On March 22, 2017, the Saint Paul Public Housing Agency (PHA) Board of Commissioners approved the following actions:

- Application for HUD Emergency Safety and Security Grant; Upgrade Security Camera System
- Mt. Airy Homes Exterior Modernization; AMP 5, MN 1-3, Phase 3; Contract No. 17-084
- Low Income Public Housing Operating Budget for the Fiscal Year Ending March 31, 2018
- Section 8 Operating Budgets for the Fiscal Year Ending March 31, 2018
- Capital Fund Program: 2013, 2014, 2015 and 2016 CFP Budget Revisions; Initial 2017 Capital Fund Program Budget; Initial 2017 Replacement Housing Factor (RHF) Budget; and Agency Plan Amendment
- Building Fund Operating Budget for Fiscal Year Ending March 31, 2018
- Audit Services; Contract No. 15-112; Amendment No. 2
- Elevator Modernization at Front Hi-Rise (AMP 2); Contract No. 17-085
- Workers' Compensation Policy; League of Minnesota Cities Insurance Trust

PUBLIC HOUSING AGENCY OF THE CITY OF SAINT PAUL

REPORT TO COMMISSIONERS

FROM **JON M. GUTZMANN**
EXECUTIVE DIRECTOR

REGARDING Application for HUD Emergency Safety and Security Grants; Upgrade Security Camera System

DATE March 22, 2017

Staff recommends Board approval of Resolution No. 17-03/22-4 authorizing an application to HUD for an "Emergency Safety and Security Grant" of up to $250,000 (the maximum available). The PHA needs the additional funds to supplement the Agency's annual grants under the Capital Fund Program (CFP), to upgrade the security camera system at site offices and to make other security improvements. The costs are currently estimated at $315,000. Staff also recommends approval to accept the grant, if awarded, including executing all required documents and providing all necessary reports to HUD. Applications are due to HUD by April 3, 2017.

As the Commissioners are aware, the PHA recently experienced some very serious criminal activity, the most significant being a break-in on Sunday, February 5, 2017 at the management and maintenance offices for Dunedin Terrace/Hi-Rise. The management and maintenance offices at Wilson Hi-Rise were broken into during the previous two weeks; and a break-in occurred at Valley Hi-Rise on February 27, 2017.

In the February 5 break-in at Dunedin, the perpetrator(s) stole PHA supplies and equipment property, including master keys to dwelling units (hi-rise, family development and scattered site homes), a Maintenance Department pick-up truck and other Maintenance equipment; ransacked and stole staff's personal belongings including private personal information; and scattered the contents of some tenant files. Staff immediately made arrangements to re-key all of the affected door locks and implemented other security measures using emergency procurement procedures.

The theft of master keys for PHA dwelling units and offices renders residents and staff extremely vulnerable to further thefts, damage to property and even physical violence. Since the criminals have not been apprehended as of the writing of this report there is an ongoing threat to the health and safety of residents and staff. Therefore the PHA is continuing to incur emergency costs while planning for longer-term solutions for enhancing security surveillance and strengthening physical defenses ("target-hardening").

Examples of the immediate costs incurred by the PHA as a result of these break-ins, now exceeding $100,000, are listed below. Those costs are being charged to the Operating Budget. The Agency is facing significant long-term capital costs which should be charged to the Capital Fund Program (CFP) grants. However, the CFP grants are already insufficient to cover other urgent health and safety needs. (Hi-rise plumbing replacements, hi-rise elevator modernization and Mt. Airy Homes exterior renovations are some of the most urgent items.) For that reason staff is recommending applying for this HUD Emergency Safety and Security grant.

In an email sent to all PHAs on February 1, 2017 (copy attached) HUD announced that applications were being accepted for the Emergency Safety and Security grants, in anticipation of Congressional approval of appropriations that would fund them. The email referred to the HUD notice issued March 9, 2016 that explained the purpose of these grants as follows:

> The Department's policy with respect to safety and security funding is to ensure adequate funding availability for safety and security emergencies meeting the requirements set forth in this Notice. The Department will fund expenses to address *safety and security emergencies that pose an increased threat to the health and safety of PHA residents on a first come, first serve basis* until the set-aside funding is exhausted. PHAs must describe and explain how they have experienced an increased threat to the health and safety of their public housing residents in order to be considered for this funding. …
>
> The $250,000 award limit is a maximum; a PHA's funding award will be based on a number of factors including the proposal's cost estimate, the number of units identified within the proposal, as well as the description of the identified safety and security need.

> If the cost estimate exceeds the $250,000 maximum grant size, the PHA must include documents indicating other funds, including Capital Funds, are available to cover the proposal's additional costs. Funds must be from a grant that is currently available to the PHA as of the date of application submission.

Staff believes that the Dunedin break-in and related incidents clearly demonstrate that the PHA is eligible for—and in great need of—such a grant.

The break-ins revealed vulnerabilities in the PHA's security systems that threaten the safety and security of residents and staff. Although the Agency has added and upgraded security cameras and digital video recorders (DVRs) in recent years, most of that equipment lacks the features and capacity that current technology provides. Staff has determined that the cost to add and upgrade cameras and DVRs, with the required switches and cabling, will be approximately $315,000. With the requested $250,000 grant, the PHA would still have to carve out $65,000 from the CFP budgets, which will require deferring other urgent work.

The following is a partial list of expenses the Agency incurred (funds spent or obligated) immediately after the break-ins described above:

Additional security at offices during repairs and rekeying	$7,963
Rekey Scattered Sites	$23,560
Rekey Dunedin/West Side & Central Duplexes	$11,323
Rekey Valley Hi-Rise	$1,500
Install new locks/latch guards @ Hi-Rise & Community Center	$20,000
Purchase new wall safes for storing master keys	$14,500
Install new wall safes (estimate)	$9,500
Install security alarms @ Mt Airy Maintenance buildings	$7,000
Total Maintenance Costs to Date	$95,346

When this report was written additional expenses were still being tallied.

JMG/DAL/FAH

Attachment: HUD Email Sent to All PHAs on February 1, 2017

PUBLIC HOUSING AGENCY OF THE CITY OF SAINT PAUL

REPORT TO COMMISSIONERS		**FROM**	**JON M. GUTZMANN** **EXECUTIVE DIRECTOR**
REGARDING	Mt. Airy Homes Exterior Modernization AMP 5, MN 1-3, Phase 3 Contract No. 17-084	**DATE**	March 22, 2017

Staff requests Board approval to award a contract for Mt. Airy Homes Exterior Modernization Phase 3 (AMP 5, MN 1-3) to the lowest responsible bidder, Minnesota Construction Inc., Rosemount, Minnesota, for the base bid less Deduct Alternates #1 and # 2, for a total amount of $1,694,000, contingent on receipt of the 2017 Capital Fund Program (CFP) grant. The unit bid prices shown in the attached March 1, 2017 bid tabulation would also be included in the contract. Staff is recommending accepting Deduct Alternates #1 and #2 to reduce the scope of work specified in the base bid, due to the uncertainty over the size and timing of the next CFP grant. For the same reason staff is requesting Board approval to award this contract at any time up to May 30, 2017 (90 days after the bid opening) or any time thereafter if the bidder has not withdrawn its bid, as stated in the bid specifications. Staff will inform the Board when the CFP funds become available and this contract is awarded.

HUD cannot announce and award CFP grants for the current Federal Fiscal Year (FFY 2017, ending September 30, 2017) until Congress passes an appropriations bill that includes HUD's funding or a "continuing resolution" through the end of the fiscal year. The current continuing resolution funds the government until April 28, 2017, so Congress will need to take one action or the other by then.

Phase 3 of the Mt. Airy Homes Exterior Modernization will modernize the exteriors of 34 dwelling units in 11 buildings and correct the damage caused by water infiltration into the exterior walls and windows. The work includes the following:

- Removing all exterior stucco
- Correcting deteriorated sheathing, studs and window frames
- Replacing windows
- Replacing shingle roofs
- Replacing soffits, fascia, gutters and downspouts
- Installing new board insulation, cement board siding and new plastic trim boards.

(The deduct alternates would have accomplished the same work in another six units in two buildings.) Phase 1 modernized the exteriors of 30 dwelling units in 12 buildings. Phase 2 modernized the exteriors of 40 dwelling units in 12 buildings. After the completion of Phase 3 168 Mt. Airy family unit exteriors will remain to be modernized.

Minnesota Construction has performed satisfactorily on previous contracts for the Mt. Airy Exterior Modernization, including Phase 1 in 2015 and Phase 2 in 2016. Copies of the Employer Information Reports for Minnesota Construction and the second lowest bidder, JG Hause Construction Inc., are attached. Minnesota Construction will exceed HUD's Section 3 requirement by subcontracting at least 30% percent of the total contract to Section 3 subcontractors. The contractor will subcontract 34% of the total contract to a Minority Business Enterprise. Minnesota Construction will also provide building trades pre-apprenticeship opportunities for PHA residents by participating in the "Step-Up" program.

The bid amount is within estimates. Staff anticipates that the 2017 Capital Fund Program grant, once awarded by HUD, will provide sufficient funds to accomplish this work.

BLA/DAL/JPR/vma

Attachments: Bid Tabulation
Employer Information Report (EEO-1)
Photos Before and After Modernization

PUBLIC HOUSING AGENCY OF THE CITY OF SAINT PAUL

REPORT TO COMMISSIONERS | **FROM** | **JON M. GUTZMANN**
EXECUTIVE DIRECTOR

REGARDING Low Income Public Housing Operating Budget for the Fiscal Year Ending March 31, 2018

DATE March 22, 2017

Staff recommends the Board adopt Resolution 17-3/22-01 approving the Fiscal Year 2018 Low Income Public Housing (FY 18 LIPH) Operating Budget, comprised of ten Asset Management Projects (AMPs) and the Central Office Cost Center (COCC), totaling $34,508,805 (Column E, Line #46), including operating expenses and the staffing changes described in this report. This compares to approved total operating expenses for Fiscal Year 2017 of $34,412,910 (Column B, Line #46), an increase of $95,895 or 0.3% from last year's budget (Column F, Line #46).

OVERVIEW: PROPOSED LOW INCOME PUBLIC HOUSING OPERATING BUDGET

The proposed Public Housing Operating Budget is based on an Operating Fund subsidy from HUD of $10,974,361 (Column E, Line #11) after an estimated prorated reduction of 15.0%. (That is, based on estimates from industry groups, we expect to receive only 85.0% of the full funding amount established by the Operating Fund formula.) The subsidy is $394,092 less than the PHA budgeted in FY 2017 (Column F, Line#11). Last year's PHA LIPH budget was based on proration factor of 83.0%.

The FY 2018 Public Housing Operating Budget is proposing a deliberate draw on operating reserves in the amount of $3,239,860 (Column E, Line #47). As explained below, staff expects there will be a draw on reserves of $290,614 (Column C, Line #47) for FY 2017, as opposed to the budgeted draw on reserves of $3,525,440 (Column B, Line #47). This results in an estimated ending FY 2017 reserve balance of $19,080,446 (Column E, Line #52). With the projected draw on reserves in the proposed FY 2018 Operating Budget, the operating reserve balance for the end of FY 2018 would be approximately $16,264,405 (Column E, Line #52) or 5.91 months routine operating expenses (Column E, Line #57).

As Commissioners and staff have noted in the past, keeping too large an operating reserve unnecessarily ties up assets that could be used to benefit the PHA's housing programs and participants.

Staff believes this budget is responsible and will maintain the PHA's high score on the financial condition component of PHAS (HUD's Public Housing Assessment System). Staff also believes it will be possible to keep the year-end operating reserves held by each AMP at the four month level that HUD has used in the past as the threshold for offsetting (recapturing) "excess" reserves.

The PHA continues to operate under HUD's Asset Management requirements stated in the regulations (24 CFR Part 990). When the Board approves the combined Operating Budget it will also be approving the budgets (revenue and expense totals) for each of the ten AMPs and the COCC. For FY 2018, Asset Management-related fees totaling $3,843,000 are included as budget line items both as revenue to the COCC (Lines #7 - 9), and expense to the AMPs (Lines #19 - 21). There is no net effect on the bottom line, but the fees are an important part of the Asset Management accounting system and the annual budget presentation.

This budget does not recommend any payments from the Capital Fund Program (CFP) to the COCC or the AMPs as has been done in some previous LIPH budgets. HUD regulations allow the PHA to pay up to 10% of each CFP grant to the COCC for administrative expenses and up to an additional 20% to the AMPs for operating expenses. However, recognizing the critical capital improvement needs facing PHA-owned properties (for example, Valley plumbing replacement), the proposed budget does not transfer any CFP funds to the COCC or the AMPs. Each year staff reviews the need to use CFP funds for operating expenses and makes budget recommendations to the Board based on capital improvement needs and the position of the LIPH operating fund reserves.

MORE DETAIL ON OPERATING RESERVES:

The most recent financial projections indicate there will be a draw on the Low Income Public Housing operating reserves at the end of FY 2017 of $290,614, instead of the projected draw on operating reserves of $3,525,440 shown in the FY 2017 budget.

The reduction from the budgeted draw on reserves to the projected draw on reserves is due to a combination of higher revenues (+ $2.2 million) and lower expenses (- $1.0 million) for FY 2017. The increase in revenue is due almost exclusively to actual tenant rental income being greater than budgeted by approximately $1.46 million, and HUD subsidy being more than budgeted by approximately $851,000 (Column D, Lines #1 and #11 respectively). The reduction in expenses includes utility expenses being lower than budgeted. Administrative and protective service expenses are also projected to end the year lower than budgeted, while maintenance and other general expenses are projected to be somewhat higher than budgeted.

PROPOSED REVENUE:

The proposed FY 2018 budget projects Low Income Public Housing revenues of $31,268,945, an increase of $381,475 (1.2%) from $30,887,470 in the FY 2017 budget approved by the Board on March 23, 2016. Details (Column E) are as follows:

1. Dwelling Rental Income (Line #1) for FY 2018 is projected to increase from $14,179,119 to $15,244,904 or $1,065,785 (7.5%) above the FY 2017 budget. This increase is based on actual tenant revenue as reported to HUD on the Financial Data Schedule.

2. Interest on General Fund Investments (Line #3) is projected to stay the same due to continued stagnant rates on government securities.

3. Cell-Site Revenue (Line #4) for FY 2018 is projected to stay almost the same, decreasing from $653,420 to $653,330 (0.0%). Under normal circumstances cell site revenue increases each year due to annual contract increases. However, in FY 2017 six of the PHA's contracts with communications companies ended and four new contracts were executed. The combination of fewer contracts and annual increases on existing contracts resulted in the revenue projection for FY 2018 remaining almost flat.

4. Other Income (Line #5) is projected to decrease from $771,578 to $413,710 (-46.4%). Last year this category was inflated by a one-time transfer of $412,488 from Section 8 Housing Choice Voucher Program's Unrestricted Net Position (UNP) balance to the Operating Budget. (The transferred portion of the UNP was earned administrative fees from earlier years, when HUD rules allowed the funds to be used for any low income housing purpose.) Without that one-time transfer, the Other Income projection for FY 2018 is in line with prior years' budgets.

5. Asset Management fees (Lines #7-9) are projected to increase from $3,788,360 to $3,854,990 (2.8%). The increase is due to the addition of 12 new units at McDonough Homes (currently AMP 13).

6. HUD Subsidy (Line #11) is projected to decrease by $394,092, from $11,368,453 to $10,974,361 (-3.5%) due to reduced eligibility and continued low proration estimates as described above.

PROPOSED EXPENDITURES:

The proposed FY 2018 Operating Budget shows total operating expenditures of $34,508,805 which is an increase of $95,895 (0.3%) from the FY 2017 budget of $34,412,910. Total expenditures include sales tax savings realized across all expense line items of approximately $250,000 annually. The proposed increases/decreases are highlighted below:

1. Administrative costs are proposed to decrease overall by $60,445 (-0.5%) from $12,333,390 to $12,272,945. Significant changes within this category are:
   a. Administrative Salaries (Line #12) are projected to increase from $5,911,260 to $6,021,620 (1.9%) due primarily to annual salary increases.
   b. Legal Expense (Line #13) is projected to increase by $7,890 from $486,260 to $494,150 (1.6%). This is due primarily annual contract adjustments for the PHA's Legal department.
   c. Staff Training (Line #14) is projected to decrease by $4,340 from $53,190 to $48,850 (-8.2%), reflecting the Agency's greater reliance on in-house training provided by experts on staff and sending fewer staff to outside training sessions. However, the proposed training budget includes further training for the Budget Manager to become proficient in the details of HUD's "Rental Assistance Demonstration" (RAD). Under RAD, a limited number of PHAs have converted public housing units to other subsidy models (project-based vouchers or other project-based rent assistance). After the conversion, the housing agency raises capital (borrows) on the private market to pay for major modernization projects. Staff's preliminary looks at RAD indicated that it was not a helpful option for the PHA, but the current threats to HUD funding compel us to take a closer look.
   d. Staff Travel (Line #15) is projected to increase by $7,040 from $137,650 to $144,690 (5.1%). This is due primarily to improved historical analysis of actual costs.
   e. Audit Fees (Line #16) are projected to decrease by $2,445 from $46,870 to $44,425 (-5.2%). This decrease is due to improved accuracy of contract cost estimates used during budget preparation.
   f. Administrative Sundry Expenses (Line #18) are projected to decrease by $233,050 from $1,547,240 to $1,314,190 (-15.1%), in part due to process improvements. The most significant expense reduction ($168,200) is for Phones, reduced from $454,000 to $285,800. The prior year's budget included one-time costs to set up the optical fiber network and upgrade other equipment, which are now largely completed. The other notable reductions are for Contractual Services (down by $146,830, from $821,000 to $674,170) and Expendable Equipment (down by

$91,590, from $257,900 to $166,310). The other 17 line items in Administrative Sundry have only minor increases or decreases.

2. Tenant Services costs are proposed to decrease by $58,110 (-5.4%) as follows:
    a. Salaries (Line #22) are projected to decrease by $39,650 from $677,590 to $637,940 (-5.9%) due to staffing changes as outlined below.
    b. Other Expenses (Line #23) are proposed to decrease by $9,510 from $140,520 to $131,010 including Resident Participation funding.
    c. Contracts Expenses (Line #24) are proposed to decrease by $8,950 from $259,150 to $250,200 (-3.5%) due to transferring expenses for youth training activities to the Section 3 training fund.

3. Utilities costs (Lines 25-31) are projected to decrease by $441,250 (-8.5%) compared to the FY 2017 budget. Utility costs are part of the HUD subsidy calculation and staff uses HUD's method to calculate the projected cost. The combination of a negative adjustment factor and declining actual utility expenses resulted in a lower projected utility expense. Future costs will reflect a small reduction as a result of the PHA no longer paying state sales tax on utilities (approximately $125,000 of $250,000 total savings). Significant changes within this "formula driven" category are:
    a. Water and Sewer costs (Line #25) are projected to decrease by $1,200 from $2,045,450 to $2,044,250 (-0.1%).
    b. Electricity costs (Line #26) are projected to decrease by $122,240 from $1,487,370 to $1,365,130 (-8.2%).
    c. Natural Gas costs (Line #27) are projected to decrease by $240,480 from $802,270 to $561,790 (-30.0%).
    d. Fuel Oil costs (Line #28) are projected to decrease by $56,680 from $163,640 to $106,960 (-34.6%).
    e. District Energy costs (Line #30) are projected to decrease by $26,090 from $512,680 to $486,590 (-5.1%).
    f. Engineers Labor costs (Line #29) are projected to increase by $5,420 from $147,420 to $152,840 (3.7%) due primarily to annual salary increases.

4. Maintenance costs are proposed as follows:
    a. Maintenance Salaries (Line #32) are projected to increase by $179,650 from $4,494,900 to $4,674,550 (4.0%). This due to primarily to annual salary increases and improved accuracy in budgeting for temporary employee costs.
    b. Materials Costs (Line #33) are projected to decrease by $133,350 from $1,017,320 to $883,970 (-13.1%). This is due to reductions in one-time equipment purchases previously budgeted as part of the Maintenance Department rethinking exercise as well as the PHA no longer paying state sales tax.
    c. Contract Costs (Line #34) are projected to increase by $44,970 from $2,247,130 to $2,202,160 (-2.0%). The proposed decrease is due primarily to improved historical analysis of actual costs.

5. Protective Services (Line #35) are proposed to remain flat. Proposed increases in the ACOP contract and contract security service are offset by reductions in budgeted use of off-duty police officers.

6. General Expenses (Lines 36-42) are proposed to increase overall by $317,180 (5.2%). These costs include insurance, benefits, collection loss, terminal leave payments, Payment in Lieu of Taxes (PILOT), inspection fees, etc.
    a. Insurance costs (Line #36) are projected to increase by $33,830 (3.5%) from $958,070 to $991,900. Budgeted insurance costs are based on information received from the PHA's insurance provider.
    b. PILOT expenses (Line #37) are projected to increase by $83,020 (11.8%) from $701,660 to $784,680. Budgeted PILOT expenses are based on actual data reported in the Financial Data Schedule as provided in the subsidy calculation. The PHA applies the yearly subsidy proration to this amount.
    c. Terminal Leave Payments (Line #38) are projected to increase by $32,600 (21.8%) from $149,880 to $182,480. Budgeted terminal leave payments are based on historical amounts paid to employees upon retirement.
    d. Other Post-Employment Benefits (OPEB, Line #39) are projected to increase by $46,970 (24.5%) from $191,690 to $238,660. OPEB expenses are calculated based

on actuarial analysis and must be budgeted and accrued on a yearly basis. They are held in a designated account.

e. Employee Benefit Contributions (Line #40) are projected to increase by $111,260 (2.7%) from $4,047,230 to $4,158,490. Budgeted benefit contributions are directly related to salary activity.

f. Collection Loss Expense (Line #41) is projected to increase by $10,000 (15.4%) from $65,000 to $75,000. Collection loss expense projections are based on historical trends with correlations between increased tenant rental revenue, increases in service charges billed to tenants and increased amounts written off as collection loss. Last year the PHA wrote off $65,794 which was 0.44% of the total of dwelling rents and other charges billed to tenants, $15,061,896.

7. Extraordinary maintenance costs (Line #44) are budgeted at $1,388,000, an increase of $342,000 (32.7%) from $1,046,000 in the FY 2017 Operating Budget. Extraordinary Maintenance items are those maintenance projects which are larger in scope and less frequent than routine maintenance costs. Extraordinary maintenance includes, but is not limited to, parking lot maintenance, concrete work, landscape improvements, and interior or exterior surface work. Major expenses included in this line item in FY 2018 budget are the Roosevelt and Dunedin office conversions/remodeling, hi-rise interior improvements, and security camera installations.

8. Capital Non-Routine Costs (Line #49-50) are included in this budget but are not considered operating expenses and do not impact the projected draw on reserves as described above. The proposed budget includes $280,000 for capital improvement items, and $160,000 for equipment replacement.

SECTION 3 RESIDENT TRAINING OPPORTUNITIES:

The Section 3 Training Fund receives contributions from PHA contractors that do not qualify as a Section 3 business, and are unable or unwilling to hire Section 3 residents or to subcontract with Section 3 businesses for some of the work under their contract. In these cases the contractor must pay 2.5% of the contract award amount to the Section 3 Training Fund. In FY 2018, the Section 3 Training Fund is proposed to support the following activities:

1.	Contracted Coordinator	$17,000
2.	Jobs skills foundation classes for residents	$9,000
3.	Outreach, case management assistance, and subsidized training for participants in the PHA's existing construction training program, Step Up.	$200
4.	Ready for Success Referrals	$200
5.	Youth job skills and post-secondary training	$3,700
6.	Ramsey County Section 3 Hiring Connections Subscription	$1,900
7.	Resident-owned business scholarship program	$1,000
8.	Administration expenses (supplies, stipends, mileage)	$1,400
	TOTAL	$34,400

PROPOSED STAFFING LEVELS: The Agency-wide staffing level is proposed to decrease by 3.48 positions (full-time equivalents, or FTEs) in the FY 2018 Operating Budgets for Public Housing and Section 8, as shown below. A summary of past years' staffing levels is attached.

RECENT HISTORY OF STAFFING LEVELS

	FY 2016 Rev 1 Approved	FY 2017 Approved	FY 2018 Proposed	Increase (Decrease)
Department	FTEs	FTEs	FTEs	FTEs
Executive	3.00	3.00	3.00	0
Human Resources	4.25	3.50	3.50	0
Section 8	22.00	22.00	22.00	0
Housing Policy	1.00	1.00	1.00	0
Equal Opportunity and Diversity	1.00	1.00	0.00	(1.00)
Finance	16.00	13.75	14.00	0.25
Maintenance	99.00	98.00	98.00	0
Resident Services	84.98	84.61	81.88	(2.73)
Resident Initiatives	1.50	2.00	2.00	0
TOTAL	**232.73**	**228.86**	**225.38**	**(3.48)**

Details of the FTE changes proposed in the FY 2018 Operating Budget are as follows:

<u>PROPOSED INCREASES:</u>

Executive
- + 0.75 FTE – Add Communications Manager (new title)
- + 0.25 FTE – Add Program Coordinator (blended position)

Finance

- + 0.25 FTE – Increase IT Business Systems Analyst
- + 1.00 FTE – Add Assistant Controller (new title)

Resident Services

- + 0.25 FTE – Increase CHSP Program Manager
- + 0.45 FTE – Increase CHSP Supervisor (net for three positions)

Maintenance

- + 0.20 FTE – Add Procurement Manager (blended position)
- + 0.50 FTE – Add Project Leader (blended position)

PROPOSED DECREASES:

Executive

- - 0.75 FTE – Eliminate Program Coordinator (title)
- - 0.25 FTE – Reduce Administrative Support Technician (blended position)

EOD

- - 1.00 FTE – Eliminate Department Director title (vacant position)

Finance

- - 1.00 FTE – Eliminate Finance Manager title

Maintenance

- - 0.20 FTE – Eliminate Project Leader title
- - 0.50 FTE – Eliminate Project Technician (blended position)

Resident Services

- - 0.19 FTE – Eliminate Vacant Administrative Support Assistant
- - 0.19 FTE – Eliminate Vacant Administrative Support Assistant
- - 0.25 FTE – Eliminate Vacant Administrative Support Assistant
- - 0.25 FTE – Eliminate CAO Program Manager function
- - 0.50 FTE – Reduce Vacant Human Services Coordinator
- - 0.50 FTE – Reduce Assistant Resident Services Manager
- - 0.75 FTE – Eliminate Safety Coordinator (occupied position; layoff)
- - 0.80 FTE – Eliminate Vacant CHSP Supervisor

SUMMARY:

The FY 2018 Low Income Public Housing Operating Budget provides the spending blueprint to implement established Agency Goals including but not limited to: asset preservation (preserving the $614 million public housing physical plant), asset repositioning where necessary, unit production where possible, office consolidations and further process improvements to increase efficiency and reduce costs, and FTE reductions where possible, all to cope with the current projections of 83% - 85% subsidy proration. Further reductions are possible once the FFY 2018 HUD budget is submitted to Congress. That information was not available to staff when this report was written.

The headlines for Income, Expenses and Reserves this year are as follows:

a. **Income:** The substantial increase in projected tenant rent offsets a projected decrease in HUD Operating Subsidy (85% proration) and the elimination of one-time transfer from Section 8 Unrestricted Net Assets. Result: Net income increases $381,475 (1.2%) from the FY 2017 approved budget.

b. **Expenses:** Ongoing process improvements allow the FY 2018 Operating Budget to reduce staffing by 3.48 FTE's in this budget. This FTE decrease is offset by recently approved salary increases but decreases in other administrative expenses, resulting in a net decrease in administrative expenses of $60,445 (-0.5%) A formula-driven reduction in Utility expenses (saving $441,250) is largely offset by increases in General Expense categories including insurance, benefits, PILOT, and Other Post Employment Benefits (adding $317,180) These and other expenses result in a Total Routine Expense (Line 43) projected at $33,040,805. This is a decrease of $241,105 (-9.2%) from the FY 2017 approved budget. Line 44 (extraordinary maintenance) increases from $1,046,000 to $1,388,000 (up $342,000), including expenses moved to the Operating Budget in FY 17 from the CFP budget, and adding necessary security improvements (cameras) to all PHA properties.

c. **Reserves:** Column E, Line #52 projects FY 2018 year end reserves (Net Restricted Position) at $16,264,405, or approximately 5.91 months (Line #57) of routine expenses. We hope attaining the PHA's historical target reserve level in this difficult budget environment gives Commissioners even more confidence that staff is once again recommending a spending blueprint that is prudent as well as fiscally conservative.

Staff believes this proposed Operating Budget will further the Agency's mission by providing needed housing and services to residents while still preserving the physical assets and maintaining the financial stability of the PHA.

JMG/RPM/AJH

Attachments:

1. FY 2018 Low Rent Public Housing Operating Budget
2. Board Resolution 17-3/22-01, HUD 52574 with Attachment for Asset Management Projects
3. Staffing (FTE) History FY 1990 – FY 2018
4. Rental Income Bar Graph

PUBLIC HOUSING AGENCY OF THE CITY OF SAINT PAUL

REPORT TO COMMISSIONERS **FROM** **JON M. GUTZMANN**
EXECUTIVE DIRECTOR

REGARDING Section 8 Operating Budgets for the Fiscal Year Ending March 31, 2018 **DATE** March 22, 2017

Staff recommends approval of the Section 8 Housing Choice Voucher (HCV) and Disability (Mainstream) Voucher Operating Budgets, and the Moderate Rehabilitation Single Room Occupancy (Mod Rehab SRO) programs Expense Budgets, totaling $41,133,161 for FY 2018 (Column E, Line #24; a resolution is not required). This is an increase of $798,780 or 2.0% (Column F, Line #24) compared to FY 2017 budgeted expenses of $40,334,381 (Column B, Line #24).

SECTION 8 – PROPOSED REVENUE:

Housing Assistance Payments (HAP). HUD provides renewal funding for the Housing Choice Voucher (HCV) program's rent subsidies paid to private property owners based on actual Housing Assistance Payment (HAP) expenses the PHA reported last year in the online Voucher Management System (VMS). The actual Congressional appropriation for HAP in Calendar Year 2017 had not been determined at the time of FY 2018 budget preparation, with Federal programs operating under a Continuing Resolution maintaining funding at existing levels. Program-wide Section 8 expenses for Housing Assistance Payments (HAP) to property owners are projected to be $35,900,256 (Column E, Line #22), to be paid from HUD HAP subsidies estimated at $35,323,652 (Column E, Line #1), supplemented by approximately $576,604 from prior years' excess HAP budget authority held by HUD on behalf of the PHA. The HUD-held reserve is sufficient to make up the difference this year, with a balance of approximately $2.4 million now.

Section 8 Administrative Fees for this proposed budget are estimated based on CY 2017 methodology and fee rates, and then pro-rated down to 77% of the formula amount, based on HUD guidance, due to inadequate Congressional appropriations. Administrative fees are paid based on the number of units under lease each month, not on the total number of Housing Choice Vouchers authorized (currently 4,458). (No fee is paid for unit-months leased that exceed the PHA's authorized limit.) The administrative fee for CY 2017 is $85.68 for the first 7,200 unit-months leased (yearly total) and $79.97 for the remaining unit months leased, up to the PHA's maximum authorized units.

Program-wide Section 8 routine expenses are proposed at $3,732,905 (Column E, Line #21) for FY 2018. Revenues to pay those expenses total $3,821,761 (Column E, Lines #2, #3, #5, and #7). Based on budgeted expenses and revenues, there will be a small contribution to the Section 8 Housing Choice Voucher administrative fee reserves (also called "Unrestricted Net Position" or UNP). The proposed HCV administrative budget would contribute approximately $28,092 to the UNP. The other three Section 8 programs (Disability Vouchers and the two Moderate Rehabilitation projects, Mary Hall and Booth Brown House Foyer) are budgeted to make contributions to the UNP of $60,764. This results in a projected program-wide contribution to the UNP of $88,856 at the end of FY 2018. The projected FY 2017 program-wide contribution to UNP is $250,431 resulting in a projected ending balance of $2,605,189 (Column C, Line #26).

The estimated Section 8 Housing Choice Vouchers administrative fee revenues are supplemented by other revenues (fraud recovery, port-in administrative fees, and other small amounts), and are sufficient to cover budgeted operating expenses. The components of the Section 8 revenue in this proposed budget are as follows (Column E):

1. Section 8 Housing Assistance Payments (HAP) subsidy (Line #1) is expected to be $35,323,652, a decrease of $256,891 (-0.7%) compared to the FY 2017 budget amount of $35,580,543. As shown below, the budgeted subsidy total includes the Housing Choice Vouchers (HCVs) and three smaller Section 8 programs that are budgeted separately:
   a. Housing Choice Vouchers include 176 VASH Vouchers, 100 Family Unification Program Vouchers, and 257 Preservation Vouchers, in addition to the 3,925 "regular" HCVs, for a total of 4,458 vouchers, excluding the special programs immediately below. The proposed budget for the Housing Choice Voucher program shows a decrease of 331,816 (-1.0%).
   b. The Disability Voucher budget (117 vouchers) shows an increase of $67,473 (9.5%).
   c. The Moderate Rehabilitation Single Room Occupancy (Mod Rehab SRO) project at Catholic Charities' Mary Hall (75 units) shows an increase of $900 (0.3%).
   d. The Mod Rehab SRO project at Salvation Army's Booth Brown House Foyer (6 units) shows an increase of $6,552 (27.3%).

2. Section 8 Administrative Fee subsidy (Line #2) is expected to be $3,530,676, an increase of $22,301 (0.6%) program-wide from FY 2017 budgeted amounts. In spite of increased per-unit administrative fee rates for CY 2017, HUD has indicated the proration will be 77% (a decrease from 80% budgeted in FY 2017) resulting in a minimal increase in actual revenue. The budget for administrative fees for Disability Vouchers increased (3.5%) while the Mod Rehab SRO programs (Mary Hall and Booth Brown) showed a similar increase (3.5% and 3.3% respectively).

3. Portability revenue (Line #6 and #7 respectively) is budgeted at $1,500,000 for HAP and $147,785 for administrative fees, for a total of $1,647,785, compared to $1,106,818 last year, an increase of $540,967 (48.9%). This amount is based on estimates each year of how many voucher participants may be transferring ("porting") into St. Paul from other jurisdictions, and whether the PHA will "absorb" any of those participants into our program, issuing our own vouchers to them (and increasing our voucher utilization). The FY 2018 budget more closely aligns the HAP budget amount with actual activity over the past few years. When the PHA does not absorb the participant, the "sending" agency is required to reimburse St. Paul for HAP expenses, and those payments become part of the

portability revenue. The HAP portion of this amount is a 100% reimbursement so it has no effect on the bottom line. (See Line #23 for offsetting HAP expense) Sending agencies are also required to send 80% of their administrative fee for that unit to St. Paul.

4. Other (Lines #3 and #5) Section 8 revenue sources include interest on invested funds, fraud recovery amounts (primarily received through Minnesota Revenue Recapture) and other small amounts.

SECTION 8 - PROPOSED EXPENDITURES:

1. Administrative Expenses are proposed at $2,610,415, which is a decrease of $37,025 (-1.4%) from $2,647,440 in FY 2017. Details (Column E) are as follows:

    a. Salaries (Line #9) are increased by $85,310 (4.9%) due to annual increases. This amount is higher than the 3% Agency-wide increase as a result of the reclassification of the Housing Choice Voucher Specialist position and resulting salary increase approved by the Board in August 2016. (A budget revision was not done at that time, so the effect of that salary increase is being realized in this budget.)

    b. Legal expense (Line #10) is increased by $5,610 (4.8%) due to annual contract adjustments for the PHA's legal department.

    c. Staff training Line #11) is decreased by $6,280 (-30.4%, from $20,690 to $14,410) due to Agency-wide reductions in staff training that affect Section 8 through overhead expense allocations.

    d. Staff travel (Line #12) is increased by $8,120 (15.0% from $54,020 to $62,140) due to an Agency-wide adjustment for travel expenses to more closely align budget to actual amounts.

    e. Other administrative expenses (Line #15) are decreased by $129,140 (-25.4%, from $507,870 to $378,730) due partly to reductions in contract inspection services as well as Agency wide reductions in administrative expenses that affect Section 8 through overhead expense allocations.

2. General Expenses are proposed at $1,122,490 which is an increase of $128,280 (12.9%) from $994,210 in FY 2017.

    a. Insurance expenses (Line #16) are increased by $560 (0.9%, from $65,680 to $66,240). Insurance costs are calculated based on industry assumptions and are applied to each program as applicable.

    b. Terminal leave payments (Line #17) are decreased by $1,120 (-100.0%, from $1,120 to $0). Terminal leave payments are an estimate based on a three year average of past activity and applied to each program as applicable

    c. "Other Post-Employment Benefits" (OPEB, Line #18) are increased by $7,730 (28.1%, from $27,550 to $35,280). OPEB costs are calculated based on actuarial assumptions.

    d. Employee benefits (Line #19) are increased by $46,110 (7.1% from $649,860 to $695,970). Budgeted benefit contributions are directly related to salary activity.

    f. Portability fees (Line #20) are increased by $75,000 (30.0%, from $250,000 to $325,000). These fees are the amounts paid to other PHAs for Section 8 participants with vouchers from the St. Paul PHA who relocate to their jurisdiction. The FY 2018 budget more closely aligns the budgeted amount with historical actual expenses.

3. Housing Assistance Payments (HAP, Line #22) are proposed at $35,900,256, which is an increase of $207,525 (0.6%) from the FY 2017 amount of $35,692,731. Staff monitors voucher utilization and payments to property owners on a monthly basis to maximize utilization while ensuring expenses remain within HUD subsidy and available HAP reserve amounts.

The budgeted ending FY 2018 Unrestricted Net Position balance, after budgeted contributions will be $2,694,045 (Column E, Line #26).

JMG/RPM/AJH

Attachments:
1. Section 8 Program-Wide Proposed FY 2018 Budget
2. Graph – Housing Choice Voucher Unrestricted Net Position Projection

PUBLIC HOUSING AGENCY OF THE CITY OF SAINT PAUL

REPORT TO COMMISSIONERS		**FROM**	**JON M. GUTZMANN** **EXECUTIVE DIRECTOR**
REGARDING	Capital Fund Program: 2013, 2014, 2015 and 2016 CFP Budget Revisions; Initial 2017 Capital Fund Program Budget; Initial 2017 Replacement Housing Factor (RHF) Budget; and Agency Plan Amendment	**DATE**	March 22, 2017

Staff requests Board approval of Resolution No. 17-3/22-02 approving the following budgets and amending the Agency Plan accordingly:

1. Initial budget for the 2017 Capital Fund Program (CFP) grant utilizing the FFY2016 CFP grant amount of $7,118,173 (attached on green paper);
2. Initial budget for the 2017 Replacement Housing Factor (RHF) grant utilizing the FFY2016 grant amount of $11,317 (attached on yellow paper);
3. The CFP Five Year Action Plan FFY2017 through FFY2021 (attached on blue paper).
4. Revisions for the 2013, 2014, 2015 and 2016 CFP grants (attached on green paper);

The initial FFY2017 CFP budgets reflect the PHA's actual FFY2016 grant amounts. The budgets will be revised and submitted to HUD when the actual FFY2017 CFP grant amounts are announced by HUD.

HUD cannot announce and award CFP grants for the current Federal Fiscal Year (FFY 2017, ending September 30, 2017) until Congress passes an appropriations bill that includes HUD's funding or a "continuing resolution" through the end of the fiscal year. The current continuing resolution funds the government until April 28, 2017, so Congress will need to take one action or the other by then.

Staff will submit the Annual Consolidated Contribution contract amendments (ACCs) accepting the 2017 CFP grant and 2017 RHF grants to HUD, with revised budgets after HUD CFP funding announcements and Board approval. The revised budgets for the 2013, 2014, 2015 and 2016

CFP grants adjust line items to match actual obligations and expenditures but do not change the total amount of the grants. The Capital Fund Program Five Year Action Plan for FFY2017 through FFY2021 replaces the PHA's previous CFP Five Year Action Plan that covered FFY2015 through FY2019.

The uses of the funding shown in the attached budgets are consistent with the draft CFP budget and CFP Five Year Action Plan that staff discussed with residents, presented at the Agency Plan public hearing and included in the November 23, 2016 Board Report approving the Plan. Since the amount of the 2017 grant is not known at this time, staff used the amount of last year's CFP grant in the draft CFP budgets as directed by HUD staff.

Proposed uses of the 2017 through 2021 Capital Fund Program funds are as follows:

2017 CFP: Furnace replacements at Roosevelt Homes, Valley Hi-Rise community room kitchen upgrade, Valley Hi-Rise plumbing replacement, Mt. Airy family unit exterior modernization, Exchange Hi-Rise elevator modernization, Central Hi-Rise roof replacement, Neill Hi-Rise fire alarm system replacement, Dunedin Terrace modernization architectural fees, preparation of scattered site homes on vacancy, Agency-wide security improvements, hi-rise heating improvements and hi-rise energy management system upgrades.

2018 CFP: Furnace replacements at Roosevelt Homes, Valley Hi-Rise Maintenance Contracts office space conversion to dwelling units, Mt. Airy family retaining wall replacement, Mt. Airy family unit exterior modernization, Central Hi-Rise roof replacement, Dunedin family modernization, Montreal Hi-Rise plumbing replacement, Dunedin Hi-Rise brick repair, preparation of scattered site homes on vacancy, hi-rise security improvements, hi-rise heating improvements, and hi-rise energy management system upgrades.

2019 CFP: Parking lot improvements at McDonough, Front Hi-Rise, Iowa Hi-Rise and Roosevelt Homes, trash compactor replacement at Edgerton, Wabasha, and Montreal Hi-

Rises, furnace replacements at Roosevelt Homes, Roosevelt “A building” security entry system replacement, Mt. Airy family retaining wall replacement, Mt. Airy family exterior modernization, Exchange Hi-Rise roof replacement, Central Hi-Rise plumbing replacement engineering, Montreal Hi-Rise plumbing replacement, Cleveland, Neill and Dunedin Hi-Rise elevator modernization, preparation of scattered site homes on vacancy, hi-rise heating improvements and hi-rise energy management system upgrades.

2020 CFP: Parking lot improvements at McDonough and Roosevelt Homes, Front Hi-Rise plumbing replacement engineering, Front Hi-Rise boiler replacement, trash compactor replacement at Hamline, Seal, Mt. Airy, Ravoux, Cleveland and Dunedin Hi-Rises, Seal Hi-Rise breezeway conversion to dwelling units, Mt. Airy family retaining wall replacements, Mt. Airy family exterior modernization, Central Hi-Rise plumbing replacement, preparation of scattered site homes on vacancy, hi-rise heating improvements and hi-rise energy management system upgrades.

2021 CFP: Parking lot improvements at McDonough and Roosevelt Homes, Hamline community room kitchen upgrade, trash compactor replacements at Iowa, Wilson, Valley, and Neill Hi-Rises, Wilson window and sliding glass door replacement, tot lot replacement at Roosevelt Homes, Mt. Airy Hi-Rise plumbing replacement engineering, Valley Hi-Rise window replacement, Mt. Airy family exterior modernization, Wabasha Hi-Rise window replacement, Central Hi-Rise plumbing replacement, preparation of scattered site homes on vacancy, hi-rise heating improvements and hi-rise security system upgrade.

A significant change in the five year CFP plan proposes spending $200,000 per year to prepare scattered site homes for re-rental upon vacate, versus spending $750,000 per year for higher levels of modernization work upon vacate. As shown below, over the past six years, the PHA has spent an average of almost $1,000,000 per year from CFP grants on scattered site modernization. That figure is not sustainable in the current funding environment and especially considering the PHA’s backlog of life-safety modernization needs.

PHA Capital Fund Program Scattered Site Modernization on Re-rental Expenditures

These expenditures include all AMP 9 costs including salaries, benefits, etc.

CFP Grant	Expended
2011 CFP	$1,102,955
2012 CFP	$1,148,045
2013 CFP	$705,194
2014 CFP	$989,992
2015 CFP	$752,187
2016 CFP	$531,911
Total	**$5,230,284**

The FFY 2017 Replacement Housing Factor grant will be applied toward the construction costs for the conversion of the Maintenance Contracts Office at the Valley Hi-Rise to four new dwelling units. Note that the FFY 2013 CFP grant and the FFY 2015 and 2016 RHF grants have been closed.

The table below shows the CFP grant amounts, the dates when the PHA gained access to the funds (when HUD signed the ACC amendments), and the timelines for expenditure. The PHA routinely meets or exceeds all of HUD's goals for timely obligation of CFP grant funds (90% obligated within 24 months) and expenditure (fully expended within 48 months).

	2013 CFP Funds	2014 CFP Funds	2015 CFP Funds	2016 CFP Funds
Grant Amount	$6,024,889	$6,725,092	$6,786,832	$7,118,173
ACC Date	9/9/13	5/13/2014	4/13/2015	4/13/2016
Percent Obligated	100.00% (1/30/17) Met 90% Goal by 9/8/15	91.62% (2/28/17) Met 90% Goal by 5/12/16	91.20% (2/28/17) Met Goal: 90% by 4/12/17	86.94% (2/28/17) Goal: 90% by 4/12/18
Percent Expended	100.00% (1/30/17) Goal: 100% by 9/8/17	90.74% (2/28/17) Goal: 100% by 5/12/18	84.66% (2/28/17) Goal: 100% by 4/12/19	76.81% (2/28/17) Goal: 100% by 4/12/20

JMG/DAL/mlp

Attachments: Resolution No. 17-3/22-02
History of Capital Fund Program Grants to the PHA, 1988-2016
Summary Spreadsheets of CFP Grant Budgets

PUBLIC HOUSING AGENCY OF THE CITY OF SAINT PAUL
RESOLUTION NO. 17-3/22-02

CAPITAL FUND PROGRAM (CFP) BUDGETS: INITIAL 2017 CFP BUDGET; INITIAL 2017 REPLACEMENT HOUSING FACTOR BUDGET; REVISIONS FOR 2013, 2014, 2015 & 2016 CFP BUDGETS; FIVE YEAR ACTION PLAN FOR 2017 - 2021.

WHEREAS, the U.S. Department of Housing and Urban Development (HUD) has awarded the Public Housing Agency of the City of Saint Paul (PHA) the following grants:

- FFY 2016 Capital Fund Program Grant No. MN46P00150116,
- FFY 2016 Replacement Housing Factor Grant No. MN46R00150116
- FFY 2015 Capital Fund Program Grant No. MN46P00150115,
- FFY 2014 Capital Grant Program Grant No. MN46P00150114,
- FFY 2013 Capital Grant Program Grant No. MN46P00150113, and

WHEREAS, it is anticipated that HUD will announce the PHA's final FFY2017 CFP and RHF funding amounts; and

WHEREAS, HUD requires the PHA to establish a budget for the expenditure of funds under each grant provided under the Capital Fund Program, Replacement Housing Fund Program; and

WHEREAS, HUD requires the PHA to establish a Five Year Action Plan for the expenditure of Capital Fund Program funds; and

WHEREAS, staff drafted the attached Capital Fund Program, Replacement Housing Fund Program, and Capital Fund Program Five Year Action Plan:

1. Initial Budget for the FFY 2017 Capital Grant Program Grant No. MN46P00150117
2. Initial Budget for the FFY 2017 Replacement Housing Factor No. MN46R00150117
3. February 28, 2017 Budget Revision for the FFY 2016 Capital Grant Program Grant No. MN46P00150116
4. February 28, 2017 Budget Revision for the FFY 2016 Replacement Housing Factor No. MN46R00150116
5. February 28, 2017 Budget Revision for the FFY 2015 Capital Grant Program Grant No. MN46P00150115
6. February 28, 2017 Budget Revision for the FFY 2014 Capital Grant Program Grant No. MN46P00150114
7. January 30, 2017 Budget Revision for the FFY 2013 Capital Grant Program Grant No. MN46P00150113 (to close)
8. Capital Fund Program Five Year Action Plan FFY2017 through FFY2021

WHEREAS, the Board of Commissioners finds that these CFP, RHF grant budgets and Five Year Action Plan are necessary and appropriate to comply with HUD requirements and to best serve the needs of PHA residents;

NOW THEREFORE BE IT RESOLVED by the Board of Commissioners of the Public Housing Agency of the City of Saint Paul as follows:

1. The seven budgets listed above and the CFP Five Year Action Plan listed above are approved as presented;
2. Staff is authorized to execute and submit all required documents relating to these grants and budget revisions;
3. The Agency Plan is amended accordingly; and
4. Pursuant to HUD notice dated January 11, 1990, the PHA certifies that no employee is serving in a variety of positions that will exceed 100 percent of his or her work time.

PUBLIC HOUSING AGENCY OF THE CITY OF SAINT PAUL

REPORT TO COMMISSIONERS **FROM** **JON M. GUTZMANN**
EXECUTIVE
DIRECTOR

REGARDING Building Fund Operating Budget for Fiscal Year Ending March 31, 2018 **DATE** March 22, 2017

Staff requests Board approval of the proposed budget for the Building Fund for Fiscal Year 2018.

<u>Summary of Proposed FY 2018 Building Fund Budget</u> (compared to FY 2017):

Proposed Revenue:

The FY 2017 Building Fund Operating Budget was approved by the Board on March 23, 2016. The budget anticipated total Building Fund revenues of $815,340. The proposed FY 2018 budget projects revenues at $812,800, which is a reduction of $2,540 (-0.3%) from last year's projected revenues. Details are as follows (Column E):

1. Tenant Rent (Line #1) decreased by $12,700 (1.8%) from $722,230 to $709,530 due to the pending departure of one of the building's long-term tenants, the dental office on the second floor.

2. Parking Rent (Line #2) remained essentially flat, increasing by $160 (0.2%).

3. Interest (Line #3) increased by $10,000 (200.0%) from $5,000 to $15,000 to more closely align budgeted amounts to actual revenue (FY2017 was budgeted too low).

Proposed Expenditures:

The FY 2018 budget proposes total operating expenditures of $728,920 (Column E, Line #22), which is an increase of $49,750 (7.4%) compared to the FY 2017 budget amount of $679,170 (Column B, Line #22). Details are as follows (Column E):

1. Administrative Salaries (Line #5) increased by $6,380 (20.3%) due to an increase in the percentage of the Executive Director's salary applied to the Building Fund.
   HUD Notice PIH-2016-16(HA) requires that executive compensation for the top management official, top financial official, and the highest paid employee who is not either of those two people, that exceeds the Level IV salary compensation on the Federal Executive Schedule ($161,900) be paid with funds that are not funded under Section 8 (Housing Choice Vouchers and related programs) or Section 9 (Low Income Public Housing/LIPH) programs. Previously this expense was covered with Central Office Cost Center (COCC) funds. With the current discussion between HUD and the Office of the Inspector General of re-federalizing COCC funds, staff felt it best to move this expense to the Building Fund.

2. Administrative Sundry (Line #7) are budgeted to increase by $2,760 (5.3%) due to a biennial PHA Partner recognition event budgeted for in FY 18. The total cost increase for this event is partially offset by cost reductions for other events such as the job fair, health fair, and National Night Out.

3. Utility Expenses are budgeted to decrease by $6,710 (-2.4%) compared to the FY 2017 budgeted amount to more closely align budgeted expenses to actual.

   a. Water & Sewer (Line #8) is projected to decrease by $2,000 (-16.7%) from $12,000 to $10,000.

   b. Engineers Labor (Line #10) is projected to increase by $290 (3.8%) due to annual salary increases.

   c. District Energy (Line #11) is projected to decrease by $5,000 (-2.9%) from $175,000 to $170,000.

4. Maintenance Materials (Line #13) decrease by $1,700 (-34.3%) to more closely align budgeted amounts to actual expenses.

5. Maintenance Contracts (Line #14) decrease by $4,000 (-2.8%) to more closely align budgeted amounts to actual expenses.

6. General Expenses increased by $16,370 compared to the FY 17 budgeted amount from $78,360 to $94,730.

    a. Insurance Expenses (Line #16) are budgeted to increase $3,690 (28.1%) due to annual increases.

    b. PILOT/Property Tax (Line #17) is budgeted to increase $9,380 (20.6%) due to projected annual increases in property tax rates.

    c. Other Post Employment Benefits (OPEB, Line #18) is projected to increase by $190 (25.0%). OPEB is determined by actuarial analysis and is distributed to the Building Fund based on salary percentages.

    d. Employee Benefits (Line #19) is budgeted to increase by $3,110 (16.5%). Budgeted benefit contributions are directly related to salary activity.

7. Extraordinary Maintenance (Line #21) is budgeted to increase by $36,500 (71.0%) compared to the FY 17 budgeted amount. This increase is due primarily to necessary interior work and security improvements.

Building Fund Summary:

The proposed budget shows revenues exceeding expenses by $83,880. These funds provide a resource for future improvements to the building and allow the PHA to continue addressing the Strategic Planning options as approved by the Board.

As shown on the attached bar chart, staff estimates the Building Fund reserve balance will be about $2,783,880 at the end of the current fiscal year.

RPM/AJH/AJB

Attachments: Annual Report FY 2017 – Narrative
Proposed Budget and Management Plan for FY 2018 – Narrative
Proposed FY 2018 vs. FY 2017 Comparison
Proposed FY 2018 Salary/Benefit Budget
Table - History of Building Fund Support
Bar Charts: Net Income from Operations; Building Fund Reserve Balance

BUILDING FUND

Annual Report - Fiscal Year 2017

1. Background

The PHA purchased property on West 10th Street (later designated 555 N. Wabasha Street) in February 2000 at a total cost of $1,804,945, including original financing costs of $85,044. Working through the Port Authority, the PHA used tax-exempt bonds as the funding vehicle to provide $1,750,000. The balance of needed funds ($54,945) was taken from Building Fund retained equity. A portion of the bonds ($450,000) was redeemed on January 31, 2005 with the remainder ($1,300,000) redeemed on May 31, 2005. The new CAO building contract was awarded to Lund Martin on January 29, 2003, and construction began on March 26, 2003. The budgeted amount for the Lund Martin contract was $12,439,000. Actual Lund Martin expenses equaled $12,532,710. Total all-inclusive building and land expense equaled $15,683,843. The PHA took occupancy on March 23, 2004. In 2007 the building was dedicated and named after W. Andrew Boss in recognition of his long service as PHA Commissioner and Chair.

2. Board Approval of FY 2017 Budget

On March 23, 2016 the Board accepted the report on Costs and Operations through the End of Fiscal Year 2016 and approved the Proposed Budget and Management Plans for FY 2017. These documents have guided the operation of the W. Andrew Boss Building for the past year.

3. Report on FY 2017 Building Fund Budget and Changes in Financial Position

The Board has received quarterly reports on actual costs regarding the operations of the W. Andrew Boss Building. Building Fund expenses include such things as administration, taxes, maintenance, and insurance. A historical summation of expenses is listed below.

4. Report on Building, Land Management and Operations

During the fiscal year staff conducted their daily business operations from the W. Andrew Boss Building and leased the commercial office space. The PHA Controller is the Facility/Property Manager. The PHA Maintenance Department is responsible for the upkeep and appearance/improvement of the building.

As of March 8, 2017 the W. Andrew Boss Building is fully occupied. One of the Building's tenants is planning on closing their business. Staff is working with the tenant in hopes that his business will be purchased and the new owner will continue to occupy the office. If unsuccessful, the building occupancy will drop to 94%. Staff will pursue all avenues to maintain a high occupancy rate and suitable use of the space.

The PHA will continue to manage the W. Andrew Boss Building according to “good business practices.”

5. Reference Guide

Staff has a Reference Guide for W. Andrew Boss Building that includes emergency contact information, PHA staff phone numbers, tenant contacts and after-hours procedures. The manual is available to all PHA staff and building tenants.

Fiscal Year	Total Operating Expenses (Including Bond Interest)	Bond Interest	Actual/Budgeted
2000	$ 464,221	$ 11,244	Actual
2001	642,104	72,976	Actual
2002	575,471	40,219	Actual
***2003**	232,296	25,972	Actual
****2004**	209,616	39,593	Actual
2005	551,507	26,441	Actual
2006	483,114	6,308	Actual
2007	580,236	0	Actual
2008	554,637	0	Actual
2009	558,082	0	Actual
2010	580,173	0	Actual
2011	632,496	0	Actual
2012	727,328	0	Actual
2013	658,610	0	Actual
2014	704,813	0	Actual
2015	608,249	0	Actual
2016	678,087	0	Actual
2017	679,170	0	Budgeted
2018	728,920	0	Budgeted

Notes on Financial Information

* Beginning March 1, 2003, the Discretionary Fund was closed and all costs were incorporated into the Building Fund.
** Bond interest was capitalized in FY 2004 during construction but was included in costs above for comparison purposes.

NOTE: 480 Cedar was sold to Minnesota Public Radio in February 2002.

BUILDING FUND

Proposed Budget and Management Plan
For FY 2018

All of the cash flow projections and expense analyses were based on unaudited financial information as of January 31, 2017.

1. Request for Approval of Building Fund proposed budget: FY 2018
See the attached "PROPOSED INCOME AND EXPENSE BUDGET (COMPARATIVE)". The attached proposed budget for FY 2018 shows a net operating gain (revenues minus expenses) budgeted at $83,880, compared to a net operating gain budgeted at $136,170 in FY 2017. This is a decrease of $52,290.

2. Property/Building Management Plan
The Executive Director and his designated representatives will manage the W. Andrew Boss Building according to good business practices. Any proposed use outside of normal and customary commercial office and parking use will be brought to the Board for consideration and approval.

As vacancies occur in the future, new building tenants will be solicited and offered leases with terms consistent with market conditions and those of other building tenants, with rent no less than the minimum required for operating expenses. Lease incentives may be offered to attract prospective tenants, including free rent periods, improvements to leased space, or other incentives. Tenant-financed leasehold improvements will continue to be the preferred method to accomplish build-out of tenant space.

The marketing budget will be utilized for various promotional activities, both before and after tenant occupancy of the building, including printed materials and incidentals such as minor appreciation or promotional gifts or meals of less than $50 value.

3. Policy for Use of Surplus Building Fund Proceeds
Surplus Building Funds shall be used first to maintain and improve the property in a manner consistent with "good business practices" for comparable properties. Any remaining surplus Building Funds shall be utilized and available for legitimate low income housing purposes, with an emphasis on home ownership and self-sufficiency. Please see the attached spreadsheet for the complete history of payments or transfers to support housing related programs.

PUBLIC HOUSING AGENCY OF THE CITY OF SAINT PAUL

REPORT TO COMMISSIONERS | **FROM** JON M. GUTZMANN, EXECUTIVE DIRECTOR

REGARDING Audit Services
Contract No. 15-112, Amendment No. 2

DATE March 22, 2017

Staff recommends approval of Amendment No. 2 to Contract No. 15-112 with Baker Tilly Vichow Krause LLP to add $68,480 for audit services for FY 2017. The Board approved a one year contract on March 25, 2015, with options to renew for up to two additional years at rates to be negotiated. Amendment No. 2 is for the third and final year of general audit services (the second renewal year). The proposed contract amount is 2.5% higher than last year's amount of $66,810. The amendment sets the date for the FY 2017 audit presentation to the Board as August 23, 2017.

The cost history of this contract, including amendments, is shown below.

Amendment Number	Amount of Add or (Deduct)	New Total	Audit Services for FY	New Completion Date
Contract 151112	$65,500	$65,500	FY15	08/26/15
Amendment # 1	$66,810	$132,310	FY16	08/24/16
Amendment # 2	$68,480	$200,790	FY17	08/23/17

Sufficient funds will be recommended in the FY 2018 Operating Budgets for this contract.

RPM

PUBLIC HOUSING AGENCY OF THE CITY OF SAINT PAUL

REPORT TO COMMISSIONERS

FROM **JON M. GUTZMANN**
EXECUTIVE DIRECTOR

REGARDING Elevator Modernization
Front Hi-Rise (AMP 2)
Contract No. 17-085

DATE March 22, 2017

Staff requests Board approval to award a contract to modernize the elevators at Front Hi-Rise (AMP 2) to the lowest responsible bidder, All City Elevator Inc. of St. Paul, Minnesota in the amount of $695,769. The contract amount includes the base bid, plus a bid for related work described below, plus a bid for 12 month warranty service. Since the base bid does not exceed the PHA’s available budget for this project, it is not necessary to accept either of the “deduct alternates” that would have reduced the cost. Deduct Alternate No. 1 would have required less custom programming for the computerized controls of the new elevators. Deduct Alternate No. 2 would have substituted a lower-cost component (the elevator controller) in place of the component specified in the bid documents. A copy of the March 9, 2017 bid tabulation is attached.

Both elevators at Front Hi-Rise will be completely modernized and renovated under this contract. The modernization will include replacing most of the elevators’ mechanical and electrical components, and installing new cab finishes. To meet the requirements of the new elevator code, the contract includes modifications to the building’s architectural, mechanical and electrical components.

All City Elevator has performed satisfactorily on previous PHA contracts. Copies of the Employer Information Reports for All City Elevator and the second low bidder, ThyssenKrupp Elevator, are attached. The bid amounts are less than the engineer’s estimate.

All City Elevator's own employees will perform the majority of the modernization work. The contractor will award less than 1% of the contract amount to a woman–owned business enterprise (WBE).

The cost of elevator modernization, maintenance and repair is included in the total of contracting activity the PHA reports to HUD for Section 3 compliance, but under the PHA's Section 3 Policy these contracts are exempt from the requirements for contributions to the Section 3 Training Fund and submission of an Action Plan.

There are sufficient funds available in the Capital Fund Program budget for this contract.

SEA/VA

Attachments: Tabulation of Bids
Employer Information Reports (EEO-1)

PUBLIC HOUSING AGENCY OF THE CITY OF SAINT PAUL

REPORT TO COMMISSIONERS **FROM JON M. GUTZMANN EXECUTIVE DIRECTOR**

REGARDING Workers' Compensation Policy
League of Minnesota Cities Insurance Trust

DATE March 22, 2017

Staff recommends Board approval to renew the Agency's Workers' Compensation insurance coverage with the League of Minnesota Cities (LMC) Insurance Trust for the period of April 1, 2017 through March 31, 2018. The cost of this policy will be approximately $286,092, which is an increase of $46,702 (19.5%) from the current year's projected cost. The recommended policy continues the current $10,000 deductible per occurrence, which applies only to medical costs. With no deductible, the cost for next year's policy would be $326,499 ($40,407 higher).

The PHA has contracted with the LMC Insurance Trust for Workers' Compensation insurance coverage since 1991. This policy will include ancillary Volunteer Accident Coverage at no additional cost. Previously the PHA purchased a separate policy covering volunteers from the LMC Insurance Trust at a typical average cost of $1,200.

The Workers' Compensation insurance premium is determined by the following three factors, each of which contributed to the higher premium cost this year:

1. The first factor is the PHA's <u>annual payroll</u> for each of the four employee groups (CHSP, Project Leaders, Maintenance and Clerical). The PHA's total annual payroll increased by about 3.0% which corresponds to the salary increases for all employees approved by the Board.
2. The second factor is the <u>premium rate</u> per $100 of payroll for each of the four employee groups. The premium rates, which are set by the LMC Insurance Trust, increased by approximately 3% for all four groups (CHSP 3.1%; Project Leaders 3.8%; Maintenance 3.0%; and Clerical 2.9%).
3. The third factor is the PHA's <u>experience modification factor</u>, which is calculated by the Minnesota Workers' Compensation Insurance Association, Inc., based on the Agency's claims loss experience. The experience modification factor increased from 1.05 to 1.16 this year.

The experience modification factor is specific to the Agency's claims loss experience during the past three years. Each year the oldest year's dollar amount for claims loss drops off and the newest year's dollar amount for claims loss is factored into the calculation. The dollar amounts assigned to claims incurred in any given year vary over time because the cost of each claim may increase or decrease based on additional expenses paid on a claim and/or adjustments made by the insurance carrier. Last year's experience modification factor of 1.05 covered claims loss experience for the period from April 1, 2012 – March 31, 2015. This year's experience modification factor of 1.16 covered claims loss experience for the period from April 1, 2013 – March 31, 2016.

A factor of 1.16 means the Agency's employee injury rate is 16% above the average employee injury rate of 1.0 for all agencies covered by the LMC Insurance Trust. The reason this number increased this year is that the "primary loss number" for the rolling three-year period increased from $95,996 to $142,813. The primary loss number for each claim is the actual cost of the claim plus a reserve, up to a maximum of $16,250 per claim. All additional costs over $16,250 for a claim are charged to a risk pool.

The experience modification factor varies from year to year, as shown on the attached chart. The Agency's experience modification rating has been as high as 1.27 in FY 1995 and as low as 0.56 in FY 2001. Staff and WCMC (Worker Compensation Modification Controllers, the PHA's worker's compensation consultant) believe that the increase to the experience modification factor over the past two years is a result of a small number of employee claims with very high expenses. During the latest three year period there were five claims which reached the maximum of $16,250 for the claim plus the reserve. Staff will continue to monitor claims costs and may recommend changing the deductible amount in the future if the premium continues to increase.

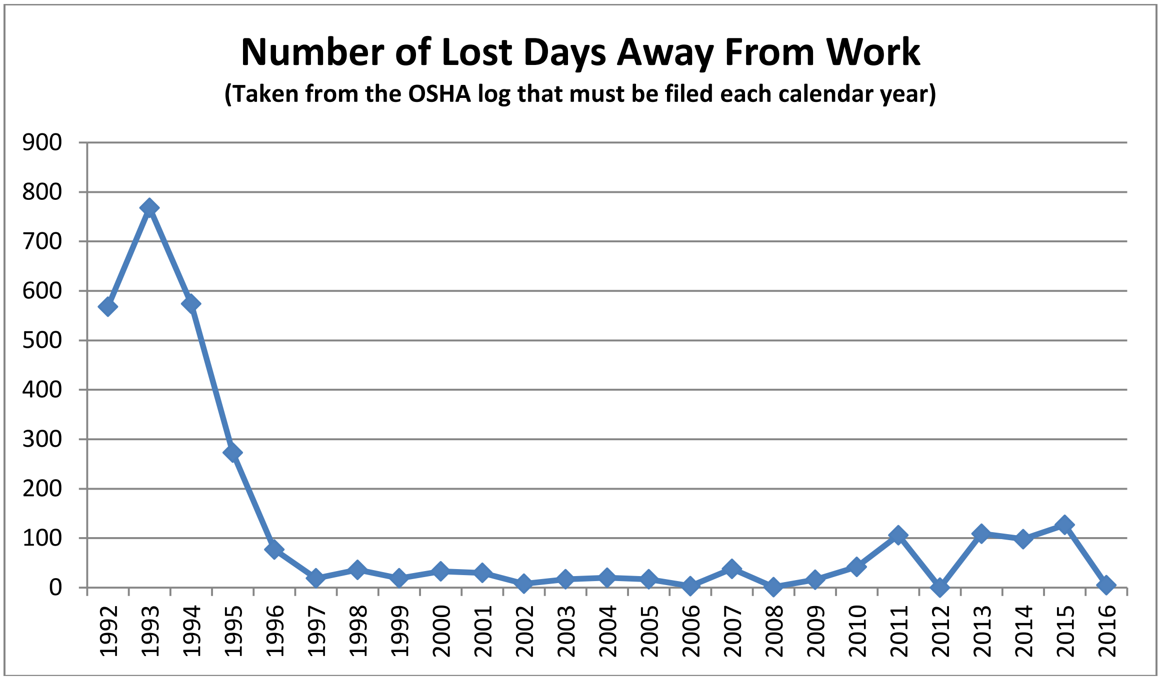
As shown on the charts below, the Agency's workers' compensation program has succeeded in reducing injury-related lost work time and costs from higher levels in the early 1990s, resulting in lower insurance costs for the past 20+ years. The PHA's ongoing management of its workers' compensation program costs has several components, including the following:

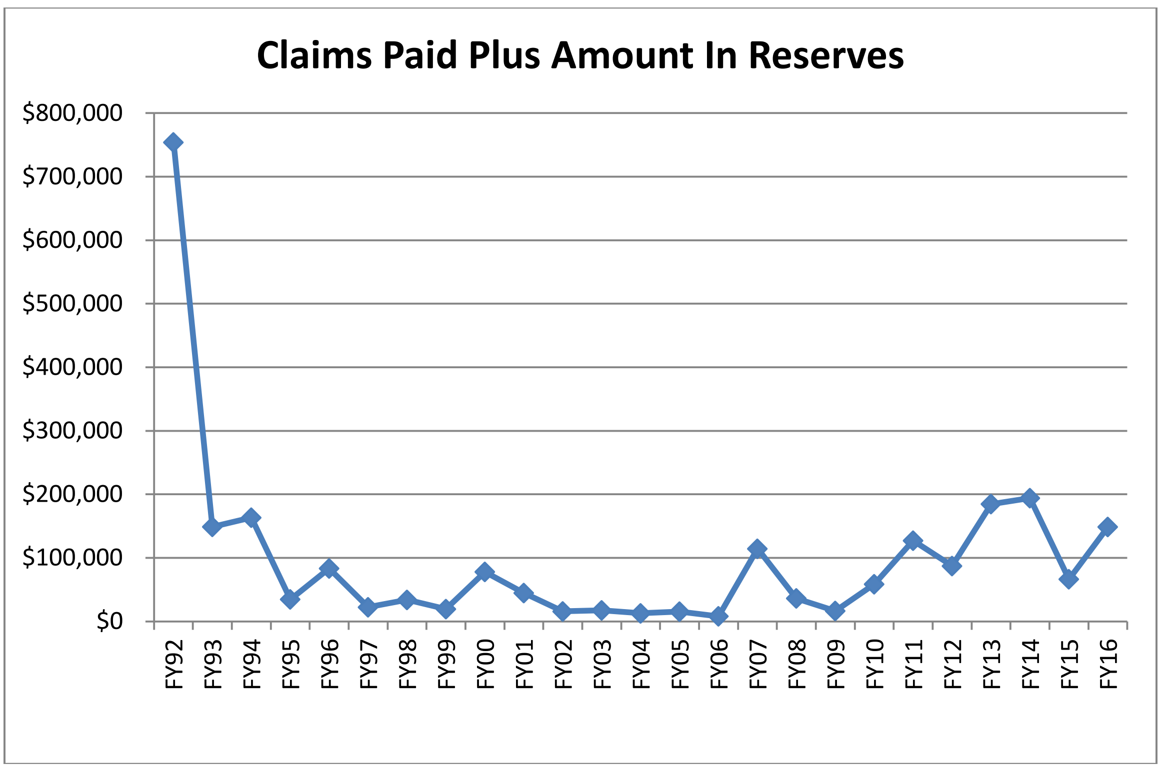
- Many years ago the PHA chose a premium option based on four employee categories instead of a single employee category called "housing authority workers". Staff continues to request and analyze quotes using both the "one category" option and the "separate categories" option. This year, by choosing the "separate employee" categories option, our premium is approximately $88,103 less than if we chose the "one category" option at the $10,000 deductible rate.
- Staff continues to work closely with employees, doctors, and the insurance carrier to minimize claim losses and injuries.
- The PHA has developed and implemented an aggressive return-to-work program including providing light duty work when necessary to comply with an employee's medical restrictions.
- Our workers' compensation management consultant (WCMC) continues to monitor our program closely and work with our staff, at an annual cost of approximately $23,000.

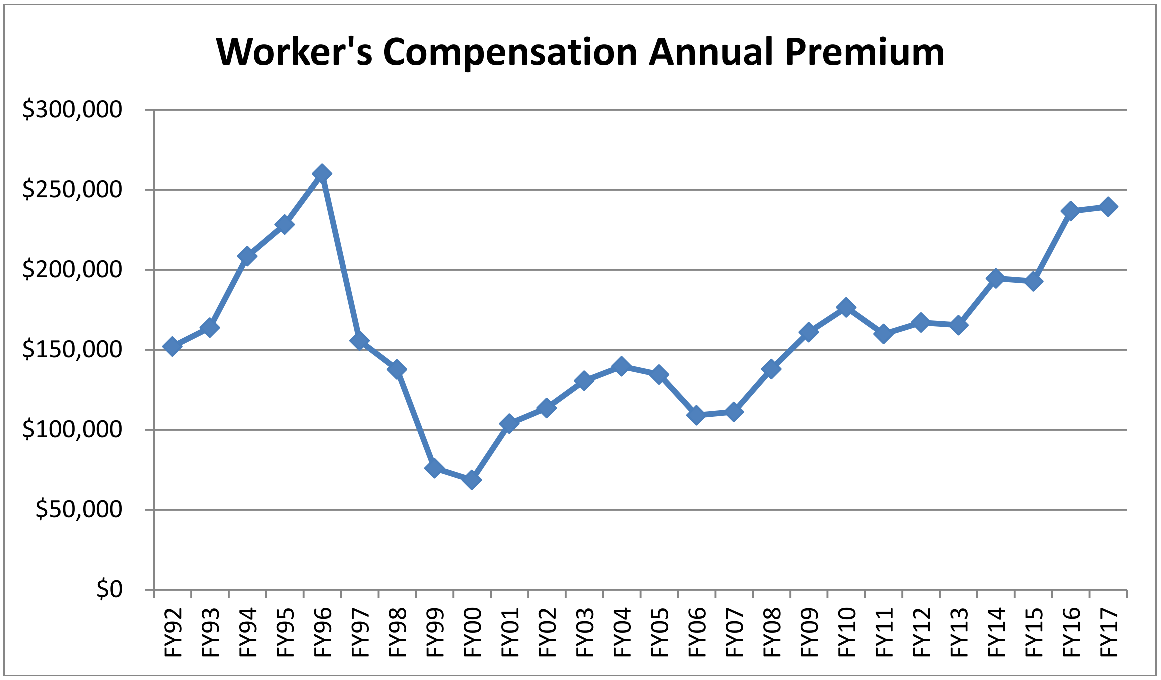
The PHA's Section 3 Policy states that insurance contracts including Workers Compensation are not subject to the PHA's requirements of submitting a Section 3 Action Plan or contributing to the Section 3 Training Fund. Sufficient funds to cover this premium are included in the FY 2018 Operating Budget recommended for Board approval at this meeting.

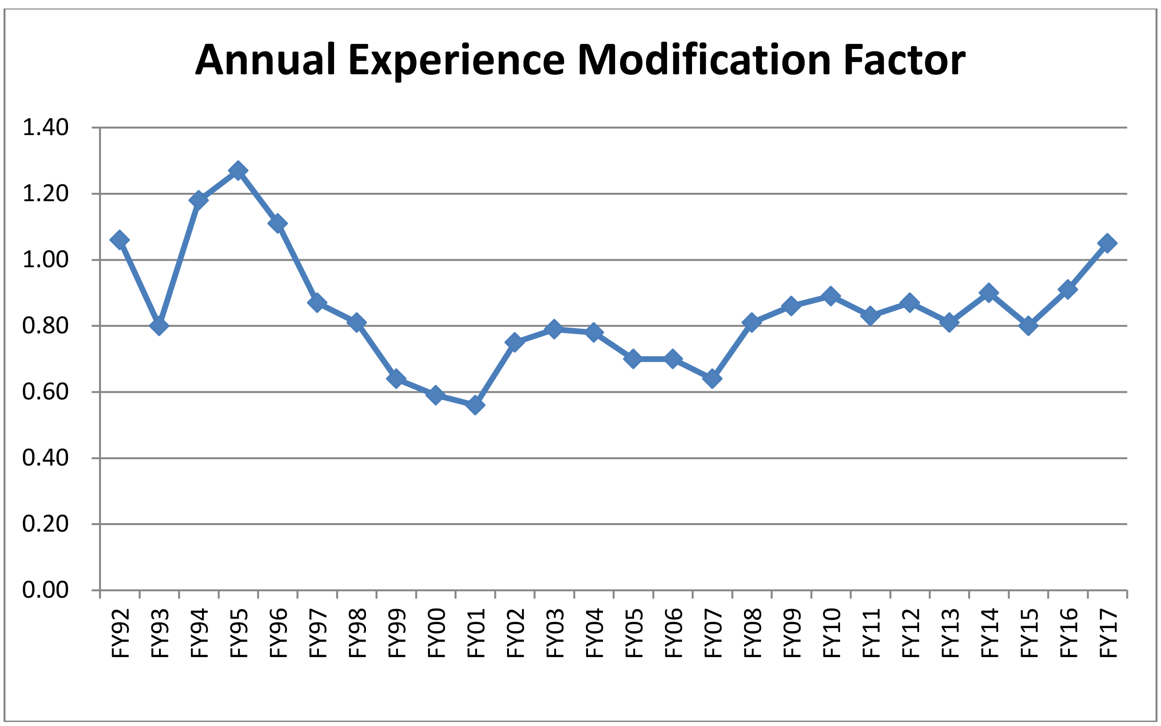
DMM/ANH/AAG/MGB

Attachments


Number of Lost Days Away From Work
(Taken from the OSHA log that must be filed each calendar year)
900
800
700
600
500
400
300
200
100
0
1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016


Claims Paid Plus Amount In Reserves
$800,000
$700,000
$600,000
$500,000
$400,000
$300,000
$200,000
$100,000
$0
FY92 FY93 FY94 FY95 FY96 FY97 FY98 FY99 FY00 FY01 FY02 FY03 FY04 FY05 FY06 FY07 FY08 FY09 FY10 FY11 FY12 FY13 FY14 FY15 FY16


Worker's Compensation Annual Premium
$300,000
$250,000
$200,000
$150,000
$100,000
$50,000
$0
FY92 FY93 FY94 FY95 FY96 FY97 FY98 FY99 FY00 FY01 FY02 FY03 FY04 FY05 FY06 FY07 FY08 FY09 FY10 FY11 FY12 FY13 FY14 FY15 FY16 FY17


Annual Experience Modification Factor
1.40
1.20
1.00
0.80
0.60
0.40
0.20
0.00
FY92 FY93 FY94 FY95 FY96 FY97 FY98 FY99 FY00 FY01 FY02 FY03 FY04 FY05 FY06 FY07 FY08 FY09 FY10 FY11 FY12 FY13 FY14 FY15 FY16 FY17