ACTION
MINUTES OF THE REGULAR BOARD MEETING
OF THE
HOUSING AUTHORITY OF THE COUNTY OF MONTEREY
HELD OCTOBER 25, 2010

Commissioners met at the Central Office. Chair Elizabeth Williams called the meeting to order at 5:05 p.m. Present: Chair Elizabeth Williams, Vice Chair Alan Styles, and Commissioners Josh Stewart, Tom Espinoza, Kevin Healy and Andrew Jackson. Also Present: Jim Nakashima, Executive Director; Jerome Politzer, Chief Operations and Finance Officer; Jean Goebel, Director of Asset Management and Compliance; Lynn Santos, Director of Finance; Shelley Giancola, Director of Administrative Services; Norm McCollough, Housing Management Manager; Joni Ruelas, Housing Programs Manager; Starla Warren, Fee for Service Director of Development; and Tom Griffin, Legal Counsel. Recorder: Sandy Tebbs

COMMENTS FROM THE PUBLIC: None

PRESENTATION:

Service Award: Chair Williams presented a 15 year pin and certificate to Ms. Santos; the Board congratulated and thanked Ms. Santos for her years of service.

Mr. Nakashima presented the Board with the Salinas Valley Solid Waste Authority’s Certificate of Recognition that HACM was awarded for their successful implementation of the Monterey Bay Area Regional Multifamily Recycling Project. The Board thanked Ms. Goebel for her hard work on this project.

CONSENT AGENDA

A. Minutes – Approval of Minutes of the Annual Board Meeting held September 27, 2010
B. Minutes - Approval of Minutes of the Special Board Meeting held October 7, 2010
C. Resolution 2677: Revised Utility Allowance Schedule
D. Resolution 2679: Authorization to Apply for SuperNOFA for Continuum of Care-Supportive Housing Program
E. Resolution 2680: Authorization to Apply for Shelter Plus Care Section 8 Vouchers FY2010

The Clerk of the Board noted that the minutes for the Special Board meeting held on October 7, 2010 were not completed and would be provided at the November Board meeting.

Upon motion by Commissioner Styles seconded by Commissioner Espinoza, the Board approved the Consent Agenda without the minutes of the Special Board meeting held on October 7, 2010. Motion carried with the following vote:

AYES: Styles, Williams, Stewart, Espinoza, Jackson
NOES: None
ABSENT: Healy

REPORTS OF COMMITTEES

Personnel Committee: Commissioner Espinoza reported everything was on the agenda; there was discussion regarding the RAB Board/Bylaws and staff will be researching the minimum requirements for the RAB Board since it has been difficult to get a full Board.

Finance/Development Committee: Commissioner Styles reported everything was on the agenda.

Monterey County Housing, Inc.: Ms. Warren reported in the absence of Mr. Rose that MCHI elected new officers.

Affordable Acquisitions: Same as MCHI.

Resident Advisory Board: Noted earlier under Personnel Committee

Monterey County Housing Development Corporation and LP’s: Ms. Warren reported that the updates are included in the HDC development report.
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REPORT OF SECRETARY

A. Executive Report

Mr. Nakashima thanked Ms. Goebel for her hard work on the 100% SEMAP score. He reported that HUD received the PHAS Score appeal and we hope the results will be good; he thanked Mr. Politzer and Ms. Santos for working long days and weekends to put the package together. Mr. Nakashima further thanked Mr. McCollough and Ms. Giancola on the disaster preparedness and backup plans and getting property management more structured.

To Board query, Mr. Nakashima responded that Staff would be working on practical solutions to HACM's cash problems, but it would be internal and may take a month or two before having a formal process. He reminded that this is a problem nation-wide.

NEW BUSINESS

A. Clerk of the Board – Position Recruitment

Commissioner Healy arrived at 5:14 p.m.

Commissioners Williams and Espinoza requested their packets be delivered by courier.

Upon motion by Commissioner Styles, seconded by Commissioner Stewart, the Board approved the Regular Part-Time status for the Clerk of the Board position with an Internal recruitment. Motion carried with the following vote:

AYES: Styles, Williams, Stewart, Espinoza, Healy, Jackson
NOES: None
ABSENT: None

B. Resolution 2678: Acceptance of Audited Finance Statements for Year Ending June 30, 2009 – Information Only

Mr. Politzer stated that this item was discussed at the Finance/Development Committee who recommended it be forwarded for information to the Board in order to obtain questions that the Commissioners would like the auditor, Mr. John Gibbons, to respond to when he comes to the November Board meeting. He pointed out that the Commission may wish to review the balance sheet on page 16 which reflects the big picture and also the Footnote #1 on page 26 of the audit.

Mr. Politzer stated in trying to analyze this data, it is recommended: to look at which entity is involved and to review the asset and liabilities as well as the profit and losses; the bridge between the assets and liabilities is the statement of cash flow. Commissioner Styles pointed out at the Committee meeting there were a number of long term debts. At the end of the report is the special reporting requirements.

Commissioner Styles stated that the auditor could not be here tonight to answer any questions so the Finance/Development Committee forwarded this item to the Board for information so the Commissioners' questions could be gathered for the auditor to respond to when he makes a presentation to the Board in November. This will also give the Commission time to take a good look at the audit.

Mr. Politzer suggested that the Board consider in their review trends and financial ratios; those types of questions would be good. He further pointed out the management letter is also attached to the audit. Commissioner Styles noted that on the cover letter that was forwarded with the audit Ms. Santos had noted some good questions that should be forwarded to Mr. Gibbons.

Mr. Nakashima stated that he is proud that HACM has again received the Opinion of its Independent Auditors that HACM’s financial statements are fairly presented and without qualification or reservation by the Auditors for the ninth time. He noted that he had received a letter today from Hayashi and Wayland stating that their employee, Sunny Wong, the auditor that led the HACM audit, had recently passed away. The Board acknowledged their sadness and condolences to the family of Ms. Wong and to the firm of Hayashi and Wayland.
Ms. Santos noted that Ms. Wong was the one most intimately involved with the audit and could probably have answered questions off the top of her head tonight.

Chair Williams reminded this item will be brought back to the Board in November.

C. Smoking in HACM Residential Rental Properties – Information Only

Commissioner Espinoza explained that the Personnel Committee discussed this issue and it has been recommended that the smoking survey be started first at the senior sites and when staff has their meetings with the residents regarding this issue that might be a good time to bring up the RAB Board also. Ms. Goebel reminded that before the smoking issue can be implemented, there has to be a policy and the survey is to determine if the residents want anything changed before the final policy is developed for Board consideration.

D. Status Report: Attorney’s Discussion with HACM and HDC Personnel Regarding Clarification of Separation Issues

Mr. Griffin reported, "that the genesis of this investigation/report is the fact that I started getting some emails and in phone conversations with various members of staff and members of the board regarding the challenge that separating HACM and HDC was causing. Then I was also seeing as I was sitting here at this table that there were factual differences that hadn't been resolved --that needed to be resolved--and I felt like there was some confusion generally as to what was taking place. And even though I don't claim to have any particular expertise in the financial area I felt sort of like an outsider looking at it (that) maybe I could start to identify for the Board the key issues that I saw out there that need to be addressed and resolved as this process moves forward because I didn't see the individuals who were trying to do it themselves being able to clearly set the key issues that needed to be resolved (and) in getting that communication to the Board as to what issues they were able to resolve and what issues they needed input from the Board to resolve. So that was kind of my starting point.

And then there was another reason to address this now which is the fact that you've received an audited financial report but it's for the year ending June 2009 so it's almost 18 months behind where we currently sit tonight but I think Commissioner Styles just referenced it on page 5 of the audit and Mr. Politzer may have as well- it lists all the various entities that are folded into this final audit report. So when you're looking at this separation you have to bear in mind that from an audit perspective and from HUD's perspective they are going to fold those two organizations back in because you have the same Board handling them. So separate them as you may, you still are going to have to, at the end of the day, account for both organizations on the same balance sheet. And that's important to recognize --to realize that everybody--whether it ends up in this organization or that organization, when it comes together it still has to end up as part of the financial overall view. So that was important.

And then the next thing that happened was HUD said that this particular housing authority had cash flow problems that were significant and they were looking into it and I believe that a portion of that has to do with the fact that we're facing cash issues because the timing of payments that we get from HDC activities can't be controlled in the same way as the timing of issues coming in from government programs that get our cash. So there's a disconnect between the outflow for development purposes and the inflow from the income side of the equation from development purposes. And that clearly exacerbates the cash flow issues that HACM is facing now. So all the more important to address it.

And today is simply to tell you where I'm at and some things that I've identified. I hope to come back in November with a more detailed report of where I am. I think that it's very important for everybody whose involved in this organization, whether it be HACM, HDC, or the Board looking over both, the Tyman project was an extraordinary stressor financially for the organization and therefore some of the problems that we're facing today were unanticipated at the time they were gone into and have created problems currently and problems in the future. And I think rather than being upset at anybody or anything, we need to just recognize that that's the environment we have and that's the situation that we
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have and try to work our way through it. Because I believe that that's the project that has
created some of the lack of trust that exists between the two groups.

So I think there's some good news here and I've talked to some people about it. Ms.
Warren has indicated to me that she is prepared basically, in the present tense, to pay down
the $1.1M HELP loan and there was some concern expressed and what we want to make
sure is that when that income hits the HACM account (that) it doesn't get dissipated in any
fashion and instead that that HELP loan is immediately paid down. It struck me that was
bordered on the unnecessarily anxious--because I think that clearly that that was going to
happen--but I've spoken to Mr. Nakashima and he said that he is going to have procedures
in place that he can assure everybody that the money that arrives for payment on that loan
will immediately be utilized for payment of that loan. So I think when that happens—Mr.
Griffin asked, 'Ms. Warren when do you think that can happen? Ms. Warren replied I
know that--well you've got $1.1M in escrow, but we're waiting for the final 589's so it can
be done as one whole transaction. So we had one question left with the actual investor, so
I would say within a couple of days that should be funded.' Mr. Griffin continued, right,
so I'm anticipating then within a week to ten days that that should be available—should be
paid down— and that should make everyone feel like that progress is continuing to be made
on that front. And hopefully reduce some of the anxiety and sort of lack of trust that's out
there.

Mr. Griffin further reported there's lots of other issues with the Tynan situation and I think
that those are: the land lease, which has a significant annual cost; the commercial master
lease, which has a significant annual cost; and the place holder loan of the $3.92M more or
less and how that's going to be allocated. Those are issues that I think are worthy of a
separate discussion at a separate time. And I think that there is going to be an ongoing
cash need from HACM to make those payments until such time as a resolution has come
up. And there needs to be some understanding and more formally documented between
HDC and HACM with regard to When, Where and How those lease payments would be
repaid. And that's the piece that I don't think currently exists. I think from an accounting
standpoint—it's my understanding that HDC and HACM are close to, if they haven't
reached, an agreement on how to allocate the $3.92M as to which contribution from HDC
(and) which contribution to HACM so that that note then can be carried on each of their
books. The share of it that belongs to HACM and the share of it that belongs to HDC even
recognizing that payment on that note is rather tenuous at best and way out there in the
future. So those are issues that are important and need to be resolved but I don't think that
they need to be resolved today if we can get the $1.1M paid down and start to get some
discussion going on those.

Mr. Griffin continued, then the next issue that I think is out there and has to do with what
has occurred in the past is regarding the disposition arrangements. And so I see that as
being again two separate situations: one regarding projects that have already gone forward
and the other projects that are being considered now and may proceed or will proceed in the
future. The issue was—and it was raised by—I believe it was your auditor as well as it
was raised in the past—is whether or not this arrangement where HACM gives an asset to
HDC or some other non-profit or general partnership—and it appears they received
nothing in return, so that has an impact on the balance sheet and it also has a long term
affect in that it ends up with a potential loss if not planned for in advance of the
management fees that would otherwise be earned on that property on an ongoing basis
once someone else has taken it over. HDC has explained to me and I believe explained to
the Board sometimes as to why that issue can be addressed by having a return to the
property at the end of a particular time period when the tax benefits are used up for the
useful life of the property. There's another issue as to whether or not there wouldn't be a
tax consequence for HACM in the event that they receive something for it and whether that
would create more difficult issues, but what is important, it seems to me, is that on a going
forward basis that these issues are carefully looked at and, if necessary, that we have
somebody who can do the due diligence with respect to how a particular disposition will
have a long term impact on the cash flow and balance sheet of HACM. And there are a
number of examples out there. And then it's my understanding still, for existing projects,
for the management to remain with HACM notwithstanding the development; and then
there needs to be some action taken by HACM to make sure that that occurs. And I think
that we have to make sure that that opportunity is not lost.
Mr. Griffin further stated there’s also some other ways of participating in the development fees on an ongoing basis that I think need to be considered in the future when looking at a particular disposition that probably hasn’t been considered in the past. I think the way in which the disposition has been presented to the Board has been less than optimal. And by that, it appears that a proposal is presented and it’s initially presented as a no big deal (that) we’re just going to look into this and then it comes back to the Board as, well you’ve already looked at this and approved it and we’re going to the next step. And what happens is that I think incrementally the Board has walked out on one of these projects without ever having the opportunity to look at the project in detail and make a final thumbs-up/thumbs-down position on whether or not it’s in the best interest of HACM long term. That’s the piece that needs to be included, as I see it, because the development side and the HACM side, even though it’s going to have the same Board, the due diligence for each is different. I think that there needs to be some better documentation with regard to development agreements between HDC and HACM on future developments. And it’s my understanding that in some of the projects that HDC is doing with other housing authorities, they have an actual development contract and that’s something that I think HACM needs to look at as well. So those are some issues that are going on out there.

There’s some liability issues that are associated with the separation of these two entities that are, I think, important considerations that haven’t been fully worked out. There’s the development liability and to what extent, because of the close connection between HACM and HDC, some HDC liability is going to land on HACM. And we’re seeing it, just as an example of someone raising an issue as to whether or not the procurement was properly done by HDC and they are indirectly pointing the finger at HACM over that. There are development issues with respect to other liabilities and financing that are out there with a particular development that need to be considered at important points. There’s employment liability and the Mr. Sears’ case is an example of that employment liability that may cross over from one entity to the other. There’s issues of financial liability with regard to HUD programs; where there may be some program violation with regard to having HDC operated rather than HACM operated. And I think, I don’t have a full understanding of it, but there’s some issues of the people working on Force Account as to whether or not they are properly employees of HDC or properly employees of HACM and how that’s utilized. So, one has to be aware that these two entities, where responsibilities are shifted from HACM to HDC, there could be potential problems with respect to whether or not moving that to HDC satisfies all the HUD requirements with a particular program.

Mr. Griffin continued, and then of course there are issues where, I think this can be cleared up in time, but there are issues now with vendors who are hired by HDC but then bill HACM thinking HACM is still the responsible entity. So that’s something that could be cleaned up just by being more careful in the way those contracts are actually let. And then of course the financial liability—what has to be understood is because it all comes down in the end to the same balance sheet, if there’s a significant financial disaster on HDC’s watch, it’s going to come back over and to the same dollar amount negatively affect the HACM balance sheet. Those are sort of the overviews.

Then the specific problems that I’m going to try to come back on with a little more detail is that when HDC gets their own checking account, there’s an issue of loss of control over the knowledge of expenses but those same expenses hit the bottom line of HACM as we just discussed. And so there’s a concern on HACM’s part, well we won’t know because of the separate checking. I think that that can be addressed by having the same Board but that’s a concern. The other side of the concern is HACM’s concern of saying, if they get their own checking account then when these development fees and other things come in, how do we know that (A) It hit their account and (B) That they’re going to use that money to repay obligations to HACM as opposed to pursuing new development opportunities and/or handle their other administrative expenses. There’s a plus side I think which is there’s a concern now on HACM’s part that they are in affect a bank for HDC and that HDC sends them their invoices and HACM then has to pay them. And if there’s a separation there then it may be easier for HACM to have more control over what items are unpaid, given the fact that it’s understood that the administrative costs and overhead will primarily be paid out of HDC’s account. And when HDC is going to get some cash, whether it’s an advance to predevelopment or whatever, because there are separate
accounts, it might be easier to get specific documentation and specific promises with regard to a return of those monies in the future. The other thing is that to a certain extent the income control, even under the current situation, is really more with HDC than it is with HACM because HDC is in the position when this money hits the escrow accounts as to when they actually call for it to be delivered. When there’s certain paperwork that needs to be done, people can push or not push or whatever so you have much more flexibility on HDC’s part as to how that money actually comes in.

He stated, I think those accounting concerns have led to some of the problems that have created some of this pressure. I think that those accounting concerns can be significantly reduced if we can get to a point in time where there’s a general agreement that HDC has been advanced X number of dollars by HACM and HACM is going to be repaid from the following sources. I think that if that could be accomplished then I think, on a going forward basis, that there would be fewer problems. That assumes then that we’re going to go back at some point in the future and address this sort of elephant in the closet which is the Tynan leases and the HACM payments and guarantees for those leases. Because I think you know we paid three plus million dollars on those leases—we being HACM. That’s not going to be able to be repaid immediately where there’s an ongoing payment of over $300K a year on these leases now. I think that that piece overly complicates the other development activities that have occurred. And if we address those other activities and try to reach an agreement on who owes what to whom—and I think that when I sat down with Ms. Warren, she was very helpful in explaining a number of things to me and I think she’s optimistic about some of these development fees coming in the near future—and being able to make major progress in paying down what she acknowledges HDC would owe to HACM in terms of advanced costs.

Mr. Griffin stated, what I’d like to do and come back in November is see if I couldn’t get some better agreement by working with Ms. Santos & Ms. Warren and Mr. Politzer & Mr. Nakashima as to exactly what those are—and what the plan is for paying them. And we’ll have this other HELP loan paid off and hopefully some of the other payments down. And I think it’s worth remembering and as I was going through this material, I found it and I’m not sure I’ll be able to put my hand on it right in the middle of this, (but) you commissioned someone to look at this issue or they looked at it on their own a number of years ago and they wrote a letter and I think it would be worth it for the Board to take a look at that letter again. And they’ll see that some of these problems were identified several years ago and there’s some recommendations made similar to the recommendation that I’m making. And I think in the press of other business, it wasn’t entirely followed up. Mr. Griffin asked Mr. Nakashima, do you know the letter I’m referring to and who wrote that letter? Mr. Nakashima replied in the affirmative, Bill Thompson. Commissioner Styles reiterated, Bill Thompson. Mr. Griffin stated I don’t know whether you all have seen that letter, but it’s a letter I think everybody would do well to take a look at and realize you know this isn’t a new thing; there’s a problem in these issues but Mr. Thompson’s view is similar to mine and these are solvable problems. But the reason why you want to be careful is that development is an uncertain activity and HACM can’t survive a failed development in the future of the magnitude of Tynan. You’re going to be living with the financial consequences of that for some time to come. And another one of that magnitude, you wouldn’t be able to swallow. And so that was my rather disorganized interim report, but I wanted you to know that I’ve been thinking about it and I think there are very important things and I am very aware of the challenge of the Boards of both organizations and Staff bases in dealing with these. These are big time significant problems that you are trying to resolve and you’re resolving them in a very challenging economic environment. So end of report. I’ll get back to you in November with some real numbers.”

Chair Williams thanked Mr. Griffin and stated she appreciated that report.

Commissioner Espinoza asked if the issue of due diligence was mentioned for obtaining an outside consultant, Mr. Griffin replied my thoughts were that it didn’t appear in the record that it had not been given the attention that it deserved. Now, I think it can be done by a subcommittee of the Board—it could be done by an outside consultant—it could be done by someone on staff—but it needs to be done independent of the development side and presented to the Board at a point prior to having made a significant financial commitment. Because of what’s happened it
looks like, in some of these situations, you're into the project pretty deep before some of these issues start to surface and at which time it's hard to extricate oneself. And you know to be fair to everybody, there are an awful lot of developers who started out in 2005 thinking that they had some pretty good successful projects and by 2007 they were pretty anxious and by 2008 they were out of business. So you know it's not to be critical of anybody as much as to recognize that that analysis at the front end is when it's valuable; it's not very valuable done in retrospect.

Commissioner Healy asked Mr. Griffin, what is going to be the outcome of your investigation? What are we going to have in November? What are we going to have at the end of your investigation? Mr. Griffin replied what I'd like to have is a plan for—well first of all I'd like to have an agreement between HACM and HDC as to basically an accounting starting point; here are the dollars—here are the allocations—and I would like to have an understanding on the Board's part of the importance of development agreements and a better understanding of the documentation for the initial transferring capitalization of these projects. He stated, he didn't know whether that could be done by having Mr. Politzer or someone else put forward some bullet points that the Board would like to see addressed before making a decision on it so that there is a checklist of things that need to be accomplished. I think that you (Board) need some HDC documentation regarding repayment on the HACM side for the Tynan deals that are out there. I think that you need an agreement, as of a certain date, as to HACM has advanced these dollars on these projects—they've been repaid this amount—the outstanding balance on each of these projects is these dollars and have HDC sign off on it and have HDC sign off on it and not have what seems to me to be two sets of numbers—which I think is the problem with the lack of trust—I mean you have some differences. And I've talked to both sides about possibly if we can't reach an agreement then bringing someone in to do an audit but sort of come up with a third party to look at those numbers. And to look at their analyses and bring a presentation to the Board that if the two groups can't reach an agreement so they can say this is a third party assessment. And because I think it's a practical matter, it's probably more important to get an agreement on some number than what the actual number is.

To another Board query, Mr. Griffin responded that early on in a development process someone needs to present a business plan for the whole thing as it's going to unfold on the development side. Then someone on the HACM side needs to carefully challenge those in the same way you would if you were going to bank that business plan and whether or not it makes sense from the economic point of view. Let's say it even makes sense, we have to weigh the benefit to the mission by putting these new housing units on the market to the detriment of the mission because we don't have the cash flow to handle our other 90% of clients in these other things. So that's the job of this Board to make that balance and say yes, but if nobody is consciously making that decision or hasn't provided the facts to make that decision then that's what I'm saying is not an optimal presentation over that very critical decision—are we going to dispose of this particular public housing or not. And I think that—this is just a guess on my part—but it seems like maybe we got caught up in the notion that this is a new and very exciting way to put new housing on the market and for lower income and subsidized housing. And it's a great concept of being able to use the equity in this property to develop new housing stock because we're not going to get the money from government et cetera. And I think that the concept was great, but as it's worked out over the years, and with the actual financing that's available, it's turned out to be more challenging than initially thought. So I am saying that's what we've learned, now let's make sure that when we make that decision in the future, we're making the decision with full knowledge and looking not only short term but long term, and not simply saying that this is our mission which is not an adequate analysis.

Commissioner Healy asked what ultimately happens if the two sets of numbers that are being referred to are not reconciled. Mr. Griffin replied that's the beauty of having the same Board over both organizations. I think you guys can solve it with a vote.

Commissioner Espinoza stated it's more a comment than a question. I think on the HDC agenda we're having this issue of a separate checking account again tonight. I'm concerned because of what I'm hearing also about two sets of numbers and that we may need somebody—either an outside consultant or somebody within this organization—to tell us what is in the best interest of HACM long term. We've got a financial audit that includes HACM, HDC, and all the other organizations and we have one set of books. So I don't understand why we don't know who owes what to whom already. I don't know why we would be giving HDC a separate checking account. To me that seems like that's going to potentially create more confusion so I'm going to need to
understand it --not in this meeting but in the HDC meeting, why we're doing a separate checking account because that already came up in a separate special board meeting with HDC. It's not that I don't want HDC to have their own checking account; I don't understand why we have two sets of numbers—we have one audit—why we don't know who owes what to whom. And that's a huge concern of mine.

Mr. Griffin explained that it would be better if when an HDC checking account is opened that everybody is in agreement as to what had been advanced to different organizations and what had been repaid and what had not. That would be a better starting point for doing it. The question as to why that is confusing is because you have a lot of different sources of payment; you have a lot of different expenses—you have a question when it comes back who has it been allocated to and how has it been allocated. An example that came up recently is that after the Tynan permanent financing closed there was some additional money that had to come back. It came back to the HACM general account; there was a question on whether that was HDC's money or was that HACM's money? If it's HACM's money, is it to be used to make a payment on the lease that HACM is currently making. And if it's a payment on the lease then does that simply add to the money that HDC owed HACM because we took our money and paid down on that? So how the credit goes for some money that comes in, I think is a question. Also there's a question on some of these administrative costs --there's not always a 100% agreement as to how they should be allocated between HACM and HDC. And if you go over a period of time those numbers can start to be somewhat significant. One of the reasons why I'm suggesting moving that Tynan obligation out of this analysis is because I think that further complicates it. Mr. Griffin stated he thinks that treating that as a separate issue will make it easier to get an agreement on who owes what to whom. Mr. Griffin stated he believes that Ms. Santos and Ms. Warren are probably closer than maybe he has led the Board to believe because he thinks there is some agreement between Ms. Warren and Ms. Santos as of June '09 so much was owed between the two organizations. One thing that also makes it somewhat unclear is, to a certain extent, payables may be held by HDC and HACM doesn't even know that they exist and so that might also influence some of this. And if we pick a particular point in time that we don't have to worry about those payables that have been submitted, then we'll be able to go forward. He further stated, it's just damn complicated is the other thing and some of the numbers are, as the Board knows, pretty big.

Commissioner Espinoza reiterated that what he understands now is not that there's necessarily two sets of numbers, but instead in the past there hasn't been a formal documentation of allocation use and how it's going to be paid but those have shifted over time and we need to have something more concrete. Mr. Griffin replied, we need agreement on that and then once we do that, we can be more concrete going forward.

Commissioner Espinoza stated he has one last question with regards to the same Boards for HDC and HACM; there's been some discussion that that's a conflict of interest and a problem. He doesn't mean to have it addressed tonight but if that could be brought back in November. Mr. Griffin responded that if someone requested an opinion letter that he would be happy to do that, but frankly for where we are right now I think that it's a good thing because it's been that way all along and we need to go through this process. Mr. Griffin stated that he was not concerned about this issue going forward while trying to address and resolve these problems. Commissioner Espinoza commented he is of the same mind that currently where we are, in terms of the two organizations, it makes sense to have the same members of each board to resolve these issues and straighten this out and get the housekeeping done.

Commissioner Jackson stated that it seems right now that the Development Corporation is just a risky situation.

Chair Williams stated she had asked Mr. Griffin to put this information together even though he didn't have much time to prepare for tonight's meeting but it was important to start the dialogue and for the Commission to hear what he had to say in his initial findings. Mr. Griffin will come back in November with more information. The Board thanked Mr. Griffin.

Mr. Griffin stated to end this on a positive note, the Staffs for both organizations have been extraordinarily cooperative and helpful; these Boards are fortunate to have such good people working on both sides. Chair Williams replied, thank you. We know that, but it's always nice to hear it from someone else.
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E. Christmas Dinner

Upon motion by Commissioner Stewart, seconded by Commissioner Jackson, the Board directed the Clerk of the Board to obtain Tarpy's Restaurant for the Board's Christmas Dinner after the December 13th HACM and HDC Board meetings. The Board further directed the Clerk of the Board to include HDC and MCHI. Motion carried with the following vote:

AYES: Styles, Stewart, Espinoza, Healy, Jackson
NOES: Williams
ABSENT: None

F. Request from the Conflict Resolution and Mediation Center of Monterey County

After a lengthy discussion, the Board requested that Ms. Goebel and Ms. Santos look into the utilization this last year of the mediation center and bring that information and a recommendation to the Board in November. The Board further requested Staff look into The Neighborhood Project that provides free mediation for a comparison.

INFORMATION

A. Financial Report: Finance Update

Ms. Santos reported that the waiver rescissions for the tenants is completed; HUD hasn't yet told us who the waiver spreadsheet is to go to but it is done and reconciled. The good news for HACM is that we received more operating funds for public housing than we had anticipated; $55,000 more; it had been averaging around 88% and they funded 103% for this year. She explained that the lengthy section in her report on the HDC separation had been written before Mr. Griffin's investigation. Staff is currently undergoing the audit.

Commissioner Williams requested that the Tynan land lease and commercial land lease not be mixed in with the developer fees that maybe they should have been labeled something different.

Ms. Santos stated that she understood the issue but she had was just trying to reflect that a lot of developer fees had been received but both organizations have invested a lot in Tynan.

No action required.

B. Human Resources Report/Summary of Activity – September 2010

Ms. Giancola reported a new caretaker will be starting on Friday and this will fill all the caretaker positions. A new claim was received this period, but they should be discharged from care this Friday. To Board query, Ms. Giancola stated the new Property Management Specialist is located at Casanova; management personnel are the new hires that will be introduced to the Board. No action required.


Ms. Warren reported she didn't have anything to add to her report; no action required.

D. Status Report: Monthly Property Management Report

Mr. McCollough reported he didn't have anything to add to his report; no action required.

Commissioner Styles noted that Mr. McCollough has made it easier for the police departments with the new no trespassing procedures at the complexes. To Board query, Mr. McCollough noted the notices for the residents are being worked on.

Commissioner Williams further noted that Mr. McCollough also provided a pamphlet on bed bugs; Mr. McCollough noted a non-toxic solution is 90% rubbing alcohol and 10% water in a spray bottle to spray mattresses and couches with but it has to be repeated several times. Staff noted that when traveling it is best to not sit your suitcases on the floor and that a high heat hair
dryer could also work. Mr. Nakashima stated that there is a mattress cover that can be purchased that forms a shield and chokes off the bedbugs in the bed. Migrant Services hinted that CDBG funds could be used at the sites to replace the mattresses on an annual basis, but that also creates a huge trash issue.

No action required.


Ms. Goebel reported the VA has hired the other case managers and shortly they should be sending us applicants for the VASH vouchers. No action required.

F. Status Report: Eligibility/Section 8 Reports

Ms. Ruelaz reported that the Section 8 staff was very appreciative of their luncheon and the recognition they were given for all the work they did with the waiver rescission; she thanked Ms. Giancola for the good job on the luncheon. She further reported that staff has started the lease-up process for the families whose vouchers were taken because of the waiver issue as well as to process the Project Based transfers. Ms. Ruelaz further reported that staff has requested the One Stop Career Center to bring their mobile career van here at the Housing Authority on November 16th for families that are currently unemployed.

Ms. Goebel stated the letter attached to this report from HUD changes the benchmark period from a period of time to the whole year and it is no longer on the federal fiscal year but on a calendar year. The letter also cautioned that if we over-lease by the end of the year that we will not be eligible to apply for any set-aside funds. If we want to go further than the 49 families that previously lost their vouchers and the Project Based transfers, we will have to proceed with caution until we know what our funding will be for next year.

No action required

G. Status Report: Administrative Report

Ms. Giancola reported that Mr. Politzer, Mr. McCollough, and she attended the Fall Yardi Conference two weeks ago and between the three of them, they attended approximately 30 different classes; the information they brought back has been consolidated and put on the M drive for all employees. She further reported that she had listened to a previously recorded meeting tape and it was very difficult to hear what was being said, especially from the audience area. Ms. Giancola stated she has tasked the IT Manager to find a better system to include an amplifier system with a microphone for the podium. She recommended that not only the public speak from the podium, but also anyone providing a report. No action required.

H. Legislative Update

Chair Williams pointed out the letter from HUD's Secretary Donovan regarding PETRA. No action required.

I. Media Update

Chair Williams stated the Media Update was in the packet. No action required.

J. Chief Operations and Finance Officer Report

Mr. Politzer reported that HUD has received the PHAS appeal and staff did discuss the basis of the appeal with HUD and the numerical computations on the numbers by HUD were correct so the appeal is now based upon the totality of the score and that the other aspects reflect high performer scores; the zero score on the financial scoring was based upon the current liabilities exceeding the current assets which technically is a definition of insolvency. Chair Williams thanked staff for their hard work on putting the appeal together. No action required.

Commissioner Styles requested the Closed Sessions be tabled at the Call of the Chair to accommodate the attorneys present for the HDC meeting.
ADJOURNMENT

The Board meeting was adjourned at the call of the Chair at 7:04 p.m.

Chair Williams reconvened the regular Board meeting of the Housing Authority of the County of Monterey at 8:23 p.m. and immediately convened to Closed Session.

CLOSED SESSION

B. Closed Session: Government Section 54956.9(b) (2) (C): Anticipated Litigation: 1 matter
ACTION: The Board directed the Attorney to reject the Sears claim.

Chair Williams turned this portion of the meeting over to Commissioner Styles.

A. Closed Session: Government Section 54957: Public Employee Performance Evaluation:
Title: Executive Director
ACTION: This Closed Session item was rescheduled for a Special Board meeting on November 15, 2010 at 11:30 a.m.

The Board reconvened to regular session at 8:58 p.m.

COMMISSIONER COMMENTS

Commissioner Healy requested Chair Williams consider his concern regarding the Personnel Committee. Commissioner Williams stated she would talk to him about this issue. Commissioner Healy thanked Staff for their hard work.

Commissioner Jackson commented he wished he had studied more in his accounting classes.

Commissioner Williams thanked everyone for her birthday card.

The Board also wished Mr. Nakashima Happy Birthday!

ADJOURNMENT

There being no further business to come before the Board, the meeting was adjourned at 9 p.m.

[Signature]
Chairman

[Signature]
Secretary

11/20/10
Date