PUBLIC HOUSING AGENCY OF THE CITY OF SAINT PAUL

REPORT TO COMMISSIONERS

FROM **JON M. GUTZMANN**
EXECUTIVE DIRECTOR

REGARDING Tower Roof Replacement
At Ravoux Hi-Rise (AMP 7)
Contract No. 15-098

DATE March 25, 2015

Staff requests Board approval to award a contract for tower roof replacement at the Ravoux Hi-Rise (AMP 7), to the lowest responsible bidder, Peterson Brothers Roofing & Construction, Inc. of St. Paul, Minnesota for the total bid amount of $343,160.

The contract includes removal of the existing roofing materials and installation of an insulated four-ply built-up roofing system on the penthouse and upper roofs. The lower roofs were replaced in 2012.

Peterson Brothers has previously performed roof replacement work for the PHA and their performance has been satisfactory. Copies of the Employer Information Reports for Peterson Brothers and the second low bidder, Berwald Roofing, are attached.

Peterson Brothers will do the majority of the work and plans to subcontract approximately 1% to a women-owned business enterprise (WBE). At least 30% of Peterson's new hires for this work will be qualified Section 3 residents.

The bid amount is under the engineer's estimate. There are sufficient 2013 Capital Fund Program funds to accomplish this work.

TDB/mlp

Attachments

PUBLIC HOUSING AGENCY OF THE CITY OF SAINT PAUL

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

REGARDING Roof Replacement
At Neill Hi-Rise (AMP 7)
Contract No. 15-099

DATE March 25, 2015

Staff requests Board approval to award a contract for roof replacement at the Neill Hi-Rise (AMP 7), to the lowest responsible bidder, Berwald Roofing Company, Inc. of North St. Paul, Minnesota for the total bid amount of $307,800.

The contract includes removal of the existing roofing materials and installation of an insulated four-ply built-up roofing system on the penthouse and upper roofs. The lower roofs were replaced in 2006.

Berwald Roofing has previously performed roof replacement work for the PHA and their performance has been satisfactory. Copies of the Employer Information Reports for Berwald Roofing and the second low bidder, John A. Dalsin & Son, Inc., are attached.

Berwald Roofing will subcontract approximately 1% to a women-owned business enterprise (WBE). At least 30% of Berwald's new hires for this work will be qualified Section 3 residents.

The bid amount is under the engineer's estimate. There are sufficient 2014 Capital Fund Program funds to accomplish this work.

TDB/mlp

Attachments

PUBLIC HOUSING AGENCY OF THE CITY OF SAINT PAUL

REPORT TO COMMISSIONERS

FROM **JON M. GUTZMANN**
EXECUTIVE DIRECTOR

REGARDING ACOP Budget and Contract for FY 2016; ACOP Year 25

DATE March 25, 2015

Staff requests Board approval to contract with the City of Saint Paul, through its Police Department (SPPD), for Year 25 of community policing services under ACOP (A Community Outreach Program) beginning April 1, 2015 and continuing until March 31, 2016, based on the attached proposed budget. Under the recommended one-year contract the PHA will pay SPPD an amount that will not exceed $540,879. This reflects a 2.7% increase from Fiscal Year 2015. Under the current ACOP contract and the recommended FY 2016 contract, the PHA will pay the actual salary of the officers assigned to ACOP.

The terms and conditions of the proposed contract remain the same as in the current contract except as explained below. The PHA agrees to pay the salaries for six officers and two Community Liaison Officers (CLOs), and also $1,500 for related supplies and miscellaneous expenses. The City agrees to pay the salaries for the police sergeant and three other officers; and the benefits and any overtime for the sergeant, all nine officers and the two CLOs; and to provide squad cars and other equipment for use by the ACOP unit. With the Board's approval, the contract will be sent to the City Council for their approval.

The only substantive change in the proposed contract is the addition of the double-underlined language below:

Section 3. Enforcement of Rules and Regulations

A. The Police Department is hereby empowered to enforce the following PHA rules and regulations to the extent they involve criminal activity, as allowed by their law enforcement function:

…

5. Authorized, on behalf of the PHA, to give criminal trespass warnings to any persons deemed to be in violation of the rules or regulations, that is, to give notice to any violators that their entry on the property or premises is forbidden, and to arrest or cause the arrest and prosecution of any violators who refuse to leave or who return to the property or premises in violation of criminal trespass warnings, when appropriate.

ACOP is a community policing partnership program involving the City of Saint Paul, the Saint Paul Police Department, the PHA and public housing residents. The goals of the program are to improve the social conditions which foster drug use and abuse at the public housing sites, improve the level of trust and general relations between the residents and the Saint Paul Police Department, improve the delivery of police services to the community, and empower residents to be active in community safety issues. The main ACOP office is in the McDonough Community Center.

ACOP began in 1991 with a special HUD grant under the Public Housing Drug Elimination Program (PHDEP). The PHA received PHDEP grants almost every year until 2002, when Congress stopped providing special funding for the program. At the time HUD officials said that PHA's could continue PHDEP-funded programs in their budgets, but neither HUD nor Congress provided any more money in operating subsidies. At the urging of staff and residents, the PHA Board committed to keep funding ACOP at a reduced level after the PHDEP grants ended.

The ACOP officers provide invaluable services to the PHA and its residents. ACOP officers primarily serve the PHA's four family sites (McDonough, Roosevelt, Mt. Airy and Dunedin) and sixteen hi-rises. The ACOP officers respond to emergencies and reports of suspicious behavior, intruders and criminal activity; provide consistent monitoring and resolution of conflicts between residents, especially youth; mentor and serve as role models for youth; and respond to special circumstances.

Sufficient funds for this contract are recommended for approval in the FY 2016 Operating Budget that is on the agenda for this Board meeting.

JMG/MW/KNG

Attachment: Budget

PUBLIC HOUSING AGENCY OF THE CITY OF SAINT PAUL

REPORT TO COMMISSIONERS

FROM **JON M. GUTZMANN**
EXECUTIVE DIRECTOR

REGARDING Professional Auditing Services
Contract No. 15-112

DATE March 25, 2015

Staff recommends awarding a new contract for annual audit services to the firm of Baker Tilly Virchow Krause, LLP (Baker Tilly), for a fee not to exceed $65,500. The contract includes all services related to the Agency's annual financial and compliance audits. The contract is for one year with options to renew for each of two additional years. McGladrey LLP held the previous contract for professional audit services for the past 22 years, having been selected from among competitive proposals in six separate RFPs dating back to Fiscal Year 1993. (McGladrey LLP proposed fee was not to exceed $67,000.) As discussed below, staff is recommending awarding the contract to Baker Tilly this year to accomplish "audit rotation".

The PHA published the Request for Proposals (RFP) and also mailed copies to twelve audit firms. Five proposals were received. A committee of four staff, including the Finance Director, Assistant Controller, Finance Manager, and the Interim Maintenance Senior Manager, evaluated the proposals independently and later met to review their ratings. The evaluation criteria stated in the RFP were technical qualifications including experience, expertise and staffing, and audit plan (including sampling and analytical procedures); as well as cost and MBE/WBE status. The committee tallied their independent scores and determined that McGladrey LLP had the highest score. Baker Tilly had the second highest score. A summary of the evaluators' ratings is attached.

Several times over the years PHA Commissioners have discussed the wisdom of periodic rotation of audit firms, a subject that is widely discussed in the professional audit community and by governmental regulators as well. For example, the Public Company Accounting Oversight Board (PCAOB) issued a "concept release" in March 2012 arguing that mandatory audit rotation might be a good way to enhance "auditor independence, objectivity, and professional skepticism". Others have argued that, "While these attributes are at the heart of the audit profession … mandatory audit firm rotation is likely to reduce – not improve – the quality of audits and the reliability of financial reporting. Not only would such measures add cost and complexity to audits, we believe they would actually undermine some of the recent reforms that have improved audit quality." (PriceWaterhouseCoopers, May 2012) In February 2014, the Wall Street Journal reported that the PCAOB was no longer pursuing a project to impose "auditor term limits" on public companies.

While the PHA has held the position that its audits are strengthened by continuity, allowing a firm to spend more time reviewing and examining financial records and other documents, rather than taking the time necessary to get up to speed on how the PHA does business, we also agree that at some point it may be in the public interest to make a change in the contract for professional audit services.

Baker Tilly is the twelfth largest audit firm in the country, with more than 2,500 staff and offices in 29 cities across the US. All members of the PHA's engagement team are located in their Minneapolis office. The Minneapolis office has more than 230 full time professionals, nearly 40 of whom are dedicated to serving public sector clients in Minnesota and western Wisconsin.

Because of the gravity of changing audit firms, the entire proposal from Baker Tilly is attached. It discusses the firm's qualifications, plan for a seamless transition, governmental audit expertise (including affordable housing expertise), and more. Staff's primary concern (and what contributed to the firm not being recommended by the review panel) was the fact that most of Baker Tilly's public housing clients in the Midwest are small housing authorities (City of Eau Claire/Eau Claire Housing Authority at 110 public housing units and 405 Housing Choice Vouchers (HCVs)); Eau Claire County/Eau Claire County Housing Authority at 20 public housing units and 220 HCV's, etc. However, Baker Tilly does the audit for the Housing Authority of the City of Milwaukee, which is approximately the same size as the St. Paul PHA.

Adequate funds are budgeted in each related program for the cost of the audit.

JMG/RPM

Attachment: Audit Services Proposal Ratings

PUBLIC HOUSING AGENCY OF THE CITY OF SAINT PAUL

REPORT TO COMMISSIONERS		**FROM**	**JON M. GUTZMANN** **EXECUTIVE DIRECTOR**
REGARDING	Annual Executive Director Salary Increase January 1, 2015	**DATE**	March 25, 2015

Staff recommends Board approval to increase the Executive Director's salary by 1.7% effective retroactively to January 1, 2015 (from $162,245 to $165,003 per year). This increase complies with the Minnesota Local Government Salary Cap and it is less than the most recent salary increases received by the employee groups, as explained below.

The Board approved a 2.5% percentage increase effective June 1, 2014 for the AFSCME represented employees and December 1, 2014 for the Supervisory and Confidential employee group. The Board also approved a 2.5% increase effective January 1, 2015 for the City Employees' Local 363 (formerly Local 132 Construction and General Laborers), consisting of cash plus a contribution to the Laborers' International Union of North America pension plan.

The Board last discussed the salary of the Executive Director late in 2013. On November 27, 2013 the Board approved a 2.8% increase for the Executive Director (from $159,529.14 to $163,995.94). It was to be delivered in two parts: $1,109.68 added on December 1, 2013 and $3,357.12 added on January 1, 2014 (to comply with the State salary cap limits in effect for 2013 and 2014) for a total increase of $4,466.80 or 2.8%. However the full increase was not possible because the 2014 salary cap was later set at $162,245. This limited the Executive Director's actual increase to 1.7% (from $159,529.14 to $162,245), instead of the Board approved increase of 2.8% (from $159,529.14 to $163,995.95).

Addressing this matter later in the calendar year helps avoid uncertainty or unexpected outcomes relative to the new salary cap. As stated, the Executive Director's current salary is $162,245/year. The recommended increase of 1.7%, retroactive to January 1, 2015 would increase his salary to $165,003, which is current Minnesota Local Government Salary Cap effective January 1, 2015.

Appropriations Acts Limit Federal Funding for PHA Salaries: Continuing a restriction contained in previous Appropriations Acts, the Appropriations Act for Federal Fiscal Year (FFY) 2015 that passed on December 13, 2014 capped the amount of federal funds for Public Housing and Housing Choice Vouchers that could be used for PHA salaries. The limit is the annual pay rate for a position at the Level IV of the federal Executive Schedule which is $157,100 for calendar year 2014. The recommended Executive Director salary of $165,003 (January 1, 2015) would be $7,903 over this maximum, so at least that much must be paid from other, non-federal funds.

Under the FY 2015 Operating Budget approved by the Board, most of the Executive Director's salary is paid from the Building Fund and the Central Operating Cost Center and therefore that amount is not counted toward the federal budget salary cap. There are sufficient funds in the Building Fund and Central Operating Cost Center to pay the Executive Director's salary.

Salary Comparability Study. As required by HUD, staff conducted a salary survey of local Minnesota agencies, with the following results:

Agency	Position	Annual Salary	Effective Date
Minneapolis Public Housing Agency	Executive Director	$165,003	1/1/2015
Dakota County Community Development Agency	Executive Director	$161,250	1/1/2014
Washington County Housing and Redevelopment Authority	Executive Director	$132, 661	1/1/2015

Staff believes the recommended salary increase is in line with these salaries, considering this agency's size, the scope and complexity of its programs, its record of high performance, and the Executive Director's experience and expertise.

DMM/RPM/FAH

Attachments: History of the Minnesota Local Government Salary Cap amounts
Notice from HUD regarding the maximum amount of HUD funds

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, 2016	**DATE** March 25, 2015

Staff requests Board approval of the proposed budget for the Building Fund for Fiscal Year 2016.

Summary of Proposed FY 2016 Building Fund Budget (compared to FY 2015 Budget Rev. 1):

Proposed Revenue:

The FY 2015 Building Fund Operating Budget was approved by the Board on March 26, 2014 and revised on August 27, 2014. The budget revision anticipated total Building Fund revenues of $852,600. The proposed FY 2016 budget projects revenues at $865,230, which is slightly more ($12,630) than last year's projected revenues.

FY 2016 revenues will come from four sources:

PHA office rental	$539,530
Tenant rent	234,790
Parking rent	85,910
Interest	5,000
Total Revenue	$865,230

Proposed Expenditures:

The FY 2016 budget proposes total operating expenditures of $707,150, which is an increase of $52,525 (8.0%) compared to the FY 2015 budget amount of $654,625.

The significant changes proposed in Building Fund expenses are as follows:

1. Miscellaneous expenses decreased by $9,000 due to the elimination of the Partner Recognition Event and reduction of funding for the youth programs because the PHA is not hosting Promise Fellows this year. The reductions in this line item were partially offset by adding $3,000 for a new initiative for FY 2016, the Urban Beekeeping Green Initiative described below.

PHA staff will explore the possibility of establishing rooftop bee hives at the W. Andrew Boss Building/Central Administrative Office in partnership with a local beekeeping company. Staff believes that the exploration of urban beekeeping fits within the Agency's green initiatives efforts; with the CAO serving as the best site option for a rooftop bee hive project. In November 2014, staff met with Minneapolis Environmental Services for a tour of the green roof and bee hives at Minneapolis City Hall. In addition to Minneapolis City Hall, other organizations that have implemented rooftop bee hives include the Union Deport, Minneapolis Institute of Arts, and the Weisman Art Museum. As part of the exploration process, PHA staff will attend training on beekeeping and beekeeping best practices.

2. Utilities expense increased $15,000 due to projected increases in Electric and District Heating costs.
3. Maintenance contract costs increased by $13,200 due to anticipated structural repair needs for the building in FY 2016.
4. General expenses decreased by $6,290 due primarily to reduced benefit expenses directly associated with re-allocation of the Maintenance Technician salary.
5. Extraordinary maintenance increased by $31,700 due to planned expenditures on ceiling tile and carpet replacement and repair of sills and roof pitch pockets.

Building Fund Summary:

The proposed budget shows revenues exceeding expenses by $158,080. 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.

RPM/AJH/FAH

Attachments:
Annual Report FY15 – Narrative
Proposed Budget and Management Plan for FY 2016 – Narrative
Proposed FY 2016 vs. FY 2015 Comparison
Proposed FY 2016 Salary/Benefit Budget
Table - History of Building Fund Support

BUILDING FUND

Annual Report - Fiscal Year 2015

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 2015 Budget
On March 26, 2014 the Board accepted the report on Costs and Operations through the End of Fiscal Year 2014 and approved the Proposed Budget and Management Plans for FY 2015. These documents have guided the operation of the W. Andrew Boss Building for the past year.

3. Report on FY 2015 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.

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	712,093	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.

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 25, 2015 the W. Andrew Boss Building is fully occupied. The lease for the Agency's anchor tenant in the building is expiring August 31, 2015. Staff is in preliminary negotiations with the tenant to retain tenancy. It is likely that some space will revert to the Agency with downsizing by the tenant. Staff will continue to pursue all avenues to maintain a high occupancy rate and suitable use of the space.

The PHA will manage the W. Andrew Boss Building according to "good business practices." The Agency belongs to the (St. Paul) Building Owners and Managers Association (BOMA) and to the Downtown Building Owners Association (DBOA).

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.

BUILDING FUND

Proposed Budget and Management Plan
For FY 2016

All of the cash flow projections and expense analyses were based on unaudited financial information as of September 30, 2014.

1. Request for Approval of Building Fund proposed budget: FY 2016
See the attached "REVENUE AND EXPENSE BUDGET, FY 2016 vs. FY 2015 COMPARISON." The attached proposed budget for FY 2016 shows a net operating gain (revenues minus expenses) budgeted at $158,080, compared to a net operating gain budgeted at $197,975 in FY 2015. This is a decrease of $39,895.

2. Property/Building Management Plan
The Executive Director and his designated representatives will manage the W. Andrew Boss Building according to good commercial property 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 Low Rent Public Housing and Section 8 Operating Budgets; Fiscal Year Ending March 31, 2016

DATE March 25, 2015

Staff recommends the following Board actions:

1. Adopt Resolution 15-3/25-4 approving the Low Rent Public Housing Operating Budget, comprised of ten Asset Management Projects (AMPs) and the Central Office Cost Center (COCC), totaling $33,693,850, which includes $3,785,610 in fees related to Asset Management (Property Management, Bookkeeping, and Asset Management fees, as provided by HUD) paid to the COCC by the AMPs, for the fiscal year ending March 31, 2016 (FY 2016), including the staffing changes described in this report.

2. Approve the Section 8 Housing Choice Voucher Operating Budget, and the Disability Voucher, and Mod Rehab Single Room Occupancy programs Expense Budgets, totaling $39,727,226 for FY 2016 (a resolution is not required).

<u>OVERVIEW: PROPOSED LOW RENT PUBLIC HOUSING OPERATING BUDGET</u>

The proposed Public Housing Operating Budget (#1 above) is based on an Operating Fund subsidy from HUD of $12,049,002 ($285.68 per eligible unit-month) after an estimated prorated reduction of 17.0%. (That is, we expect to receive only 83.0% of the full funding amount established by the Operating Fund formula.) That subsidy amount is $386,395 less than the PHA budgeted in FY 2015. Last year’s PHA budget was based on a proration factor of 89.32%. The projected 83.0% proration for FY 2016 is based on estimates from HUD.

The proposed Operating Budget for FY 2016 is projected to draw on operating reserves in the amount of $2,209,464. Due to several years of substantial contributions to the Low Rent Public Housing operating reserves, the reserve balance is sufficient to cover this projected draw and still be at an optimal level. 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 or below the four month level that HUD has previously used 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 2016, Asset Management-related fees (both the expense to the AMPs and the revenue to the COCC) totaling $3,785,610 will be included on HUD's Operating Budget form (HUD-52564, Attachment 1 to this report). Another $446,050 is shown as revenue received by the COCC from the Capital Fund to compensate for administrative salaries, as explained below. There is no net effect on the bottom line, but the fees are an important part of the total budget presentation, so they are included in these budget proposals. A total of $4,231,660 is proposed to be paid to the COCC by the AMPs (for Asset Management fees) and by the Capital Fund (for administrative salaries).

The proposed payment to the COCC from the Capital Fund Program (CFP) for administrative expenses is permitted by HUD regulations, up to a maximum of 10% of each CFP grant. In this proposed budget the amount paid to the COCC for CFP administrative expenses represents about 6.63% of last year's CFP grant. The PHA implements this on a cost basis, so the fees collected by the COCC are fully substantiated by corresponding salary and benefit expenses incurred by the COCC. Staff believes this method is the most responsible way to recover costs for administrative services rendered while still maintaining the integrity of the Capital Fund's purpose.

In addition to the 10% allowed for CFP administrative costs as described above, Capital Fund regulations also allow up to 20% of each grant to be used for operations. This budget proposes to transfer $700,000 from CFP to the AMPs for operations, which is approximately 10.31% of this year's CFP grant amount.

LOW RENT PUBLIC HOUSING OPERATING RESERVES

Staff expects there will be a contribution to the Low Rent Public Housing operating reserves at the end of FY 2015. The FY 2015 budget, including Budget Revisions #1 and 2, projected a draw on operating reserves of $1,706,137. Final accounting for FY 2015 will not be completed until sometime in April 2015, but the current projections indicate that rather than drawing on reserves in FY 2015, instead there will be a contribution to the operating reserves of approximately $500,000.

The turnaround from expecting a draw on reserves to contributing to reserves is due to a combination of higher revenues ($785,000) and lower expenses ($1.4 million). The increase in revenue is due to almost exclusively to actual tenant rental income being greater than budgeted by approximately $1,000,000, which was partially offset the HUD subsidy being lower than budgeted by approximately $260,000. Other income sources such as cell-site antenna revenue, excess utility surcharges, and laundry commissions had minor variances that account for the remaining $45,000.

Approximately half of the expense variance can be attributed to the difference between budgeted and actual utility expenses (approximately $700,000), with the majority of this variance being in Water and Sewer and Electricity. To estimate utility expenses in the proposed Operating Budget, the PHA uses HUD's subsidy calculations which are based on a 36-month rolling base period. The period from July 1, 2011 - June 30, 2014 was used for CY 2015 funding. Due to the three-year time frame used, the PHA reaps the savings from energy-conserving improvements for three or four years, before the subsidy calculation catches up. Thereafter the savings go to HUD. (PHADA has urged HUD to freeze the utility rolling base so PHAs can keep the savings from energy conservation improvements over a longer time period.)

In addition to the utilities cost variances, actual salary and benefits costs during FY 2015 have been lower than budgeted, primarily as a result of vacant staff positions. The projected variance is approximately $230,000 for administrative salaries, $85,000 for maintenance salaries, and $100,000 for employee benefits related to these salaries. Maintenance contract expenditures are projected to be $150,000 less than budgeted, due to lower spending on items like trash removal, pest control, elevator maintenance, HVAC and mechanical systems maintenance. These items are generally budgeted based on prior years' costs and adjusted for expected increases due to the current age of equipment, maintenance history, and expected maintenance needs for the systems.

Tenant Services is projected to be approximately $75,000 below budget. This is due primarily to budgeted Section 3 activities not being fully implemented during FY 2015 as well as lower than expected tenant training expenses. Protective Services expenses are projected to be approximately $80,000 below the budgeted amount due to changes in ACOP officer assignments during the year as well as a reduction in the use of off-duty police officers.

PUBLIC HOUSING PROGRAM – PROPOSED REVENUE:

The proposed FY 2016 budget projects Low Rent Public Housing revenues totaling $31,484,386, an increase of $1,006,991 (3.3%) from the $30,477,395 in the FY 2015 Budget Revision #1 approved by the Board April 23, 2014.

1. HUD Subsidy is projected to decrease by $386,395, from $12,435,397 to $12,049,002 (3.1%) due to the proration, as explained above.

2. Dwelling rental income for FY 2016 is projected to increase from $13,002,056 to $13,289,784, or $287,728 (2.2%) above the amount used in the FY 2015 budget. This increase is based on actual tenant revenue as reported to HUD on the Financial Data Schedule.

3. Interest on General Fund Investments is projected to stay the same due to continued stagnant rates on government securities.

4. Other Income is primarily comprised of Asset Management fees as well as the Capital Fund transfer to operations. Asset Management fees inflate the revenue projection, but are offset by matching expenses. Revenue from new and existing cellphone antenna site rental and excess utility surcharges are expected to increase slightly, while laundry service commissions are projected to decrease.

PUBLIC HOUSING PROGRAM – PROPOSED EXPENDITURES:

The proposed FY 2016 operating budget shows total expenditures of $33,693,850 which is an increase of $1,510,418 (4.7%) from the FY 2015 approved budget of $32,183,432 (including Revisions 1 and 2). The proposed increases/decreases are highlighted below:

1. Administrative costs are proposed to increase by $591,760 (5.1%). The largest increases are Administrative Salaries (up $353,180), Legal Expense (up $61,620 due to the permanent addition of a third full-time attorney), and Other Administrative Expenses (up $150,110). Other Administrative Expenses include administrative contract services, MIS equipment such as PCs and printers, and Section 3 resident training opportunities.

2. Tenant services costs are proposed to increase by $6,220 (0.6%). Salary costs are projected to increase by $11,930, Contract costs are proposed to increase by $12,990, and Other Services are proposed to decrease by $18,700. Other Services includes Resident Participation funding, which is part of the subsidy received by the PHA from HUD, and provided by the PHA to Resident Councils. As has been done in previous years, Resident Participation amounts paid to the Councils are pro-rated at the same rate as the subsidy received from HUD. The pro-ration factor used by the PHA is approximately 7% less than FY 2015, which accounts for some of the decrease in expenses on that line item. In the

event subsidy is received at a higher than budgeted rate, this amount will be adjusted to provide additional funding to the Resident Councils. In addition, one-time supplemental funding to the Presidents Council in FY 2015 for computer equipment is not included for FY 2016.

3. Utilities costs are projected to increase by $362,270 (7.0%) compared to the FY 2015 budget. As explained above, utility costs are part of the HUD subsidy calculation and staff uses HUD's method to calculate the projected cost.

4. Maintenance costs are proposed to increase by $218,530 (3.0%). The largest increases are salaries (up $78,350), material costs (up $110,000), and contract costs (up $30,180). Material costs increased due to the proposed purchase of maintenance equipment valued under $5,000. This includes snow throwers, carpet extractors, floor scrubbers, and other similar equipment. Contract costs continue to be evaluated to more closely match historical trends, while still considering future maintenance needs.

5. Protective Services are proposed to increase by $156,600 (24.4%), due primarily to the proposed addition of a private security company contract to provide security services (as recommended in a separate report on the agenda for this Board meeting).

6. General Expenses are proposed to increase by $97,680 (1.6%). These costs include insurance, benefits, collection loss, terminal leave payments, Payment in Lieu of Taxes (PILOT), inspection fees, etc. Benefit contributions are projected to increase by $108,290, due to their relationship to total salary increases, and annual increases in health and dental benefits. PILOT expenses decreased $19,900 primarily due to applying the HUD proration to the PILOT calculation and lower actual utility expenses. Other General Expenses increased by $11,340 due primarily to an increase in Other Post Employment Benefits (OPEB). OPEB expenses are calculated based on actuarial analysis and must be budgeted and accrued on a yearly basis.

7. Non-routine expenditures are proposed to increase by $77,358 (11.6%), from $668,142 to $745,500. Historically, non-routine expenses have included large maintenance costs or capital improvements and are often budgeted in the Capital Fund Program as well. The proposed budget includes $92,000 for capital improvement items, and $105,000 to replace

maintenance equipment. Extraordinary Maintenance items, which are those maintenance projects which are larger in scope and less frequent than routine maintenance costs, continue to be included in this category and are proposed at $548,500. Extraordinary maintenance includes, but is not limited to, parking lot maintenance, concrete work, landscape improvements, and interior or exterior surface work.

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. This fund was established to provide “other economic opportunities” to PHA residents as described in Section 3 regulations, such as training, education, technical assistance with starting or operating a small business, etc.

In FY 2016, the Section 3 Training Fund will be used to support the following resident-oriented activities, among others:

1.	Contracted Coordinator	$36,840
2.	Provide jobs skills foundation classes for residents	$9,000
3.	Provide increased outreach, case management assistance, and subsidized training for participants in the PHA’s existing construction training program, Step Up.	$1,000
4.	Provide jobs skills training certification scholarships for residents	$15,000
5.	Provide youth job skills and post-secondary training	$8,000
6.	Provide computer lab classes for residents	$5,000
7.	Provide a resident-owned business scholarship program	$5,000
8.	Misc administration expenses (supplies, stipends, mileage)	$6,200
	TOTAL	$86,040

SUMMARY: PROPOSED LOW RENT PUBLIC HOUSING BUDGET: The FY 2016 Public Housing Operating Budget is proposing a deliberate draw on operating reserves in the amount of $2,209,464. However, as explained above, staff expects there will be a contribution to reserves of approximately $500,000 for FY 2015, resulting in an estimated ending FY 2015 reserve balance of

$18,027,421. With the proposed FY 2016 Operating Budget, the operating reserve balance for the end of FY 2016 would be approximately $15,817,957 (5.8 months routine operating expenses). 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 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. Historically, the PHA's target reserve level agency-wide has been 6 months worth of routine operating expenses, which was considered safely within HUD's guidelines for maximum points on the PHAS scoring system. Changes to the PHAS scoring system (2011 Interim Rule) lowered the acceptable range for an AMP's reserves to 4 months. Staff believes that year-end operating reserves at the individual AMPs can be kept near the four-month threshold under the proposed budget, with the remaining reserves held at the COCC.

OVERVIEW: PROPOSED SECTION 8 BUDGET

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 that the PHA reported last year in the online Voucher Management System (VMS). The Congressional appropriation for HAP in Calendar Year 2015 was intended to provide full funding, and in fact the PHA's funding notice shows slightly (1.249%) more than the "full funding" amount under the renewal formula. Nevertheless, the proposed budget projects that the PHA will need to draw approximately $566,381 from its HUD-held reserves to cover the full HAP cost in 2015. The PHA's HUD-held reserves are currently $2.73 million and are available specifically for this purpose.

<u>Section 8 Administrative Fees</u> for this proposed budget are estimated based on CY 2015 methodology and fee rates, and then pro-rated down to 75% of the formula amount, based on HUD guidance, because of inadequate Congressional appropriations. Administrative fees are paid based on the number of units <u>under lease</u> each month, not on the total number of Housing Choice Vouchers authorized (currently 4,391). (No fee is paid for unit-months leased that exceed the PHA's authorized limit.) The administrative fee for CY 2015 is $80.20 for the first 7,200 unit-months leased (yearly total) and $74.85 for the remaining unit months leased, up to the PHA's maximum authorized units. The PHA is paid a lump sum each month and HUD "settles up" at a later date for any additional administrative fees owed.

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), but the combined revenues will not be sufficient to cover the necessary costs to administer the program this year. To fill the gap staff proposes to draw approximately $178,146 from the Section 8 Housing Choice Voucher administrative fee reserves ("Unrestricted Net Position" or UNP, the new term for what used be called "Unrestricted Net Assets", or UNA). The administrative fee reserves are sufficient for this purpose. At the end of January 2015 the UNP balance was approximately $1,274,020. Due to the substantial proration of HCV administrative fees in CY 2014, the UNP balance has decreased over the past fiscal year. This decrease was expected and budgeted, and the reserves are sufficient to cover the actual activity. 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 program reserves totaling $49,542, resulting in a total draw on reserves of $128,604 for Section 8 administrative expenses program-wide.

The components of the Section 8 revenue in this proposed budget are as follows:

1. Section 8 Housing Assistance Payments (HAP) subsidy is expected to be $35,227,415, an increase of $117,213 (0.33%) compared to the FY 2015 budget amount of $35,110,202. 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 140 VASH Vouchers, 100 Family Unification Program Vouchers, and 226 Preservation Vouchers. The proposed budget for the Housing Choice Voucher program shows an increase of $131,913 (0.39%).
    b. The Disability Voucher budget (117 vouchers) shows a decrease of $4,656 (-0.65%).
    c. The Moderate Rehabilitation Single Room Occupancy (Mod Rehab SRO) project at Catholic Charities' Mary Hall (75 units) shows a decrease of $4,500 (-1.36%).
    d. The Mod Rehab SRO project at Salvation Army's Booth Brown House Foyer (6 units) shows a decrease of $5,544 (-19%).

2. Section 8 Administrative Fee subsidy is expected to be $3,164,110, an increase of $115,593 (3.79%) program-wide from FY 2015 budgeted amounts, partly due to expected higher utilization rates than in 2014. The Family Self-Sufficiency (FSS) grant previously administered through Section 8 was modified by HUD for CY 2015 to be a reimbursable grant encompassing both Section 8 and Low Rent Public Housing FSS coordinator services. This resulted in the loss of $67,524 in Section 8 administrative revenue. The budget for administrative fees for Disability Vouchers increased (3.87%) while the Mod Rehab SRO programs (Mary Hall and Booth Brown) showed a similar increase (3.35%), going from $77.60/unit month to $80.20/unit month.

3. Portability revenue is budgeted at $400,000 for HAP and $97,006 for administrative fees, for a total of $497,006, compared to $493,856 last year, an increase of $3,150 (3.36%). 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). 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. Sending agencies are also required to send 80% of the per-unit administrative fee to St. Paul.

4. <u>Other</u> Section 8 revenue sources include fraud recovery amounts (received through Minnesota Revenue Recapture), interest on invested funds and other small amounts.

5. The budgeted total of all Section 8 revenue sources excluding HAP is $3,404,826.

SECTION 8 - PROPOSED EXPENDITURES:

1. <u>Housing Assistance Payments</u> (HAP) are proposed at $35,793,796, which is an increase of $550,547 (1.56%). Staff monitors voucher utilization and payments to property owners on a monthly basis to ensure expenses remain within HUD subsidy and available HAP reserve amounts.

2. <u>Administrative expenses</u> are proposed at $3,533,430, which is an increase of $192,820 (5.77%) from $3,340,610 in FY 2015.

   a. <u>Salaries and Benefits.</u> The salary amounts charged to the Section 8 administrative budget are increased by $103,790 and employee benefits are increased by $35,960.

   b. <u>Budgeted legal expenses</u> are increased by $13,770 (from $98,560 to $112,330) due to the addition of a third full-time attorney for the Agency.

   c. <u>Other Administrative expenses</u> are increased by $38,710 (from $287,680 to $326,390) due primarily to the addition of a contract for employment verification services (the "Work Number"). This contract is shared with Low Rent Public Housing.

   d. <u>"Other Post-Employment Benefits"</u> (OPEB) are decreased by $10,600 to $23,000. The OPEB cost is calculated based on actuarial assumptions.

SUMMARY: PROPOSED SECTION 8 BUDGET

Program-wide Section 8 expenses for Housing Assistance Payments (HAP) to property owners are projected to be $35,793,796, to be paid from HUD HAP subsidies estimated at $35,227,415, supplemented by approximately $566,381 from prior years' excess budget authority being 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 $2.73 million now.

Program-wide Section 8 administrative expenses are proposed at $3,533,430 in FY 2016, while revenues to pay those expenses total $3,404,826. Staff proposes to draw approximately $178,146 from the Housing Choice Voucher UNP balance, and contribute $49,542 to the other Section 8 program reserve balances. This will result in a program-wide draw on administrative fee reserves of $128,604.

PROPOSED STAFFING LEVELS: The agency-wide staffing level is proposed to increase by 0.25 positions (full-time equivalents, or FTEs) in the FY 2016 Combined Operating Budget for Public Housing and Section 8, as shown below. A summary of past years' staffing levels is included as Attachment 4 to this report.

RECENT HISTORY OF STAFFING LEVELS

	FY 2015 Approved	FY 2015 Rev 2	FY 2016 Proposed	Increase (Decrease)
Department	FTEs	FTEs	FTEs	FTEs
Executive	3.00	3.00	3.00	0
Human Resources	4.00	4.00	4.25	0.25
Section 8	22.00	22.00	22.00	0
Housing Policy	1.00	1.00	1.00	0
Equal Opportunity and Diversity	0.75	1.00	1.00	0
Finance	16.00	16.00	16.00	0
Maintenance	99.00	99.00	99.00	0
Resident Services	83.48	84.23	84.23	0
Resident Initiatives	1.50	1.50	1.50	0
TOTAL	**230.73**	**231.73**	**231.98**	**0.25**

Details of the proposed FTE changes in the FY 2016 Operating Budget are as follows:

PROPOSED INCREASES:

Human Resources

- +1.00 FTE – Add Human Resources Generalist (NEW)

PROPOSED DECREASES:

Human Resources

- - 0.50 FTE – Eliminate Administrative Support Technician
- -0.25 FTE – Reduce Human Resource Generalist

JMG/RPM/AJH/FAH

Attachments:

1. FY 2016 Low Rent Public Housing Operating Budget, HUD-52564
2. Board Resolution 15-3/25-4, HUD 52574 with Attachment for Asset Management Projects
3. Staffing (FTE) History FY 1990 – FY 2016
4. Section 8 Program-wide Proposed FY 2016 Budget

PUBLIC HOUSING AGENCY OF THE CITY OF SAINT PAUL

REPORT TO COMMISSIONERS

FROM **JON M. GUTZMANN**
EXECUTIVE DIRECTOR

REGARDING FY 2016 Revenue Budget for Section 8 Moderate Rehabilitation Single Room Occupancy Project; Catholic Charities Mary Hall

DATE March 25, 2015

Staff requests Board approval of Resolution No. 15-03/25-03 approving the FY 2016 revenue budget for 75 Moderate Rehabilitation Single Room Occupancy (SRO) subsidies used for units at Mary Hall. Based on cost projections, the proposed funding request for FY 2016 is $398,320, including both the Housing Assistance Payments (HAP) of $325,800 (estimate $362 per unit-month) to the property owner, Catholic Charities, and the PHA's administrative fee of $72,180 ($80.20 per unit-month).

HUD regulations require PHAs to submit "revenue budgets" prior to the start of each fiscal year for certain Section 8 programs created by separate Congressional authorizations. The complete budget for this program, showing both proposed revenues and proposed expenditures, is also being presented at this meeting. The revenue side of that budget will be based on this proposed figure, absent any information from HUD to the contrary.

Catholic Charities, the property owner, has requested a 2.4% increase to the contract rent, and HUD staff have indicated that the PHA's budget authority for this program includes this increase. In spite of the contract rent increase and the higher budget authority, the proposed revenue request will be 1% lower than last year (from $400,460 to $398,320) due to lower HAP expenses over the past year. Utilization has remained high (averaging over 99%) but HAP costs decreased, likely due to small increases in tenants' incomes. The revenue budget is cost-based, meaning the amount of revenue requested equals the projected program cost for the fiscal year.

When the PHA budget authority exceeds the requested revenue, HUD holds the excess funds in a "project reserve". This reserve is available to the PHA to cover unexpected increases in program expenses, and is accessed through a year-end settlement process. At the end of Fiscal Year 2014, the project reserve balance for Mary Hall was $130,170 and it would have grown during FY 2015, but HUD recaptured $50,830 during the year.

The original ten year contract between the PHA and Catholic Charities for 75 SRO units expired in June 2001. The contract has been renewed annually and funded by HUD since that time. Within the next few years, however, Catholic Charities plans to replace Mary Hall with a new building called "Higher Ground St. Paul" as part of the "Dorothy Day ReVision" initiative. At the request of Catholic Charities' CEO Tim Marx, HUD Field Office Director Dexter Sidney convened a meeting on February 18, 2015 for staff from HUD, Catholic Charities and the PHA to explore whether the subsidies now at Mary Hall might be used at Higher Ground. No conclusions have been reached at this time.

Moderate Rehabilitation subsidies are administered in much the same manner as the Housing Choice Voucher program, except they remain with the rehabilitated structure rather than move with the tenant. The residents pay 30% of their adjusted income for rent and utilities. Unlike tenants subsidized by regular project-based vouchers, a tenant moving out of a Mod Rehab SRO unit does not receive a tenant-based voucher. Mod Rehab SRO vouchers were originally authorized by the McKinney-Vento Homeless Assistance Act, reauthorized by the "HEARTH

Act". The funding comes through the "Continuum of Care", not through the appropriations for Section 8 Housing Choice Vouchers.

AJH

Attachment: Board Resolution 15-03/25-03 – Moderate Rehabilitation Voucher Budget
HUD Form 52663 – Requisition for Partial Payment of Annual Contributions
HUD Form 52672 – Supporting Data for Annual Contributions Estimates
HUD Form 52673 – Estimate of Total Required Annual Contributions

PUBLIC HOUSING AGENCY OF THE CITY OF SAINT PAUL

REPORT TO COMMISSIONERS

FROM **JON M. GUTZMANN**
EXECUTIVE DIRECTOR

REGARDING FY 2016 Revenue Budget for Section 8 Moderate Rehabilitation Single Room Occupancy Project; Salvation Army Booth Brown Foyer

DATE March 25, 2015

Staff requests Board approval of Resolution No. 15-03/25-02 approving the FY 2016 revenue budget for six Section 8 Moderate Rehabilitation (Mod Rehab) Single Room Occupancy (SRO) subsidies used for units at Booth Brown Foyer. The proposed revenue budget estimates the funding for FY 2016 to be $30,098, including both the Housing Assistance Payments (HAP) of $24,264 (estimate $337 per unit-month) to the property owner, the Salvation Army, and the PHA's administrative fee of $5,774 ($80.20 per unit-month).

HUD regulations require PHAs to submit "revenue budgets" prior to the start of each fiscal year for this program and certain other Section 8 programs created by separate Congressional authorizations. The complete budget for this program, showing both proposed revenues and proposed expenditures, is also being presented at this meeting. The revenue side of that budget will be based on this proposed figure, absent any information from HUD to the contrary.

The FY 2016 budget is a decrease of 18% compared to the FY 2015 budget. The proposed revenue budget is cost-based, meaning the amount of revenue requested equals the projected program cost for the fiscal year. In FY 2015 utilization remained stable, with at least five of the six leased most months, while associated HAP costs decreased. Due to the cost-based budgeting nature of this program, the decrease in HAP costs will require a decrease in budgeted revenue.

The PHA entered into an initial ten year contract with the Salvation Army on May 1, 2008 for these six units, which are part of the Salvation Army's Booth Brown House located at 1471 Como Avenue. These units are actually small efficiency apartments, each with its own bathroom and kitchen, unlike true SRO units with shared bathrooms and kitchens. The residents pay 30% of their adjusted income for rent and utilities. This valuable housing resource provides long-term housing options for homeless youth aged 16-21 who have disabilities. Mod Rehab SRO subsidies are administered in much the same manner as the Housing Choice Voucher program, except they remain with the rehabilitated structure rather than move with the tenant. Unlike tenants subsidized by regular project-based vouchers, a tenant moving out of a Mod Rehab SRO unit does not receive a tenant-based voucher.

AJH

Attachment: Board Resolution 15-03/25-02 – Moderate Rehabilitation Voucher Budget
HUD Form 52663 – Requisition for Partial Payment of Annual Contributions
HUD Form 52672 – Supporting Data for Annual Contributions Estimates
HUD Form 52673 – Estimate of Total Required Annual Contributions

PUBLIC HOUSING AGENCY OF THE CITY OF SAINT PAUL

REPORT TO COMMISSIONERS

FROM **JON M. GUTZMANN**
EXECUTIVE DIRECTOR

REGARDING Armed Security Guard Services
At Edgerton Hi-Rise (AMP 3)
Contract No. 15-105

DATE March 25, 2015

Staff requests Board approval to award a contract for armed security guard services at Edgerton Hi-Rise (AMP 3) to Capital Investigations and Security Services, Inc. of St. Paul, Minnesota for an amount not to exceed $120,000 for one year. The contractor will provide a uniformed and armed security guard at the Edgerton Hi-Rise building seven days a week, with variable hours per day depending on need.

Staff is recommending this contract as part of the Agency's continuing and evolving emphasis on safety and security. ACOP remains the cornerstone of that commitment, and the Officer in Residence (OIR) program is helpful. However, this hi-rise continues to be our most challenging site, partly related to negative conditions in some of the surrounding neighborhoods. Edgerton consistently has more police calls for service than other hi-rises, and staff issues more lease terminations there for serious violations like violent and drug-related criminal activity. As at other properties, people who are not PHA residents are responsible for many of the problems, although some of the residents are also to blame. Off-duty St. Paul Police Department officers have provided some extra security, but they are not always available when needed and the cost is high. Staff believes that the recommended contract for security guard services is a necessary next step to continue providing "safe, affordable quality housing" at Edgerton Hi-Rise.

A Request for Proposals (RFP) was advertised in three newspapers and sent to local security firms. In addition, staff contacted twelve security firms in the Twin Cities metropolitan area by phone and e-mail to notify them of the RFP. Staff conducted a pre-proposal meeting and tour at Edgerton Hi-Rise on February 12, 2015. Representatives from seven security firms attended the meeting and tour.

Three firms submitted bids, each of which was independently rated by a PHA staff evaluation committee on the criteria stated in the RFP, including related experience, best cost value, M/W/DBE participation and Section 3 status, and general response to the RFP. Capital Investigations and Security Services, Inc. received the highest overall rating from the committee. A summary of the evaluations is attached.

Capital Investigations and Security Services, Inc. is currently providing uniformed armed security services at Edgerton Hi-Rise and is performing satisfactorily. Copies of the Employer Information reports for Capital Investigations and Security Services Inc. and the second highest-rated proposer, UPA Security, are attached.

Sufficient funds for this contract are recommended for approval in the FY 2016 Operating Budget that is on the agenda for this Board meeting.

MW/KNG

Attachments: Summary of Proposal Findings
Employer Information Reports

PUBLIC HOUSING AGENCY OF THE CITY OF SAINT PAUL

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

REGARDING HUD-Veterans Affairs Supportive Housing Program (VASH) Vouchers;
19 Additional Vouchers Received

DATE March 25, 2015

Staff requests Board approval of Resolution No. 15-03/25-01 to ratify the Agency's acceptance of 19 more Housing Choice Vouchers (HCV) under the HUD-Veterans Affairs Supportive Housing (VASH) Program. HUD-VASH is a partnership with the Veterans Administration Medical Center (VAMC) in Minneapolis. The new vouchers will bring the PHA's total of VASH vouchers to 159 and the total for all voucher programs to 4,608.

On March 6, 2015 HUD notified the Executive Director by e-mail (copy attached) that the PHA could receive these vouchers which are funded out of the FFY 2015 Appropriations Act. HUD's letter required the PHA to acknowledge its willingness to administer the vouchers immediately, first by sending an e-mail response within one week, and then by submitting a streamlined application within two weeks. Staff promptly completed both actions to meet those tight deadlines.

The VASH program is intended to assist homeless veterans by providing case management services through VA facilities and rent subsidies through PHAs. The VAMC identifies eligible veterans and refers them to the PHA, where they bypass the regular voucher waiting list. The PHA verifies only income eligibility and checks that no family member is subject to a lifetime registration requirement under a state sex offender registration program. If the family or individual meets those two eligibility requirements, the PHA issues the voucher and administers it like other Housing Choice Vouchers.

The table below shows the history of VASH vouchers awarded to the PHA. When this report was written 116 of the vouchers were under lease and 9 more were in process or shopping for a unit. Staff continue to work diligently to assure that an adequate number of referrals are obtained to ensure the maximum number of VASH vouchers are leased up.

Year	**VASH Award**
2009	35
2010	25
2011	25
2012	40
2013	15
2015	**19**
Total:	**159**

The PHA will receive additional administrative fees for these 19 vouchers.

Adding 19 vouchers to the current allocation will modestly increase staff workload but staff believes the current staffing levels are adequate. If the PHA continues to receive additions to the voucher supply, at some point it will be necessary to increase staffing again.

DJM/FAH

Attachments: Resolution
HUD Letter Offering VASH Vouchers

PUBLIC HOUSING AGENCY OF THE CITY OF SAINT PAUL

RESOLUTION NO. 15-03/25-01

APPLICATION TO THE UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT; FOR 19 HOUSING CHOICE VOUCHERS (SECTION 8) FOR THE HUD-VETERANS AFFAIRS SUPPORTIVE HOUSING (VASH) PROGRAM

WHEREAS, the Public Housing Agency of the City of Saint Paul (PHA) has undertaken the provision of decent, safe and sanitary housing for families pursuant to Section 8 of the United States Housing Act of 1937, as amended (42 USC 1437, et seq.); and

WHEREAS, the PHA currently administers a combined Section 8 Voucher Program with 4,589 units, including Housing Choice Vouchers, Mainstream/Disability Vouchers, Family Unification Program Vouchers and 140 vouchers under the HUD-Veterans Affairs Supportive Housing (VASH); and

WHEREAS, on March 6, 2015, HUD offered the PHA 19 more VASH vouchers to administer in partnership with the Veterans Administration Medical Center in Minneapolis; and

WHEREAS, staff recommends that the PHA accept this funding offered by HUD, to administer this program that will benefit more homeless veterans and their families, as well as the community;

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 PHA accepts HUD’s offer of 19 Housing Choice Voucher subsidies for the HUD-Veterans Affairs Supportive Housing (VASH) Program; and

2. The Executive Director or his designee is authorized to execute all documents required by HUD or the Veteran’s Administration to accept and administer the additional VASH vouchers.

3. Since HUD required the PHA to respond before the date of this Board meeting, these approvals are effective retroactively and ratify the staff’s acceptance of the vouchers.

PUBLIC HOUSING AGENCY OF THE CITY OF SAINT PAUL

REPORT TO COMMISSIONERS

FROM **JON M. GUTZMANN**
EXECUTIVE DIRECTOR

REGARDING Request for HUD Waiver to Continue Using Income and Asset Verification Provisions Authorized by HUD Notice on "Temporary Compliance Assistance"; Admission & Occupancy Policies for Public Housing and Section 8

DATE March 25, 2015

Staff recommends Board approval of Resolution No. 2015-3/25-05 to request a HUD waiver to continue using the following policies on verifying income and assets and approving "exception rents":

1. Allow households to self-report as to having assets worth $5,000 or less, and to self-report the income from such assets.

2. Allow "streamlined annual reexaminations" for elderly families and disabled families on fixed incomes.

3. Allow the PHA to approve an "exception rent" at 120% of the Fair Market Rent (FMR) if needed as a reasonable accommodation for a Housing Choice Voucher holder with a disability, without requesting HUD approval for each case.

On February 27, 2013 the Board approved adding the first two provisions temporarily to the Admissions and Occupancy Policies for both the Public Housing and Section 8 Housing Choice Voucher Programs, as permitted by HUD notice (PIH 2013-03) titled "Temporary Compliance Assistance". The notice authorized the policies until March 31, 2014, later extended until March 31, 2015. HUD staff had already given standing approval for the PHA to use exception rents at 120% of FMR so staff did not include it in the Board report in 2013. However, at this time HUD staff have recommended that it be included in the current waiver request to HUD.

On March 12, 2015 HUD notified all PHAs by email (copy attached) that they would have to request waivers by March 31, 2015 to continue using these provisions after that date. Staff is recommending that the PHA request a waiver, since these provisions do simplify program administration. (On January 6, 2015 HUD published a proposed rule on "Streamlining Administrative Regulations" that included these provisions. The PHA's comments on the proposed rule are in this Board packet. The final rule may not be published for several months.)

The 2013 HUD notice explained the policies as follows:

1. **Allow households to self-certify as to having assets of $5,000 or less**.

   "This Notice allows a PHA to accept a family's declaration of the amount of assets of less than $5,000, and the amount of income expected to be received from those assets. The PHA's application and reexamination documentation, which is signed by all adult family members, can serve as the declaration. Where the family has net family assets equal to or less than $5,000, the [PHA] does not need to request supporting documentation (e.g. bank statements) from the family to confirm the assets or the amount of income expected to be received from those assets. Where the family has net family assets in excess of $5,000, the PHA must obtain supporting documentation (e.g. bank statements) from the family to confirm the assets. Any assets will continue to be reported on HUD Form 50058."

2. **Allow optional streamlined annual reexaminations for elderly families and disabled families on fixed incomes**.

   "PHAs may opt to conduct a streamlined reexamination of income for elderly families and disabled families when 100 percent of the family's income consists of fixed income. In a streamlined reexamination, PHAs will recalculate family incomes by applying any published cost of living adjustments to the previously verified income amount.

   "For purposes of this notice, the term 'fixed income' includes income from:

   > "1. Social Security payments to include Supplemental Security Income (SSI) and Supplemental Security Disability Insurance (SSDI);
   >
   > "2. Federal, State, local, and private pension plans; and
   >
   > "3. Other periodic payments received from annuities, insurance policies, retirement funds, disability or death benefits, and other similar types of periodic receipts that are of substantially the same amounts from year to year."

3. **Allow PHAs to establish a payment standard of not more than 120 percent of the fair market rent (FMR) without HUD approval as a reasonable accommodation**.

   "Under current regulations, PHAs must request a waiver from a HUD Field Office for exception payment standards above 110% of the FMR; this process takes considerable administrative time for the PHA and, in some cases, the processing time for the waiver prevents the family from leasing the unit. Under this provision, PHAs may approve a payment standard of not more than 120 percent of the FMR without HUD approval if required as a reasonable accommodation for a family that includes a person with disabilities. This provision applies to the HCV program only and allows a PHA to establish a payment standard within limits currently permitted but designated for approval only by a HUD Field Office (24 CFR 982.503(c)(2)(B)(ii))...."

   With the Board's approval, staff will submit the waiver request to HUD staff in Washington and Minneapolis.

FAH

Attachment: Resolution No. 2015-3/25-05
March 12, 2015 HUD email to PHAs

SAINT PAUL PUBLIC HOUSING AGENCY

RESOLUTION NO. 2015-3/25-05

AMENDING THE ADMISSION AND OCCUPANCY POLICIES FOR THE PUBLIC HOUSING PROGRAM AND FOR THE SECTION 8 HOUSING CHOICE VOUCHER PROGRAM; "TEMPORARY COMPLIANCE ASSISTANCE"; VERIFYING INCOME AND ASSETS; EXCEPTION RENTS

WHEREAS, the Public Housing Agency of the City of Saint Paul (PHA) has in effect Admission and Occupancy Policies for the Public Housing Program and also Admission and Occupancy Policies for the Section 8 Housing Choice Voucher Program; and

WHEREAS, in 2013 the U.S. Department of Housing and Urban Development (HUD) issued a Notice designated PIH 2013-03, allowing housing agencies to temporarily relax some of the procedures for administering the public housing and Section 8 programs, including requirements for verifying income and assets; and

WHEREAS, HUD also gave approval for the PHA to use exception rents at 120% of FMR; and

WHEREAS, on February 27 and March 27, 2013 the PHA Board approved revising the Admission and Occupancy Policies for both programs as allowed by the HUD Notice to (1) allow households to self-report as to having assets worth $5,000 or less, and to self-report the income from such assets; and (2) allow "streamlined annual reexaminations" for elderly families and disabled families on fixed incomes; and

WHEREAS, on March 12, 2015 HUD notified all PHAs that they must request waivers by March 31, 2015 to continue using these provisions after that date; and

WHEREAS, the Board finds that those 2013 policy revisions continue to be necessary and appropriate to the administration of the Public Housing Program and the Section 8 Housing Choice Voucher Program;

NOW THEREFORE BE IT RESOLVED by the Board of Commissioners of the PHA as follows:

The Executive Director or his designee is authorized to request a HUD waiver to continue using the following provisions in the Admission and Occupancy Policies for the Public Housing Program and for the Section 8 Housing Choice Voucher Program:

1. Allow households to self-report as to having assets worth $5,000 or less, and to self-report the income from such assets; and

2. Allow "streamlined annual reexaminations" for elderly families and disabled families on fixed incomes, as defined in HUD Notice PIH 2013-3; and

3. Allow the PHA to approve an "exception rent" at 120% of the Fair Market Rent (FMR) if needed as a reasonable accommodation for a Housing Choice Voucher holder with a disability, without requesting HUD approval for each case.

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 25, 2015

Staff recommends Board approval to renew the Agency's Workers' Compensation insurance coverage with the League of Minnesota Cities Insurance Trust for the period of April 1, 2015 through March 31, 2016. The cost of this policy will be approximately $236,718, which is an increase of $43,988 (22.8%) 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 $275,383 ($38,665 higher). The PHA has contracted with the League of Minnesota Cities Insurance Trust for Workers' Compensation insurance coverage since 1991.

Related to the Workers' Compensation insurance program, the PHA has a separate policy with the League of Minnesota Cities Insurance Trust covering volunteers at a cost next year of $1,088. The premium is about 12% lower than the premium of $1,233 paid for the policy year of April 1, 2014 to March 31, 2015.

The 22.8% increase is due to two factors, the premium rates set by the League's Insurance Trust for each employee group, and the PHA's claims experience modification factor. The premium rate per $100 of payroll increased about 5% for all four employee groups (CHSP, Project Leaders, Maintenance, and Clerical). The claims experience modification factor increased from 0.80 last year to 0.91 for the coming year. (This factor alone raised the premium about $37,000.)

The experience modification factor is calculated by the Minnesota Workers' Compensation Insurance Association, Inc. and 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 0.80 covered three years of claims loss experience for the period from April 1, 2010 – March 31, 2013 ($138,755, $91,836 and $19,979) totaling approximately $250,570. This year's experience modification factor increased to 0.91 for injuries that occurred during the period of April 1, 2011 – March 31, 2014, with a current total cost of approximately $553,006 ($119,469, $239,522 and $194,015).

The experience modification factor has remained relatively stable over the past few years. A factor of 0.91 means that the Agency's employee injury rate is 9% below the average employee injury rate of 1.0. 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. With all the controls described below in place, staff believes that the PHA will continue to experience a lower than average employee injury rate. Staff will continue to monitor claims costs and will recommend changing the deductible amount in the future if the trends change.

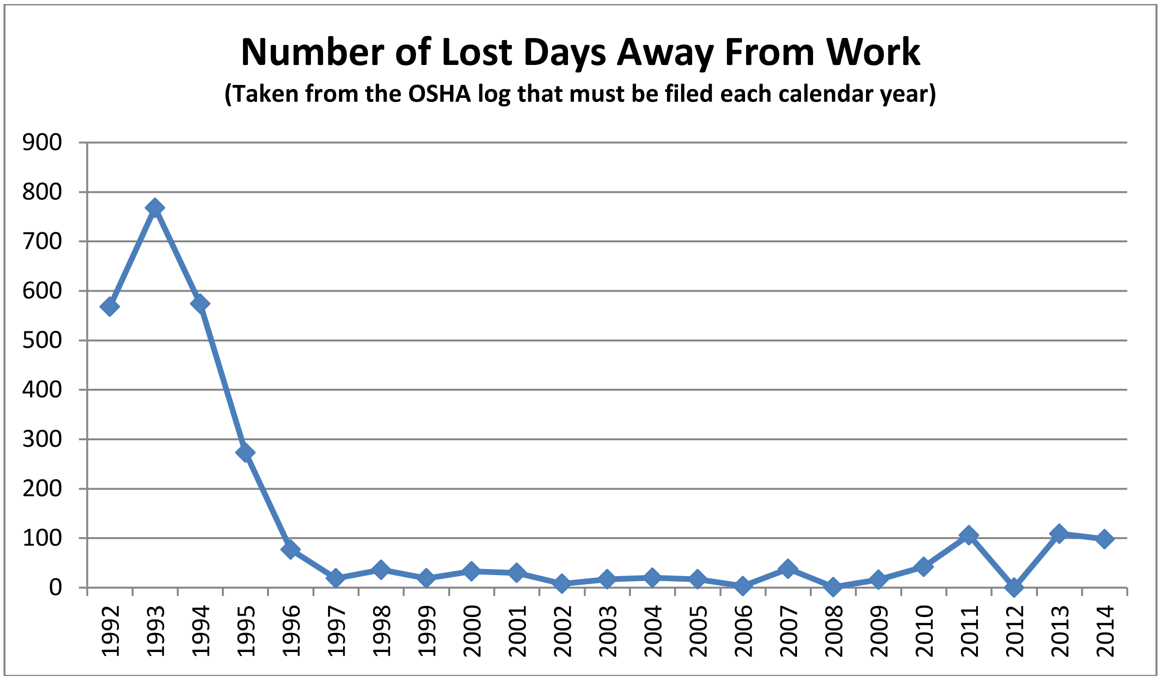
As shown on the charts below, the Agency's workers' compensation program has been very successful in reducing injury-related lost work time and costs, which has reduced the insurance costs. The PHA's ongoing management of its workers' compensation program costs has several components, including the following:

- 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 $37,739 less than if we chose the "one category" option.
- 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, Worker Compensation Modification Controllers (W.C.M.C.), continues to monitor our program closely and work with our staff, at an annual cost of approximately $22,000.

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 2016 Operating Budget recommended for Board approval at this meeting.

DMM/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
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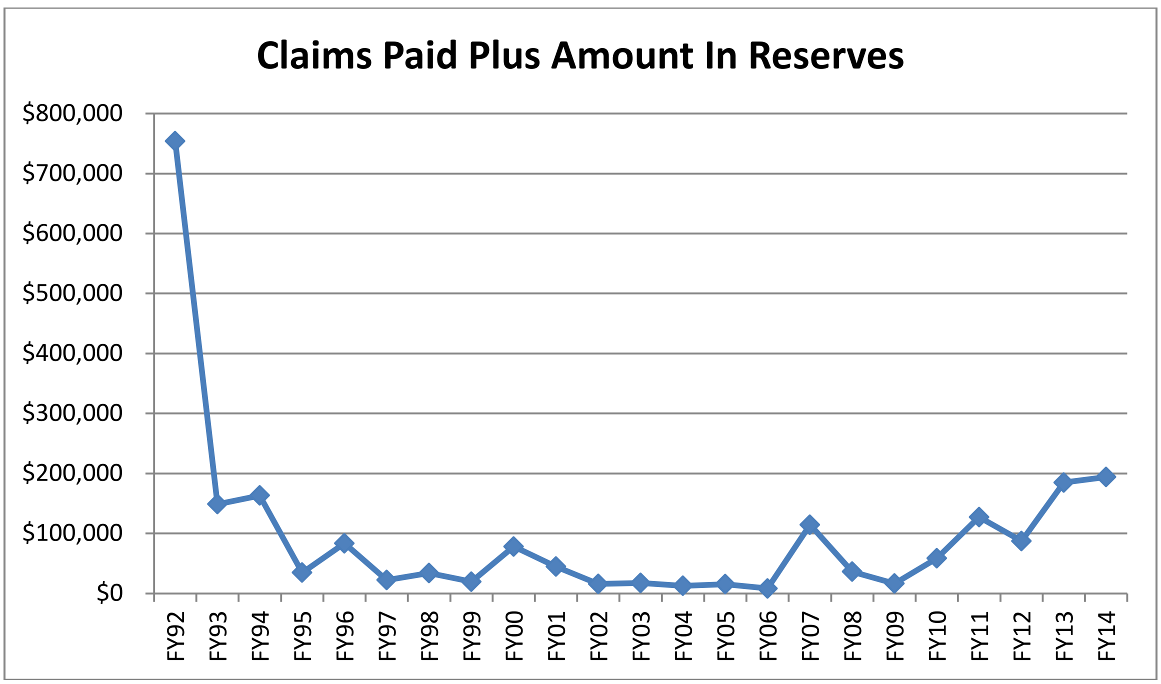
2010
2011
2012
2013
2014


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
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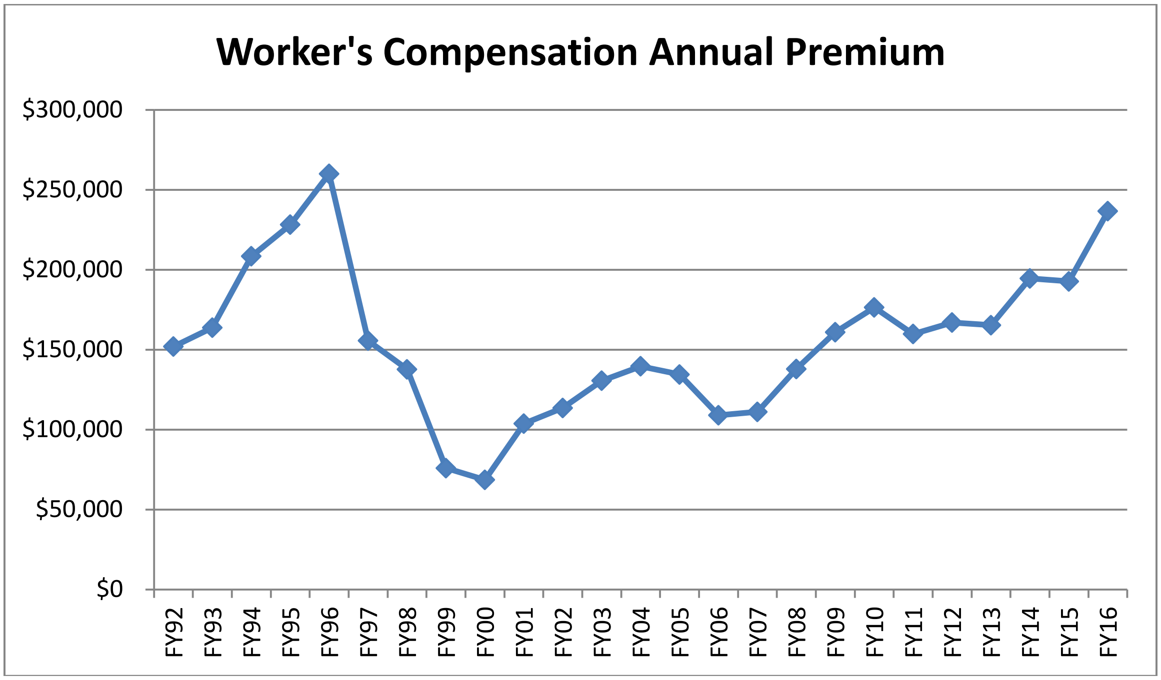
FY11
FY12
FY13
FY14


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
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FY06
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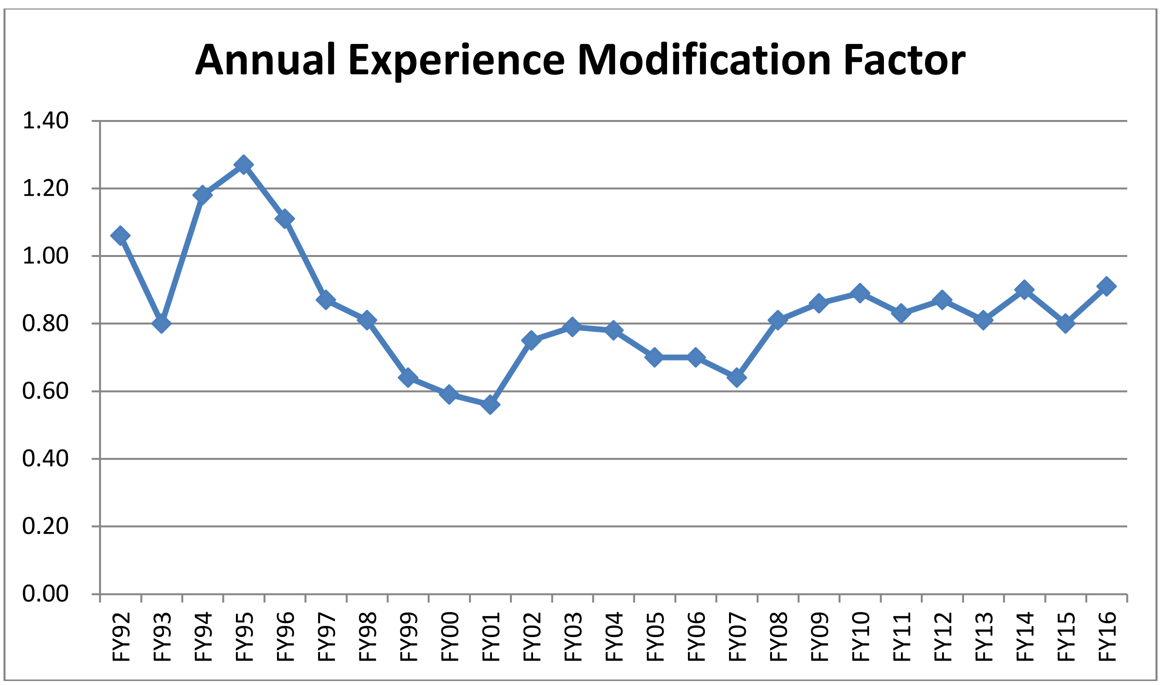
FY13
FY14
FY15
FY16


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