Commissioners met at the Central Office. Chair Kathleen Ballesteros called the meeting to order at 5 p.m. Present: Chair Kathleen Ballesteros, Vice Chair Kevin Healy and Commissioners Mary Jo Zenk, Viviana Gama, Paul Miller, and Francine Goodwin. Absent: Commissioner Yessica Ramirez. Also Present: Kirk Mann, Interim Executive Director/Director of Finance; Maria Madera, Director of Housing Programs; Pat Wyatt, Human Resources Manager; Jose Acosta, Acting Property Management Supervisor; Starla Warren, Fee-for-Service Director of Development; and Tom Griffin, Legal Counsel. Recorder: Sandy Tebbs.

COMMENTS FROM THE PUBLIC: None

CONSENT AGENDA
A. Minutes – Approval of Minutes of the Regular Board Meeting held February 25, 2019
B. Minutes – Approval of Minutes of the Special Board meeting held March 7, 2019
C. Resolution 2963: PHA Certification of Compliance with the PHA Plan and Related Regulations (2019)
D. HUD Quality Assurance Division Financial Management Review – Information

Upon motion by Commissioner Miller, seconded by Commissioner Gama, the Board approved the Consent Agenda to include the March 7th minutes brought to the meeting tonight. Motion carried with the following roll-call vote:

YES: Ballesteros, Healy, Zenk, Gama, Miller, Goodwin
NOES: None
ABSENT: Ramirez

Chair Ballesteros requested agenda item 7A be moved forward to accommodate the out of town auditors.

NEW BUSINESS
A. Resolution 2964: HACM Audit Ending June 30, 2017 dated February 25, 2019

Mr. Mann introduced the visiting auditors: Mr. Rich Larson from the New Jersey Novogradac office and Mr. Jon Adkins who is from the Walnut Creek CA office.

Mr. Larson stated primarily for Novogradac that he handles Housing Authority audits; he has about 50 to 55 Housing Authority audits across the Country. He noted that Mr. Adkins handles most of the tax credits and non-profits. Mr. Larson stated his main purpose for coming out to California was to meet HACM folks because he had not met anyone before.

Mr. Larson reported everyone has the financial statements and he would briefly review a couple of reports because there is some good news in the financials. The first report is on page 1 which is our Independent Auditors report; that is where we give an opinion on your financial statements. It has nothing to do with compliance or grants. Your Financial Statements present fairly in accordance with Generally Accepted Accounting Principles (GAAP). On page 2 we give what’s called an Unmodified Opinion of your financial statements. That is the highest level of assurance that an auditor can give. What that means is there’s no modifications that need to be made to your report for them to conform to GAAP. That is a very good outcome.

Mr. Larson stated the second report is our Independent Auditors’ Report in accordance with Government Auditing Standards (GAS) on page 58. Pretty much every Housing Authority across the Country, with a couple of exceptions which are very small ones, will have an audit in accordance with GAS. That’s where we, as your auditors, will document and test your internal control structure over financial reporting. When I say internal control, I mean what are the processes that you have in place to safeguard the authority’s assets. We will test your cash disbursements process, your cash receipts process, and your procurement process. We will also read the minutes to your meetings. If you said you hired X, Y, and Z, contracted or offered $25
an hour, we’ll make sure the Staff followed through with your resolutions. We don’t test 100% of your transactions but we’ll do a statistical sample. The good news is nothing came to our attention on this audit; we had no findings and no issues that needs to be reported. We didn’t find any weaknesses in that system that needs to be reported; therefore, no abuse. That is a very good outcome as well. We also look at your compliance with the State of California and HUD regulations. We also gave you a Clean Opinion on that as well. We are looking at compliance in general. Did you follow your Housing Authority charter. Did you properly follow State of California rules and regulations in your governance. That was a good outcome as well.

Mr. Larson further stated the last report is on page 60 which is our Independent Auditors’ Report in accordance with the Uniform Guidance. Anytime a Housing Authority or a governmental agency or non-profit expends over $750,000.00 of federal awards, they need to have this type of audit. The Housing Authority for this fiscal year ending June 30, 2017 expended in excess of $34M; therefore, you will always have this type of audit. This is mandated by law and it’s where we, as your auditors, need to give an opinion. Did you or did you not comply with the major federal program you have here, Housing Choice Voucher program; did you maintain all their compliance requirements and follow the rules and regulations. And non-compliance is a big deal; we have to report it to HUD, and you could be subject to increased oversight, fines, penalties and its never good to have findings or to have qualifications on report. The Housing Choice Voucher program is the most complex and the hardest program to maintain compliance. Therefore, I’m happy to report there are no findings and no issues in your voucher program. Probably 40% of our clients do have some type of issue with the voucher program. So that is good news that your voucher personnel should be very proud of.

Lastly, we’ll just touch on your financial statements; I know they’re a little old now that you’re into 2019. Page 19 and 20 is your Statement of Net Position. A Statement of Net Position for those of you who are familiar with businesses is a picture in time of your financial position as of June 30, 2017. The format looks a little funky with three columns. What we’re required to do because it is a Housing Authority, we follow Government Accounting Standards Words of Opinion. And they require us to not only put the Housing Authority information, which is the Primary Government for the first column, but also any component units you have will be in a second column. The Housing Authority has 16 discretely presented component units that are consolidated throughout the financial statements. And Government Accounting Standards where it basically says if there’s a financial burden or benefit relationship within the other entity, we want you to include that in your financials because we want the tax payer to know what’s out there. That is why it’s in a separate column – separate from your financial statements. Let’s talk about the primary government which is the Housing Authority in that first column. A good thing about your financial statements is that you have good liquidity. HUD measures the strength of the Housing Authority by looking at their liquidity. When I say liquidity, it means what is your ability to pay bills as they become due. Do you have the cash. It’s great to have a lot of equity, but you are out of Public Housing and you can’t finance federal buildings to make payroll. Therefore, you must maintain cash. And what HUD does is they look at your current assets, which on page 19 shows you have almost $11M in current assets—those are your liquid assets. And on page 20 you have about $4.7M in current liabilities. That gives you about $6,221,000 of working capital. You ask is that good or is that bad. Well that represents about seven and a half months of expenses—of reserves. If you look at your expenses and take out the depreciation and Housing Assistance Payments and divide it by 12, this comes to about seven and a quarter month of reserves. By HUD’s standards, that’s very good. HUD says what they want Housing Authorities to have is around four months. You have seven months and that is fantastic. The better news is you are out of Public Housing. Previously, if you were in Public Housing and you had reserves, HUD could go into your reserves program and take them. You have made a great decision and you were probably one of the first Housing Authorities to get out of Public Housing and go into the RAD program and that really protects a lot of your resources. That’s good news. You have that seven and a half month of reserves and it’s a good amount that is somewhat protected from HUD recapture.

Mr. Larson next reported that on your Profit & Loss Statement, which is on page 21, Schedule of Revenues and Expenses, you had an operating loss - $1.4M on $39M worth of revenue which means you want to get that number to a break-even, but you are doing very well with developer fees. You have a lot of developer fees that are receivable—they may come in 2018 – 2019 and you have leases receivable that you are getting. A lot are coming from tax credit properties. I think that’s why you are generating cash and your financials are doing well. The good news is no findings and you have good financial statements.
To query about a Management Letter, Mr. Larson replied it is called an AU260 letter, but it is a Clean Opinion so there are no findings in the letter. Mr. Larson pointed out that going forward the Housing Authority is still maintaining a Central Office Cost Center fund which is required for Public Housing and HACM probably will want to get rid of that or just use it for the federal programs because HUD has been looking at those funds. If you are out of Public Housing, you don’t want to charge fees because they could be recaptured. You may want to use your business activities funds to charge the component unit any management fees and that will keep it separated. To another query, Mr. Larson explained that in Public Housing the reserves are restricted but in the RAD program, those are non-federal funds and it depends on the partnership agreements, but non-profits have to follow those bylaws and mission statements.

Commissioner Healy commented this presentation has been helpful and he was wondering relative to all the Housing Authorities Mr. Larson services, are there similar distributions? Mr. Larson replied he doesn’t usually see seven and a half months of reserves and that is very good; normally he sees between two and four months. He noted if he were a Board member that he would be looking at the financial statements every month and at the current assets and whether the current liabilities are going down and why. He further stated he is always looking at liquidity especially if the buildings are very old and fully depreciated which might look like you don’t have a lot of equity. To a query, Mr. Adkins noted he was still doing the tax credit work on the development side with HDC but came along with Mr. Larson since he heads the Housing Authority Division.

The Board thanked Mr. Larson for his informative presentation and thanked Mr. Adkins for attending tonight’s meeting.

Upon motion by Commissioner Zenk, seconded by Commissioner Healy, the Board adopted Resolution 2964 to accept the HACM Audit Ending June 30, 2017 dated February 25, 2019. Motion carried with the following roll-call vote:

YES: Ballesteros, Healy, Zenk, Gama, Miller, Goodwin
NOES: None
ABSENT: Ramirez

The Chair of the Board closed the HACM Board meeting at 5:24 p.m. at the call of the Chair for the Housing Development Corporation to conduct their shorter meeting.

The HACM Board meeting was reopened at 6:11 p.m. at the call of the Chair.

The Board next considered the Reports of Committees

REPORTS OF COMMITTEES
Personnel Committee: Commissioner Zenk reported everything was on the agenda.
Finance/Development Committee: Commissioner Gama reported everything was on the agenda.
Monterey County Housing, Inc. & Affordable Acquisitions: Mr. Rose reported MCHI’s last Meeting was on March 13th and the Board decided to delay the Property management RFP because of two reasons: One was because Mr. Jose Acosta has done an incredible job filling two vacancies—one for MCHI and one for MCHI-AA properties. He further stated as mentioned earlier Mr. Acosta has raised the bar which will be hard to beat. The other reason for delaying the RFP issue was because both the President and Vice President of the Board were absent and due to the significance of the issue, the Board wanted their input also. Mr. Rose further reported the Board did approve the MCHI and MCHI-AA insurance coverage to March 2020. He also noted that the residual note that is due at the end of March will get paid; he and Mr. Mann are working on that issue. The audit will be delayed until May for approval because Mr. Mann is working with Novogradac to procure what appears to be a variance. The Form 99 distribution was made because Novogradac was able to provide something to give to the audit committee for their provider. Mr. Rose stated again he would like to mention Mr. Acosta and his team did an incredible job. MCHI’s next meeting is scheduled for May 8th and everyone is welcome to attend. Commissioner Zenk and Mr. Mann had nothing to add to Mr. Rose’s report.
REPORT OF SECRETARY

A. Executive Report:

Mr. Mann pointed out that he recommends the next Board meeting be held at Pueblo Del Mar so the new members of the Board can see that property. He noted that Sun Street also uses that building as their offices for the clients.

The Board directed the Interim Executive Director and the Clerk of the Board to set up next month’s Board meeting at Pueblo Del Mar. Ms. Warren noted HDC would also meet at Pueblo Del Mar next month.

NEW BUSINESS

A. Resolution 2964: HACM Audit Ending June 30, 2017 dated February 25, 2019
   (This item was considered earlier after the Consent Agenda.)

B. Resolution 2965: Pueblo Del Mar Audit ending June 30, 2018

Mr. Mann pointed out that the Housing Authority is not getting any funds to support this program plus the Housing Authority is supplementing it from other funds. Both HACM and HDC Staffs are trying to look at programs that could possibly work at this property.

Upon motion by Commissioner Zenk, seconded by Commissioner Miller, the Board adopted Resolution 2965 to accept Pueblo Del Mar audit ending June 30, 2018. Motion carried with the following roll-call vote:

YES: Ballesteros, Healy, Zenk, Gama, Miller, Goodwin
NOES: None
ABSENT: Ramirez

C. Pueblo Del Mar Programs

During a lengthy discussion, Mr. Mann stated he is recommending that the Board meet at the Nancy Dodd Community Center at Pueblo Del Mar in April so the newer members of the Board can see that property. He further explained that in some documents that the former Executive Director Jean Goebel left, the future possibility of making this property permanent housing with vouchers most likely will have to be delayed because the deed states transitional housing for the homeless. It was suggested that Staff begin to try to get transitional changed to permanent so vouchers can be used at that site. He noted that the little funding being received for the upkeep of the buildings doesn’t pay all the operational bills for that building; he further stated that Sun Street also uses the building for their offices due to their supportive services. He pointed out that we need to find out the process of the referral organizations, Coalition of Homeless Services Providers and Sun Street Centers, so we can figure out how to fix the vacancy rate being so low.

Commissioner Healy stated the HACM Finance/Development Committee discussed this issue at length and he would recommend a representative from the referral organizations be invited to attend the Board meeting to report on how they are addressing the vacancy issue. That would be very helpful. He noted we need to get a better understanding of why we are having the vacancy issue, what we can do about it, and how we can get this program to eventually break-even. With that information we may find a mechanism to go to the Board of Supervisors to initiate a funding stream for this property.

D. Appointments

Chari Ballesteros stated for the record that she has appointed Commissioners Zenk, Ramirez and herself to be on the Ad Hoc Committee for the Executive Director Search. She noted she is in contact with Avery & Associates and hopes there will be a draft of the vacancy brochure for the Executive Director position at the next Board meeting. Chair Ballesteros next announced she had requested, and it was agreed to by Commissioner Miller, that he would change to the Finance/Development Committee. Chair Ballesteros then appointed Commissioner Goodwin to the Personnel Committee and noted that the Board Clerk will notify the newest members when their next committee meeting will take place.

E. NAHRO Conferences:

One Commissioner noted they would like to attend the Summer Conference and four Commissioners stated they would be interested in attending the Fall Conference. Commissioner Zenk explained about becoming a NAHRO Certified Commissioner and the courses required for this certification to newly appointed Commissioner Goodwin. The Clerk of the Board reminded
that PSWRC is a chapter of NAHRO and will hold their conference in May in Southern California, but this meeting is scheduled during the May Board meeting.

INFORMATION
A. Finance Report
Mr. Mann reported on March 15th HACM received notification that Rabobank is merging with Mechanics Bank which is out of Walnut Creek, California. Mechanics Bank has been around since 1905 and is owned primarily by Ford Financial.

Mr. Mann further reported as we change over to the new bank, the LP’s that we have will be changing over to their tax ID number. All our funds are guaranteed but once we change under their tax ID numbers, the funds are not considered government funds anymore and there will be limits up to $250K. He stated he will probably have to reach out to other banks for the RAD properties. And collectively if they have a security deposit operating reserve account, they can’t have over $250K in one bank. HDC has requested to know which banks will be reached out to because there is one bank that may not work out very well. Mr. Mann noted we may look at Union Bank and Wells Fargo and ones we don’t have to do a lot of transactions on a daily basis. We still want to keep the operating funds as much as possible at Rabobank in order to move funds from one entity to the other and they do have that capability.

B. Human Resources Report:
Ms. Wyatt reported she had nothing to add to her report.

C. Development Report
Staff noted this report was provided in the HDC meeting.

D. Property Management Report
Staff noted that this report was also provided in the HDC meeting.

E. Housing Programs Report
Ms. Madera reported April 2nd we will be opening our Mainstream waiting list which will be open for two weeks. She explained that since there are no preferences, they go to the bottom of the wait list and we end up not reaching our 80% utilization rate; one Housing Authority submitted a waiver to see if they could have a separate wait list for this program and we are waiting to see whether HUD approves their waiver; if not we have to place them on the regular HCV wait list and see if we can give them additional points. There are only 22 vouchers but very difficult to process.

F. Strategic Goals:
Mr. Mann reported nothing has changed on the goals.

The Board convened to Closed Session at 7 p.m. and reconvened to regular session at 7:55 p.m.

CLOSED SESSION:
The Board of Commissioners met in Closed Session for the following purposes and reasons:
A. Government Code Section 54957: Public Employment – Executive Director
ACTION: Nothing to report out.

B. Government Code Section 54956.9: Conference with Legal Counsel - Existing Litigation: State of California v. HACM
ACTION: Nothing to report out.

C. Government Code Section 54957(b) Personnel Matter
ACTION: Nothing to report out.

Commissioner Healy requested a future agenda item be added to next month’s agenda so the Board can relook at the organizational structure of the Clerk of the Board position.

COMMISSIONER COMMENTS:
Commissioner Goodwin commented she has learned a lot this evening; she is becoming more comfortable with the dynamics and the language. She thanked the Board for being so patient.

Commissioner Zenk applauded both HACM and HDC staffs for the constructive progress and the constructive attitude that is so evident for everybody who has had to work so hard to fix RAD. It is such a relief to leave this meeting and not feel like the world is falling apart. Thank You to everybody! She further noted she was very glad that we met all our deadlines this month.
Commissioner Healy stated he absolutely reiterates everything Commissioner Zenk said. He noted he wants to thank everybody publicly for all their hard work. He next thanked Mr. Mann for surfacing the Pueblo Del Mar issue.

Commissioner Miller commented it is like Commissioner Zenk said, coming to one of these meetings and not feeling anxious; it feels great to see all the hard work put in to steer the boat in the right direction. Thank you very much and please pass that on to everybody. He further noted it is great to see HACM and HDC working together to solve issues and he doesn't feel as anxious now.

Commissioner Gama commented like everybody is saying I'm glad to leave this meeting with all that weight off our shoulders; it has been a while and it seems like we're getting back into our old groove that we had before of comraderies with both entities. She stated just the progress of having no findings in the voucher program was a key because not everybody has the no findings. Good job to everybody.

Commissioner Ballesteros thanked Mr. Mann for being open and working with HDC. She stated she knew it could happen and it's great to release some anxiety. Commissioner Ballesteros further noted she was very impressed with Mr. Acosta and his professionalism and how he works. Please tell him to continue working in that same manner. Mr. Acosta is learning so quickly and working alongside HDC and their team and Ms. Vasquez is too. She stated to Ms. Wyatt and Ms. Madera that she also appreciates them and knows how hard they work. Commissioner Ballesteros noted the waiting lists are very important and she would like to know how that works out. Especially seeing a lot of homeless people everywhere. Commissioner Ballesteros thanked everyone for coming to the meeting.

ADJOURNMENT

There being no further business to come before the Board, the meeting was adjourned at 8:03 p.m.

Kathleen Ballesteros
Chairman

ATTEST:

D. Mann
Secretary

4/23/19
Date