the Housing Authorities of the City and County of Fresno met in a special joint session on Tuesday, February 7, 2017 at the offices of HACCF, located at 1331 Fulton Mall, Fresno, California.

- The meeting was called to order at 5:05 p.m. by Board Chair, Commissioner Jones of the Board of Commissioners of the Housing Authority of the City of Fresno. Roll call was taken by Tiffany Mangum, Special Assistant, and the Commissioners present and absent were as follows:

PRESENT: Adrian Jones, Chair
 Steven Bedrosian
 Stacy Vaillancourt
 Caine Christenson

ABSENT: Rueben Scott, Vice Chair
 Virna Santos
 Karl Johnson

- The meeting was called to order at 5:05 p.m. by Board Chair, Commissioner Petty of the Board of Commissioners of the Housing Authority of Fresno County. Roll call was taken by Tiffany Mangum, Special Assistant, and the Commissioners present and absent were as follows:

PRESENT: Jim Petty, Chair
 Reneeta Anthony, Vice Chair
 Stacy Sablan
 Nancy Nelson
 Lee Ann Eager
 Venilde Miller
 Joey Fuentes

ABSENT: None.

2. APPROVAL OF AGENDA AS POSTED

No formal action was taken for this item.

3. PUBLIC COMMENT

There was no public comment.

4. POTENTIAL CONFLICTS OF INTEREST

There were no conflicts of interests disclosed.

5. BOARD WORKSHOP

Mr. Prince stated in the past the Fresno Housing Authority Staff did provide a full budget workshop presentation to the Boards of Commissioners. At the request of the Boards of Commissioners, staff has prepared a more in depth review of financial reporting, budget structure and processes, 2017 budget review, the Agency's organizational structure, and a detailed budget overview. Therefore, Emily De La Guerra, Finance Director, prepared a detailed workshop to assist Commissioners in fully understanding the complexities of the Agency's financial systems and processes.

The Accounting staff presented detailed information to the Boards of Commissioners regarding the 2017 Agency budgets.

Ms. De La Guerra introduced to the board members key Finance staff that put together and maintain the Agency budgets. She also introduced the staff that will be overseeing the Accounting and Finance Department while she is on leave. Steve Nolan, a consultant and former CFO of the Atlanta Housing Authority, who is a great resource with a sound financial perspective; Michael Duarte, Development Director, will also have oversight of the Accounting and Finance Departments, and has a background in Finance. He will be working with Steve Nolan to provide leadership to the Accounting and Finance Department. In addition, she introduced Mr. Michael Mosley who is the Fresno Housing Authority Controller. Mr. Mosley will be responsible of the audits, monthly financial statements, and the general ledgers. Also, Mr. Juan Lopez, Senior Financial Analyst, who was recently hired by the County of Fresno, has done a tremendous amount of work in maintaining the budgets. Ms. De La Guerra also introduced Lucille Kirchman, Senior Accountant, who oversees Financial Data Scheduled (FDS), payroll, responsible for transactions between the two agencies.

Ms. De La Guerra stated the FDS submission to HUD was approved on Monday, February 06, 2017. This is the first time from the six years she worked in the Fresno Housing Authority that FDS was approved on the first submission. She thanked Lucille Kirchman for her great work, to make sure our FDS was approved.

Nerissa Richardson, Accountant, oversees the HCV programs and all the grants the Fresno Housing Authority receives.

Lastly, Arlene Woods, Senior Accountant, is responsible of the thirty plus audits of all the affiliated entities to the Fresno Housing Authority.

Fresno Housing issues a number of different financial reports. Ms. De La Guerra affirmed that the three primary financial reports are the financial statements, the audit and the budgets.

The financial statements are to present the actual financial information at a certain point in time. At the end of the year in December the Financial statements present all the financial activities that happened in the past, such as the balance sheet, and statement of cash flow. These must follow certain rules such as GAAP, GASB, yellowbook, and CFRs. The agency is funded by HUD and is a governmental agency in which the financial statements must follow certain rules.

The audit includes the financial statements and other supplementary information.

Ms. De La Guerra stated the Financial budget is an operational tool used to manage revenue and expenses. Also, external partners use the budget to monitor the operations of the organization. The budgets are used to also make estimates and projections for the future.

She briefly presented the Financial Policies and Financial Reports that are issued internally and externally.

Financial Policies are approved by the Board Commissioners. Financial Policies are to provide guidance and rules on the internal control of the Agency. The Audit Policy determines how the audits are conducted each year. The Investment Policy, which is approved by HUD and the Boards of Commissioners, determine how we manage our cash. Additional, the Financial Policies include: the Conflict of Interest policy, Internal Control Policy, Capitalization Policy, Procurement Policy, Cost Allocation Plan, Delegation of Purchasing Authority, and Check Writing Authorization.

Ms. De La Guerra discussed the different financial reports that are presented to the Boards quarterly and/or annually.

Ms. De La Guerra discussed the various budget types: Operations, Housing Assistance Payments, and the Mixed Finance Housing. Operations is an annual budget for the operational activities of the Fresno Housing Authority that runs from January 1 to December 31, which is the Fresno Housing Authority's annual fiscal year. It includes all programs under the City and County Housing Authorities, but it does not include our Special Purpose Entities or affiliates.

The Housing Assistance Payments (HAP) Budget is an annual budget for the payments made to landlords on behalf of the Housing Choice Voucher and Shelter Plus Care programs, which runs from January 1 to December 31. These are kept separate from the Operations budget due to the highly restricted nature of the funds.

The Mixed Finance Housing budget is an annual Budget for the Single Purpose Entities associated with Limited Partnership developments. Their budget runs from January 1 to December 31. An informational item for the Fresno Housing Boards of Commissioners was presented to the Boards in the January 2017 packet, and are approved by the Boards of Directors for Silvercrest, Inc.

The capital budgets are actually two separate budgets. The first budget is the Annual Expenditure Budget which is an annual budget for capital funds or project reserves that runs from April 1 through March 31. Second, is the Development and Construction Budget, which is a multi-year budget for the financing and construction of our affordable housing developments. This is presented and approved by the Boards during the Omnibus Financial Closings.

Ms. De La Guerra discussed the agency structure in that the Fresno Housing Authority (FH) is two Housing Authorities (HA) operating as one agency, within the City and County of Fresno. The governing body for each Housing Authority is the Board of Commissioners, which appoints an Executive Director to administer the affairs of the Housing Authority, and one administrative staff reports to the Executive Director. Each Housing Authority, the City and County, operates separate programs and activities that accomplish the mission of Fresno Housing. Each program has a separate budget and financial statement that are consolidated in the Agency budget and financial statements.

Ms. De La Guerra briefly discussed the Fresno Housing affiliated entities. The affiliated entities are Instrumentalities, Single Purpose Entities and Corporations, and Affiliates.

For instrumentalities, each Board is a solely comprised of Fresno Housing representatives. It has a strong financial relationship, and is included in the Fresno Housing budget, audit and financial statements.

Single Purpose Entities, Corporations and Limited Partnerships have been created by the Boards to facilitate the development of affordable housing across Fresno County. Each entity has their own budgets, audits and financial statements, which are approved by the Silvercrest Board.

Ms. De La Guerra discussed the timeline of the budget process. She said this will allow an overview of how the Finance Department internally manages the budget. The budget process is divided into different segments which are operations, finance, executive, board and their roles which are planning, preparation and approval. The budget process begins for the Finance Department in July with the planning of the budget process. During the months of September through November, the Operations Department works on the revenue and expenditure budgeting, while the Finance Department compiles funds and the roll-up Budget. This allows the Finance Department to work on the templates needed for new grants. In addition, the Finance Department starts their presentation to the Boards of Commissioners on the Federal and Agency Budgets. During the month of October, the Accounting Department presents to the Boards of Commissioner the first draft of the Budget. After gathering feedback and comments from the first draft presentation, the second draft of the Budget is presented to the Boards during the month of November. During the Month of December, the Finance Department meets with the Boards of Commissioners requesting their approval on the operations and HAP budget. During the month of January, the Finance Department meets with the Boards asking for their approval on the Mixed Finance budgets.

Ms. De La Guerra stated that budgets are adopted and approved on a basis consistent with Generally Accepted Accounting Principles (GAAP). All annual budgets lapse at the end of the year. Multiyear budgets for capital or development projects are adopted for the length of the project.

Next, Ms. De La Guerra presented on the budget reporting and monitoring, indicating that for the internal reporting and monitoring, Finance and Operations staff review financial reports monthly, and the budget to actual report quarterly. For the external reporting and monitoring, Investors and stakeholders request and review budgets regularly and our auditors review budgets and Budget to Actual Reports regularly as well.

Ms. De La Guerra reported on the Agency funding sources. The largest amount of funding is the 34% that comes from HUD Grant income. Housing Choice Voucher Admin Fees earn 75% proration at a 98% lease-up rate. Low Income Public Housing Operating Subsidy earns a 90% proration at a 97% occupancy rate. Net Tenant Income is 18% of the Operating Budget. This is the revenue earned from the tenants' payment from the public housing, affordable housing, migrant housing, etc. programs which increased by 9% in 2017 due to a better economy and higher wages. Developer Fee Revenue is 13% of the Operating Budget. Developer Fees for 7 projects, are expected in 2017.

Ms. De La Guerra briefly talked about the expenses, assumptions and highlights. She stated payroll expenses are 43% of Operating Budget for 231 full-time employees. All staff received a 2% COLA in 2017, 2% CalPERS swap, and there were some changes to the medical benefit rates that were charged to the employees. The next largest expense is the administrative expenses being 35% of the Operating Budget. This includes the developer Fee expenses paid to Co-Development partners. The Admin and Management expenses are increasing due to additional IT costs. Beginning in 2017, the IT team was insourced. The cost is allocated to each of the programs that use IT services. The program expenses are revenues paid to CORE.

Ms. De La Guerra briefly presented Fresno Housing Authority Organizational Structure. The Boards of Commissioners are at the top of the organizational structure. The Legal Counsel, Auditors and Executive Director report directly to the Boards of Commissioners. Reporting to the Executive Director is the Deputy Executive Director. The Deputy Executive Director is followed by the executive leadership- Chief of Staff, Director of Human Resources, Director of Development, and Director of Finance and Administration. The Chief of Staff manages the Housing Choice Voucher Program, Resident Services, Homeless Programs, and Policy and Analysis. In addition, the Director of Human Resources administers Human Resources and Organization Development. The Director of Development manages the Planning and Community Development, Asset Management, Construction Management, and Housing Management division. The Director of Finance and Administration oversees the Accounting and Finance, Information Technology and Systems, and Administrative Services.

A Commissioner requested to have more information about the performance evaluation process.

Ms. De La Guerra stated the Analyst, Senior Analyst, Manager I, Manager II, Senior Manager, Assistant Director, Director, and Chief of Staff receive additional compensation based on their performance. They are also, known as non-represented staff. Each year, based on their performance evaluation, compensation and salary levels are determined. The Coordinator, Senior Specialist, Specialist, and Clerical/Assistant positions are compensated based on a step system. There are five steps. These are also considered to be represented staff.

Commissioner Anthony asked about the detail of the Administrative expenses, the 4100 series (travel and training).

Ms. De La Guerra indicated it is included on the column under CORE with specific details. She stated the travel expenses is noted on each department's expenses.

Commissioner Anthony requested the 2016 Travel Administrative expenses for the Boards of Commissioners and the executive staff.

Ms. De La Guerra talked about the Administrative function of the agency known as CORE. HUD refers to it as the "COCC" or the "Central Office Cost Center." The CORE division contains all the administrative functions of the Agency, including Human Resources, Executive Office, Commissioners, Communications, Housing Services and Specialized Maintenance, Accounting and Finance, Central Office Building and Warehouse, Procurement, Fleet and Facilities, and IT Services. The revenues for CORE are revenues earned by fees charged to other Fresno Housing Authority programs. For examples, management fees, bookkeeping fees, central office rent charges, IT fees, etc, are fees that all the Fresno Housing Authority programs paid. This revenue under CORE is deemed "unrestricted." Major expenses under CORE include salaries and benefits (57% of total budget), administrative costs (33%) including legal fees, professional and consulting fees, administrative contracts, and software and equipment. CORE employs 62 full-time employees. Ms. De La Guerra stated the Central Office Cost Center is budgeted to receive \$8.2 million in property management, bookkeeping, asset management and other fees from the various program departments of the Fresno Housing Authority, and this revenue is deemed unrestricted once it comes into the Central Office Cost Center.

Ms. De La Guerra briefly presented on instrumentalities, which are a legal entity, wholly-owned and operated by the Fresno Housing Authority. Instrumentalities are used to accomplish specific goals. Housing Relinquished Fund Corporation is to further the supply of affordable housing. Housing Self-Insurance Corporation to insure the agency against losses and deductibles not covered by third party insurance companies. Silvercrest, Inc. acts as the general partner in mixed finance developments. Housing Connections and Compliance, Inc. is an entity created to submit a NOFA application for a HUD Contract Administrator. This is in operational item, in case of dispute with HUD, where there is no expense or revenue generated. Villa Del Mar, Inc. is the original LLC for Villa del Mar, LP. Revenues generated within each entity is restricted to that specific entity. There are no staffing expenses, all are managed by Fresno Housing staff. The entity pays a Management Fee to CORE to cover administrative and accounting costs. Net Income and Cash Flow can be used at the Board of Directors discretion.

Ms. De La Guerra talked about the Planning and Community Development (P and CD) Department, which develops and maintains quality, affordable housing, to creating vibrant neighborhoods across Fresno County. P and CD includes the Real Estate Development department and the Construction Management department. Revenues generated by this department are earned through Developer Fees. Developer Fees are earned at various points of the projects and can be paid out over several years. For the past several years, FH has been increasing the capacity of the Development department, which handles all of our real estate development needs. In addition, FH has a construction management department that handles most of the Agency's construction oversight. As the Master Developer of our real estate, the Development department negotiates and earns a developer fee for each construction project. These fees are earned at various milestones in the project which can span several years. Staff is projecting to receive \$5.1 million in Fiscal Year 2017, based on our Development Agreements. Major expenses include salary and benefits (40%) and consulting fees (51%). Under P and CD there are 15

full-time employees. Consulting Fees are paid to our development partners when Developer Fees are received by the Fresno Housing. Any net income in this division is considered unrestricted funds.

Ms. Angie Nguyen briefly explained the ROSS and FSS and relationship with the Fresno Housing Ed Corps (Ed Corps).

Commissioner Reneeta Anthony asked if the Ed Corps receives monies from the Fresno Housing Authority. Mr. Prince affirmed with the funds received from the Campaign at the beginning of the year.

Commissioner Anthony wanted to know where the money we paid to the Ed Corps is reflected on the report. Ms. Emily De La Guerra stated the money is reflected on the Parc Grove budget.

The next Division presented was the Assisted Housing division, which contains all of the grant-funded housing services programs, including the Housing Choice Voucher (HCV) program, Homeless programs, Resident Services. All programs are funded by various grants awarded to the Agency by either federal and/or state/local partners including HUD, the State of CA, City of Fresno, County of Fresno, WestCare, etc. The funding provides rental subsidies to over 13,500 eligible families so they have access to quality, affordable housing across Fresno County. Major revenues to the HCV program are Administrative Fees paid by HUD each month. Major expenses include salaries and benefits, and management and bookkeeping fees paid to CORE. HCV employs 72 full-time employees.

Mr. Prince informed the Boards of Commissioners the presentation on the Finance Budget will resume sometime in July.

6. ACTION

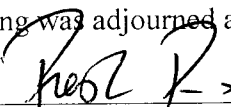
- a. Consideration of the Veterans Housing and Homelessness Prevention Loan – Renaissance at Parc Grove

Ms. Christina Husbands presented on this item. She stated the Fresno Housing Authority was awarded the funds in 2016. The closing is expected to take place in March 2017. It is a \$2.6 million loan. The Renaissance at Parc Grove development will provide 41 units of housing for homeless veterans.

Commissioner Bedrosian motioned for the City Board's approval of the loan for the Veterans Housing and Homelessness Prevention funds. This action was seconded by Commissioner Vaillancourt, and by unanimous vote of the Board of Commissioners for the City, this item was approved.

7. ADJOURNMENT

There being no further business to be considered by the Boards of Commissioners for the Housing Authorities of the City and County of Fresno, the meeting was adjourned at approximately 8:34 p.m.



 Preston Prince, Secretary to the Boards of Commissioners