On March 23, 2016, the Saint Paul Public Housing Agency (PHA) Board of Commissioners approved the following actions:

- Low Income Public Housing Operating Budget for the Fiscal Year Ending March 31, 2016
- Section 8 Operating Budgets for the Fiscal Year Ending March 31, 2017
- Building Fund Budget for Fiscal Year Ending March 31, 2016
- Plumbing Modernization at Ravoux Hi-Rise; AMP 7, MN 1-16, Contract NO. 16-123
- Mt. Airy Homes Exterior Modernization; AMP 5, MN 1-3, Phase 2; Contract NO. 16-104
- Budget Approval: Mt. Airy Office Consolidation
- Application for Federal Home Loan Bank of Des Moines Grant; Dunedin Terrace Modernization
- Armed Security Guard Services at Edgerton Hi-Rise; AMP 3; Contract NO. 16-134
- Approval of Contract Settlement with City Employees' Union Local 363
- Renew Blue Cross/Blue Shield Medical Insurance Policy
- Workers' Compensation Policy League of Minnesota Cities Insurance Trust
- Cleveland Hi-Rise Parking Lot Expansion and Improvement; AMP 8, MN 1-11; Contract NO. 16-128
- Refuse Hauling Services at Hi-Rises Community Centers and 555 N. Wabasha; Contract NO. 16-137

Copies of these Board reports are available here…..

PUBLIC HOUSING AGENCY OF THE CITY OF SAINT PAUL

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

REPORT TO COMMISSIONERS		**FROM**	**JON M. GUTZMANN** **EXECUTIVE DIRECTOR**
REGARDING	Low Income Public Housing Operating Budget for the Fiscal Year Ending March 31, 2017	**DATE**	March 23, 2016

Staff recommends the Board adopt Resolution 16-3/23-01 approving the Low Income Public Housing (LIPH) Operating Budget, comprised of nine Asset Management Projects (AMPs) and the Central Office Cost Center (COCC), totaling $34,412,910, including the staffing changes described in this report. This report highlights revenues and expenses shown in the attached "Low Income Public Housing Proposed Income and Expense Budget" which was previewed at the last Board meeting as the new LIPH budget format. Line number references have been included to aid in locating information on the statement.

OVERVIEW: PROPOSED LOW INCOME PUBLIC HOUSING OPERATING BUDGET

The proposed Public Housing Operating Budget is based on an Operating Fund subsidy from HUD of $11,368,453 (Line #11) after an estimated prorated reduction of 17.0%. (That is, based on estimates from industry groups, we expect to receive only 83.0% of the full funding amount established by the Operating Fund formula.) The subsidy is $631,591 less than the PHA budgeted in FY 2016. Last year's PHA LIPH budget was also based on proration factor of 83.0%.

The FY 2017 Public Housing Operating Budget is proposing a deliberate draw on operating reserves in the amount of $3,525,440 (Line #47). However, as explained below, staff expects there will be a contribution to reserves of approximately $690,445 for FY 2016, resulting in an estimated ending FY 2016 reserve balance of $19,197,413. With the projected draw on reserves in the proposed FY 2017 Operating Budget, the operating reserve balance for the end of FY 2017 would be approximately $15,496,973 (5.59 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 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 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 nine AMPs and the COCC. For FY 2017, Asset Management-related fees totaling $3,791,360 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 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, Ravoux plumbing replacement), the proposed budget does not transfer any CFP funds to the COCC or the AMPs for administrative or operating expenses. 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 statements show that there will be a contribution to the Low Rent Public Housing operating reserves at the end of FY 2016, instead of the projected draw on operating reserves of $2,841,582 shown in the FY 2016 budget (Budget Revision #2). The final accounting for FY 2016 will not be completed until sometime in April 2016, but the current projections indicate that there will be a contribution to the operating reserves of approximately $690,000.

The turnaround from the budgeted draw on reserves to contributing to reserves is due to a combination of higher revenues (+ $2.2 million) and lower expenses (- $1.3 million). The increase in revenue is due almost exclusively to actual tenant rental income being greater than budgeted by approximately $1.64 million, and HUD subsidy being more than budgeted by approximately $500,000. Other income sources such as cell-site antenna revenue, excess utility surcharges and laundry commissions also varied by small amounts.

PROPOSED REVENUE:

The proposed FY 2017 budget projects Low Income Public Housing revenues of $30,887,470, an increase of $152,042 (0.5%) from $30,735,428 in the FY 2016 Budget Revision #2 approved by the Board January 27, 2016. Details are as follows:

1. Dwelling Rental Income (Line #1) for FY 2017 is projected to increase from $13,289,784 to $14,179,119 or $889,335 (6.7%) above the FY 2016 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 2017 is projected to increase from $611,580 to $653,420 (6.8%) due to annual increases on existing contracts.

4. Other Income (Line #5) is projected to increase from $471,840 to $771,578 (63.5%). The large increase for FY 2017 is due to a one-time transfer from Section 8 Housing Choice Voucher's Unrestricted Net Position (UNP) balance in the amount of $412,488. More details regarding this transfer are offered in the Board report on the Section 8 Operating Budgets for FY 2017.

5. Asset Management fees (Lines #7-9) are projected to decrease from $4,231,660 to $3,788,360 (-10.5%). This is due to the elimination of fees from the Capital Fund Program as explained above.

6. HUD Subsidy (Line #11) is projected to decrease by $631,591, from $12,000,044 to $11,368,453 (-5.3%) due to reduced eligibility and continued low proration estimates as described above.

PROPOSED EXPENDITURES:

The proposed FY 2017 operating budget shows total operating expenditures of $34,410,500 which is an increase of $833,490 (2.5%) from the FY 2016 (Revision 2) budget of $33,577,010. The proposed increases/decreases are highlighted below:

1. Administrative costs are proposed to increase overall by $171,050 (1.4%) from $12,162,340 to $12,333,390. Significant changes within this category are:
   a. Administrative Salaries (Line #12) are projected to decrease from $6,007,170 to $5,911,260 (-1.6%) due primarily to staffing reductions outlined below.
   b. Legal Expense (Line #13) is projected to increase by $26,460 from $459,800 to $486,260 (5.8%). This is due to increased employment law service needs by Human Resources and annual adjustments for the PHA's legal department.
   c. Staff Training (Line #14) is projected to decrease by $17,800 from $70,990 to $53,190 (-25.1%), reflecting the Agency's greater reliance on in-house training provided by experts on staff, sending fewer staff to outside training sessions, and an Agency-wide focus implementing the Maintenance Rethinking results.

   d. Administrative Sundry Expenses (Line #18) are projected to increase by $263,450 from $1,283,790 to $1,547,240 (20.5%). Communication services (desktop and cell phone, and internet connections) account for $158,280 of that increase, including a one-time cost for the optical fiber network connection at Mt. Airy. Administrative contract services add $105,450 including MIS contract cost increases, Emphasys products, and $20,000 for consultant services for a possible future property disposition application (recognizing the broader topic needs more discussion with the Board of course).

2. Tenant services costs are proposed to increase by $25,850 (2.5%) as follows:
   a. Salaries (Line #22) are projected to increase by $42,760 from $634,830 to $677,590 (6.7%) due to annual increases and staffing changes as described below.
   b. Other Expenses (Line #23) are proposed to decrease by $1,040 from $141,560 to $140,520 including Resident Participation funding. The Presidents Council is budgeted to receive one-time funding of $10,000 for "wellness programs".
   c. Contracts Expenses (Line #24) are proposed to decrease by $15,870 from $275,020 to $259,150 (-5.8%) due to reductions in other tenant training expenses.

3. Utilities Costs (Lines 25-31) are projected to decrease by $337,920 (-6.1%) compared to the FY 2016 budget (Revision #2). 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. Significant changes within this "formula driven" category are:
   a. Water and Sewer (Line #25) is projected to decrease by $37,260 from $2,082,710 to $2,045,450 (1.8%)
   b. Electricity (Line #26) is projected to decrease by $197,900 from $1,685,270 to $1,487,370 (-11.1%)
   c. Natural Gas (Line #27) is projected to decrease by $45,830 from $848,100 to $802,270 (-5.4%)
   d. District Energy (Line #30) is projected to decrease by $53,840 from $566,520 to $512,680 (-9.5%)

   e. Other Utilities (Line #31) is projected to decrease by $11,000 from $31,000 to $20,000 (-35.5%)
   f. Engineers Labor (Line #29) is projected to increase by $6,770 from $140,650 to $147,420 (4.8%).

4. Maintenance Costs are proposed to increase by $328,390 (4.4%). Significant changes within this category are:
   a. Maintenance Salaries (Line #32) are projected to increase by $92,850 from $4,402,050 to $4,494,900 (2.1%). This due to the staff changes described below and the annual salary increase.
   b. Material Costs (Line #33) are projected to increase by $60,450 from $956,870 to $1,017,320 (6.3%). This is due to proposed purchases of maintenance equipment valued under $5,000 and raised garden beds for family developments.
   c. Contract Costs (Line #34) are projected to increase by $175,090 from $2,072,040 to $2,247,130 (8.5%). This proposed increase is due primarily to expanded contract mowing services, a new elevator repair service contract, and required fire extinguisher testing.

5. Protective Services (Line #35) are proposed to increase by $20,230 (2.5%), due primarily to proposed increases in the ACOP contract and the private security contract at Edgerton Hi-Rise (recommended for approval at this meeting).

6. General Expenses (Lines 36-42) are proposed to increase overall by $45,800 (0.8%). 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 $42,200 (4.6%) from $915,870 to $958,070. Budgeted insurance costs are based on information received from the PHA's insurance provider.
   b. PILOT expenses (Line #37) are projected to increase by $14,530 (2.1%) from $687,130 to $701,660. 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 $31,660 (26.8%) from $118,200 to $149,880. 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 decrease by $50,110 (-20.7%) from $241,800 to $191,690. OPEB expenses are calculated based on actuarial analysis and must be budgeted and accrued on a yearly basis.

e. Employee Benefit Contributions (Line #40) are projected to increase by $7,520 (0.2%) from $4,039,710 to $4,047,230. Budgeted benefit contributions are directly related to salary activity.

7. Extraordinary maintenance costs (Line #44) are budgeted at $1,046,000, an increase of $582,500 (125.7%) from $463,500 the previous 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 2017 budget are the Mt. Airy Community Center office conversions/remodeling, community room furniture, and a higher amount for the managers' paint fund used to paint vacant family units to expedite turnaround time.

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 $1,180,000 for capital improvement items, and $75,000 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 2017, the Section 3 Training Fund is proposed to support the following activities:

1.	Contracted Coordinator	$17,000
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 youth job skills and post-secondary training	$9,000
5.	Provide a resident-owned business scholarship program	$1,000
6.	Administration expenses (supplies, stipends, mileage)	$1,200
	TOTAL	$38,200

PROPOSED STAFFING LEVELS: The agency-wide staffing level is proposed to decrease by 3.87 positions (full-time equivalents, or FTEs) in the FY 2017 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 Approved	FY 2016 Rev 1	FY 2017 Proposed	Increase (Decrease)
Department	FTEs	FTEs	FTEs	FTEs
Executive	3.00	3.00	3.00	0
Human Resources	4.00	4.25	3.50	(0.75)
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	13.75	(2.25)
Maintenance	99.00	99.00	98.00	(1.00)
Resident Services	83.48	84.98	84.61	(0.37)
Resident Initiatives	1.50	1.50	2.00	0.50
TOTAL	**230.73**	**232.73**	**228.86**	**(3.87)**

Details of the FTE changes proposed in the FY 2017 Operating Budget are as follows:

<u>PROPOSED INCREASES:</u>

Executive
- +1.00 FTE – Add Administrative Support Technician

Finance
- +0.25 FTE – Increase Business Systems Analyst

Resident Services
- +1.00 FTE – Shift Administrative Support Assistant from Executive
- +1.00 FTE – Add Resident Services Manager

Resident Initiatives
- +0.50 FTE – Increase Program Coordinator

Section 8
- +0.50 FTE – Increase Assistant Section 8 Programs Manager
- +1.00 FTE – Add Housing Inspector

PROPOSED DECREASES:

Executive
- - 1.00 FTE – Shift Administrative Support Assistant to Resident Services

Human Resources
- - 0.75 FTE – Eliminate Vacant Human Resources Generalist

Finance
- - 1.00 FTE – Eliminate Vacant Administrative Support Professional
- - 1.00 FTE – Eliminate Vacant Business Systems Analyst
- - 0.50 FTE – Eliminate Vacant Administrative Support Technician

Maintenance
- - 1.00 FTE – Eliminate Vacant Leadperson

Resident Services
- - 0.56 FTE – Eliminate Occupied Administrative Support Assistant
- - 0.56 FTE – Eliminate Occupied Administrative Support Assistant
- - 0.75 FTE – Eliminate Occupied Administrative Support Assistant
- - 0.50 FTE – Reduce Vacant Assistant Resident Services Manager

Section 8
- - 1.00 FTE – Eliminate Vacant Assistant Section 8 Programs Manager
- - 0.50 FTE – Eliminate Housing Inspector

SUMMARY:

The FY 2017 Low Income Public Housing Operating Budget provides the spending blueprint to implement established Agency Goals including but not limited to: asset preservation (preserving the $608 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, FTE reductions where possible, Maintenance Department Rethinking focus, etc., all to cope with the "new normal" of 83% - 85% subsidy proration. Income, Expense, and Reserve headlines this year are:

a. **Income:** Increases in tenant rent and a one-time allowed transfer in from Pre-2004 Section 8 HCV administrative fee reserves are largely offset by decreases in HUD Operating Subsidy (83% proration) and a deliberate reduction in the Capital Fund Program (CFP) transfer. Result: Net income increases $152,042 (0.5%) from the FY 2016 approved budget.

b. **Expenses:** Ongoing process improvements and the Valley/Mt. Airy office closure/consolidation allow the FY 2017 operating budget to reduce staffing by 3.87 FTE's in this budget (and 4.5 FTE's on an annualized basis, saving an estimated $432,276). This FTE decrease is offset by recently approved salary increases but still produces a net savings of $95,910 (line 12). A formula driven reduction in Utility expenses (saving $337,920) is largely offset by increases in Maintenance salaries, materials and contracting (adding $328,390). These and other expenses result in a Total Routine Expense (line 43) projected at $33,219,880. This is an increase of $191,370 (4.7%) from the FY 2016 approved budget. Line 44 (extraordinary maintenance) increases from $463,500 to $1,046,000 (up $582,500) as a proposed structural correction (transfer back to LIPH certain capital expense categories that migrated from LIPH to the CFP budget over the years). Carefully managing and allowing certain capital expenses in LIPH (balancing against optimal reserve levels) permits the CFP budget to be used for larger capital improvements.

c. **Reserves:** Line 52 projects year end reserves (Net Restricted Position) at $15,496,973, or approximately 5.59 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 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 2017 Low Rent Public Housing Operating Budget
2. Board Resolution 16-3/23-01, HUD 52574 with Attachment for Asset Management Projects
3. Staffing (FTE) History FY 1990 – FY 2017

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, 2017

DATE March 23, 2016

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 $40,334,381 for FY 2017 (a resolution is not required). This is an increase of $599,935 (1.51%) compared to FY 2016 Revision #1 budgeted expenses of $39,734,446.

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 Congressional appropriation for HAP in Calendar Year 2016 was intended to provide full funding, however the PHA's funding notice shows slightly less (approximately -0.42%) than the "full funding" amount under the renewal formula. Program-wide Section 8 expenses for Housing Assistance Payments (HAP) to property owners are projected to be $35,692,731, to be paid from HUD HAP subsidies estimated at $35,580,543, supplemented by approximately $112,188 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 $1.93 million now.

Section 8 Administrative Fees for this proposed budget are estimated based on CY 2016 methodology and fee rates, and then pro-rated down to 80% of the formula amount, based on HUD guidance, because of 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 4,441). (No fee is paid for unit-months leased that exceed the PHA's authorized limit.) The administrative fee for CY 2016 is $82.79 for the first 7,200 unit-months leased (yearly total) and $77.27 for the remaining unit months leased, up to the PHA's maximum authorized units.

Program-wide Section 8 administrative expenses are proposed at $3,641,650 for FY 2017. Revenues to pay those expenses total $3,758,493. 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 $62,075 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 $54,778. This results in a projected total contribution to the UNP of $116,843 at the end of FY 2017. (By comparison, the FY 2016 Section 8 administrative fee budget projected a draw on UNP of $135,824.) At the end of February 2016 the PHA-held UNP balance was $1,458,788.

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:

1. Section 8 Housing Assistance Payments (HAP) subsidy is expected to be $35,580,543, an increase of $353,128 (1.00%) compared to the FY 2016 Rev #1 budget amount of $35,227,415. 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 159 VASH Vouchers, 100 Family Unification Program Vouchers, and 257 Preservation Vouchers, in addition to the 3,925 "regular" HCVs, for a total of 4,441 vouchers, excluding the special programs immediately below. The proposed budget for the Housing Choice Voucher program shows an increase of $360,616 (1.06%).
   b. The Disability Voucher budget (117 vouchers) shows a flat budget as renewal funding has not been determined by HUD yet and staff estimate utilization to remain the same as in previous years.
   c. The Moderate Rehabilitation Single Room Occupancy (Mod Rehab SRO) project at Catholic Charities' Mary Hall (75 units) shows a decrease of $7,200 (-2.21%).
   d. The Mod Rehab SRO project at Salvation Army's Booth Brown House Foyer (6 units) shows a decrease of $288 (-1.19%).

2. Section 8 Administrative Fee subsidy is expected to be $3,507,975, an increase of $343,865 (10.87%) program-wide from FY 2016 Rev #1 budgeted amounts, primarily due to expected higher proration rates (increasing from 75% to 80%). The budget for administrative fees for Disability Vouchers increased (3.23%) while the Mod Rehab SRO programs (Mary Hall and Booth Brown) showed a similar increase (3.23%).

3. Portability revenue is budgeted at $1,000,000 for HAP and $106,818 for administrative fees, for a total of $1,106,818, compared to $497,006 last year, an increase of $609,812 (122.8%). 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 2017 budget more closely aligns the HAP budget amount with actual activity over the past few years and expected reductions in absorptions from other agencies for FY 2017. 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 portability administrative fee to St. Paul.

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

SECTION 8 - PROPOSED EXPENDITURES:

1. Housing Assistance Payments (HAP) are proposed at $35,692,731, which is a decrease of $101,065 (-0.28%) from the FY 2016 amount of $35,793,796. 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.

2. Administrative expenses are proposed at $3,641,650, which is an increase of $101,000 (2.85%) from $3,540,650 in FY 2016 Revision #1.

    a. Salaries and Benefits. Salaries are decreased by $41,500 (-2.33%) and employee benefits are decreased by $19,320 (-2.89%).

    b. Staff training is increased by $5,690 (37.93%, from $15,000 to $20,690) due to additional tuition reimbursement requests and several staff participating in industry specific training.

    c. Other Administrative expenses are increased by $113,380 (34.74%, from $326,390 to $439,770) due partly to additional inspection services.

    d. Budgeted insurance expenses are increased by $6,450 (10.89%, from $59,230 to $65,680). Insurance costs are calculated based on industry assumptions and are applied to each program as applicable.

    e. Budgeted terminal leave payments are decreased by $6,080 (-84.44%, from $7,200 to $1,120). Terminal leave payments are an estimate based on a three year average of past activity.

f. "Other Post-Employment Benefits" (OPEB) are increased by $4,550 (19.78%, from $23,000 to $27,550). OPEB costs are calculated based on actuarial assumptions.

g. Budgeted portability fees are increased by $60,000 (31.58%, from $190,000 to $250,000. 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 2017 budget more closely aligns the budgeted amount with historical actual expenses.

h. Equipment is decreased by $29,760 (-30.41%, from $97,860 to $68,100). This is due to reductions in new computer hardware and software needs from the previous year.

In addition to the proposed operating revenues and expenditures, staff are proposing a one-time transfer of $412,488 from the Section 8 Housing Choice Voucher's Unrestricted Net Position (UNP) to the Low Income Public Housing (LIPH) program. This is permitted by HUD Notice PIH-2011-059 issued October 27, 2011. Further background is as follows:

> The Section 8 Administrative Fee Reserves (now UNP) are separated into two categories: "pre-2004" and "post 2004" reserves. The FFY 2004 Appropriations Act included language that restricted the use of future administrative fees ("post 2004 fees") to "activities related to the provision of Section 8 tenant based rental assistance". However, HUD provided guidance in the October 27, 2011 notice confirming that excess administrative fees accumulated prior to the beginning of FFY 2004 (October 1, 2003) could be used for "Other Housing Purposes permitted by State and local law", not just for Section 8-related expenses. The PHA's balance of the "pre-2004" administrative fee reserves is $412,488. The transfer of these funds to offset extraordinary maintenance needs of the public housing properties in FY 2017 falls within the scope of "other housing purposes" and makes sense as a one-time contribution. The Housing Choice Voucher program's Unrestricted Net Position balance is sufficient to accommodate this transfer

without compromising the program's overall net position. The projected ending FY 2017 Unrestricted Net Position balance, after projected contributions and the transfer described, will be $923,309.

JMG/RPM/AJH

Attachments:
1. Section 8 Program-Wide Proposed FY 2017 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 Building Fund Operating Budget for Fiscal Year Ending March 31, 2017

DATE March 23, 2016

Staff requests Board approval of the proposed budget for the Building Fund for Fiscal Year 2017.

<u>Summary of Proposed FY 2017 Building Fund Budget</u> (compared to FY 2016):

Proposed Revenue:

The FY 2016 Building Fund Operating Budget was approved by the Board on March 25, 2015. The budget anticipated total Building Fund revenues of $865,230. The proposed FY 2017 budget projects revenues at $815,340, which is a reduction of $52,090 (-6.0%) from last year's projected revenues. This reduction is due to the building's anchor tenant not renewing the lease for a portion of their previously occupied space, and a lease concession reducing the rent per square foot for a period of two years. Concessions such as this are common business practice utilized to secure long term space lease contracts.

FY 2017 revenues will come from four sources:

PHA office rental	$539,530
Tenant rent	182,700
Parking rent	88,110
Interest	5,000
Total Revenue	$815,340

Proposed Expenditures:

The FY 2017 budget proposes total operating expenditures of $679,170, which is a decrease of $27,980 (4.0%) compared to the FY 2016 budget amount of $707,150.

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

1. Miscellaneous expenses decreased by $4,220 due primarily to the elimination of funding for the AmeriCorps CTEP program. This reduction was partially offset by adding $1,000 to existing funding for the Urban Beekeeping program launched in FY 2016, and $1,500 for increased rental marketing efforts for currently vacant space.
2. Utilities expense increased $1,350 due to the net effect of projected increases in water costs and decreases in electric costs.
3. Maintenance contract costs decreased by $3,200 due primarily to a projected decrease in HVAC service/repair costs for the building in FY 2017.
4. General expenses decreased by $1,390 due primarily to a projected reduction in insurance and real estate tax expenses for FY 2017.
5. Extraordinary maintenance decreased by $21,000 due to repair of sills and roof pitch pockets not completed in FY 2016 being classified as routine maintenance for FY 2017.

Building Fund Summary:

The proposed budget shows revenues exceeding expenses by $136,170. 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 $2,544,377 at the end of the current fiscal year.

RPM/AJH

Attachments:
Annual Report FY 2016 – Narrative
Proposed Budget and Management Plan for FY 2017 – Narrative
Proposed FY 2017 vs. FY 2016 Comparison
Proposed FY 2017 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 2016

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 2016 Budget

On March 25, 2015 the Board accepted the report on Costs and Operations through the End of Fiscal Year 2015 and approved the Proposed Budget and Management Plans for FY 2016. These documents have guided the operation of the W. Andrew Boss Building for the past year.

3. Report on FY 2016 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 23, 2016 the W. Andrew Boss Building is 97% occupied. The lease for the Agency's anchor tenant was renewed until August 31, 2022. Three percent (3%) of the space reverted back to the PHA with downsizing by the tenant. Staff will 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.

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	707,150	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 2017

All of the cash flow projections and expense analyses were based on unaudited financial information as of December 31, 2015.

1. Request for Approval of Building Fund proposed budget: FY 2017

See the attached "REVENUE AND EXPENSE BUDGET, FY 2017 vs. FY 2016 COMPARISON." The attached proposed budget for FY 2017 shows a net operating gain (revenues minus expenses) budgeted at $136,170, compared to a net operating gain budgeted at $158,080 in FY 2016. This is a decrease of $21,910.

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	Plumbing Modernization at Ravoux Hi-Rise MN 1-16, AMP 7 Contract No. 16-123	**DATE**	March 23, 2016

Staff requests Board approval to award a contract for plumbing modernization at Ravoux Hi-Rise (MN 1-16, AMP 7), to the lowest responsible bidder, Frerichs Construction Company, St. Paul, Minnesota, for their base bid amounts totaling $3,583,998. A copy of the March 8, 2016 bid tabulation is attached. To coincide with the 2016 Capital Fund Program (CFP) grant's availability, staff is requesting approval to execute the contract on or after April 13, 2016.

The bid specifications required separate bids for the two parts of the plumbing modernization contract, with the two bids combined to determine the low bidder overall. Frerichs Construction submitted a bid of $2,853,999 for Part 1 of the work that will begin in July 2016 and a bid of $729,999 for Part 2 of the work that will begin in April 2017. Because the total of the two base bids is within the consultants' cost estimates, Deduct Alternates #1 and #2 will not be used. (Had the base bids exceeded the estimates, staff would have recommended accepting one or both deduct alternates, reducing the scope of work and the cost.) Staff believes the combined bid is reasonable.

The plumbing modernization work will consist of the following in each of the 220 apartments:

- Removing existing kitchen cabinets and countertops
- Replacing all hot and cold water supply piping
- Replacing vent stacks and waste lines
- Rebuilding walls and shower ceilings and painting
- Installing new kitchen cabinets, countertops, sinks and faucets
- Replacing shower heads and mixing valves
- Cleaning exhaust ducts.

The contract also includes the following work in the basement/crawl space of the building:

- Replacing hot and cold water supply lines and isolation valves
- Replacing domestic hot water heaters and hot water storage tanks
- Cleaning the sanitary sewer lateral lines.

Frerichs Construction Company has performed satisfactorily on other major PHA modernization projects. Frerichs intends to subcontract 6.2% of the contract work to minority business enterprises (MBE) and 4.1% of the contract work to women-owned business enterprises (WBE). Frerichs will also provide building trades pre-apprenticeship opportunities for PHA residents by participating in the "Step-Up" program. Frerichs intends to comply further with Section 3 requirements by hiring at least 30 % of their new hires for this contract from qualified Section 3 residents. Copies of the Employer Information Reports for Frerichs Construction Company and the second low bidder, Weber Inc. are attached.

There are sufficient funds in the 2015 and 2016 CFP grants to pay for this contract. However, doing so would delay other urgently-needed major preservation and modernization projects, because the CFP grants (current and anticipated) will not be sufficient to cover those costs, too. Therefore the PHA will apply for grants and loans funding from Minnesota Housing through the Publicly Owned Housing Program (POHP) and the Federal Home Loan Bank of Des Moines, as described in other reports for this meeting. Funds from those sources, if approved, would allow the Ravoux plumbing modernization and other projects to be completed more quickly, causing less disruption for residents, staff and service providers.

BLA/DAL/SEA

Attachments: Bid Tabulation
Employer Information Reports (EEO-1)

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 2
Contract No. 16-104

DATE March 23, 2016

Staff requests Board approval to award a contract for Mt. Airy Homes Exterior Modernization (AMP 5, MN 1-3), Phase 2 to the lowest responsible bidder, Minnesota Construction Inc., Rosemount, Minnesota, for the base bid less Deduct Alternates #1,# 2 and #3, for a total amount of $2,025,097. The unit bid prices shown in the attached March 9, 2016 bid tabulation would also be included in the contract. Staff recommends acceptance of Deduct Alternates #1, #2 and #3, reducing the scope of work that was in the base bid, to meet the limited funding available from the Capital Fund Program (CFP). To coincide with the 2016 CFP grant's availability, staff is requesting approval to execute the contract on or after April 13, 2016.

Phase 2 of the Mt. Airy Homes Exterior Modernization will modernize the exteriors of 40 dwelling units in 12 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 sixteen units in six buildings.)

Minnesota Construction has performed satisfactorily on previous work for the PHA, including Phase 1 of the Mt. Airy Exterior Modernization in 2015. Copies of the Employer Information Reports for Minnesota Construction and the second lowest bidder, Flannery Construction, are attached. Minnesota Construction will exceed HUD's Section 3 requirement by subcontracting at least 25% percent of the total contract to Section 3 subcontractors. The contractor will subcontract 25% 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. There are sufficient funds to accomplish this work from the 2016 Capital Fund Program.

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 Budget Approval:
Mt. Airy Office Consolidation

DATE March 23, 2016

Staff requests Board approval to proceed with office consolidations at Mt. Airy Hi-Rise, Mt. Airy Community Center and Valley Hi-Rise, as discussed at the January 27, 2016 meeting and as shown in greater detail in the attachments. At the January meeting the Board granted concept approval to proceed with consolidating the offices and creating new public housing dwelling units at Valley Hi-Rise in the space to be vacated by the office moves. As shown on the attached budget, the estimated costs for consolidating the offices total $248,000. That amount is included in the Operating Budget recommended for approval at this meeting.

The attached "Stakeholder Handout" illustrates the proposed plan. Staff presented the proposed office consolidation plans to stakeholders including the Mt. Airy Family Resident Council on February 16, Mt. Airy Community Center service providers on February 17, and the Mt. Airy Hi-Rise Resident Council on March 8, 2016. All of those groups supported the PHA's office consolidation plans. With the Board's approval, the Resident Services Management office currently located at the Mt. Airy Hi-Rise, with approximately eight staff members, will move to underutilized office space at the Mt. Airy Community Center. Construction at the Mt. Airy Community Center will begin in early June and will be completed by late August. Benefits of this move include better utilization of office space at Mt. Airy Community Center, closer communication between Resident Services Staff and Community Center service providers, and a PHA Management presence at the Community Center similar to the model that has proven successful at McDonough, Roosevelt, and Dunedin. Staff estimates construction and costs at the Mt. Airy Community Center to be $101,500.

As shown on the handout, a new Hi-Rise Resident Services Management office will be constructed in the existing Mt. Airy Hi-Rise Community Room, to maintain a Resident Services Management presence in the hi-rise.

The Maintenance Contracting office currently located at the Valley Hi-Rise, consisting of about ten staff members, will relocate to the vacated offices at the Mt. Airy Hi-Rise, as shown on the handout. The construction work at Mt. Airy Hi-Rise will begin in late August and be completed by late November. The benefits of moving the Maintenance Contracting office to Mt. Airy Hi-Rise include connecting that staff group to the Maintenance Management and Administration offices currently located at Mt. Airy Hi-Rise, saving on operational costs for the Maintenance Department. Staff estimates the construction costs at Mt. Airy Hi-Rise to be $146,500.

Another benefit of moving the Maintenance Contracting office to Mt. Airy Hi-Rise is that the space formerly used for the Maintenance Contracting offices at Valley Hi-Rise can be converted into four to six public housing dwelling units. This will allow the PHA to house more low income individuals who are on the Public Housing waiting list, while utilizing some of the PHA's "shelved" public housing subsides. After the new McDonough 12-plex is completed, only ten public housing subsidies will remain on the shelf.

JMG/BLA/JTL

Attachments: Project Plan
Cost Estimate
Stakeholder Handout

PUBLIC HOUSING AGENCY OF THE CITY OF SAINT PAUL

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

REGARDING Application for Federal Home Loan Bank of Des Moines Grant; Dunedin Terrace Modernization **DATE** March 23, 2016

Staff recommends Board approval to apply for a grant from the Federal Home Loan Bank of Des Moines (FHLBDM) for funding for the final phase of Dunedin Terrace modernization through the FHLBDM's 2016 Competitive Affordable Housing Program. On October 28, 2015 the Board approved submission of applications for six other PHA modernization projects with high costs. A copy of that Board report is attached.

Staff believes completing the Dunedin Terrace modernization has equal priority with the other projects listed in the October report. As explained in the October report, the maximum FHLBDM grant for a single project is $500,000. Staff also plans to request funding for completing the Dunedin Terrace modernization from Minnesota Housing's Publicly Owned Housing Program (POHP) in the fall of 2016, if the Minnesota Legislature approves additional funding for that program. The total cost to complete the Dunedin modernization will be approximately $2 million.

With the Board's approval, staff will solicit interest from FHLBDM member agencies whose participation is required as part of the PHA's applicant team.

DAL/JMG/

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. 16-134

DATE March 23, 2016

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 proposed contract includes options to extend it for a second and third year at no more than a 5% increase in rates, but the maximum contract amount for each year would remain the same. 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.

The Board first approved staff's recommendation to award a contract for these services a year ago (March 25, 2015), 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. Staff believes the contracted security guard services have proven to be an effective supplement, counteracting some of the negative conditions that were described in last year's Board report as follows:

> Edgerton 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 continues to believe that contracting for armed security guard services is a necessary component of 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 eight 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 March 1, 2016. Representatives from two security firms attended the meeting and tour.

Three firms submitted proposals, 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 received the highest overall rating from the committee. A summary of the evaluations is attached.

Capital Investigations and Security Services, Inc. has been providing uniformed armed security services at Edgerton Hi-Rise for the past year and is performing satisfactorily. Their proposal did not change their rates for the contract services for the coming year. Copies of the Employer Information reports for Capital Investigations and Security Services Inc. and the second highest-rated proposer, G4S Security, are attached.

Sufficient funds for this contract are recommended for approval in the FY 2017 Operating Budget that is on the agenda for this Board meeting.

MW/KNG

Attachments: Summary of Proposal Evaluations
Employer Information Reports

PUBLIC HOUSING AGENCY OF THE CITY OF SAINT PAUL

REPORT TO COMMISSIONERS

FROM **JON M. GUTZMANN**
EXECUTIVE DIRECTOR

REGARDING Approval of Contract Settlement
With City Employees' Union Local 363

DATE March 23, 2016

Staff requests Board approval of the tentative agreement on contract wages and language reached with City Employees' Union Local 363 (formerly Local 132, Construction and General Laborers' Union) representing most of the PHA's maintenance staff (about 72 employees).

The tentative agreement covers three years (January 1, 2016 to December 31, 2018) and calls for a wage and LIUNA pension contribution increase totaling 3.0 percent in each of the three years. The tentative agreement also includes language establishing the PHA's medical insurance contribution amounts effective July 1, 2016, July 1, 2017, and July 1, 2018. The previous contract ran from January 1, 2013 until December 31, 2015 but it continues in effect until changed or terminated.

The highlights of the tentative agreement recommended for approval are as follows:

WAGE RATE INCREASES

Retroactive to January 1, 2016, and on January 1, 2017 and January 1, 2018 the salary schedule published in Article 11.1 will be adjusted according to the wage rates shown on the attached chart.

The listed wage rate increases and the additional amounts contributed by the PHA toward the LIUNA (Laborers' International Union of North America) pension total 3.0% retroactive to January 1, 2016, 3.0% effective January 1, 2017, and 3.0% effective January 1, 2018 for all Local 363 covered employees.

The proposed Local 363 wage rate increases and Agency contributions to the LIUNA pension effective January 1, 2016 would increase the annual payroll by approximately $103,900, for a new annual total of about $3,865,250 for Local 363 covered employees. The recommended second year increases would add about $106,250, for a new annual total of $3,971,490. The recommended third year increases would add about $108,620 for a new annual total of $4,080,110. The average hourly salary (not including the LUINA pension) for a Local 363 covered employee would be $23.34 in 2016, $23.82 in 2017, and $24.29 in 2018.

Staff conducted a survey of several local governmental organizations including the Minneapolis Public Housing Agency, the City of Minneapolis and Ramsey County. All of the entities have three year agreements, and provided average salary increases in the range of 2.0% – 11.0% (a combination of general and step increases). The wage increases proposed in this recommendation are in line with those averages. Most public employers' labor contracts include automatic step increases that average between 3.0% and 6.0%, which employees receive on their employment anniversary date. Those employers generally do not include the cost of the step increases when they report wage and salary increases.

PHA CONTRIBUTIONS TO LIUNA NATIONAL PENSION FUND

On January 1, 2003 the PHA agreed to allow Local 363 employees (then Local 132, Construction and General Laborers' Union) to join the Laborers' International Union of North America (LIUNA) National Pension Fund, in addition to the PHA's standard pension plan. This arrangement provided employees with an additional benefit and the Union agreed that the cost of this additional benefit would be paid 100% out of the employee's normal salary increases in that year and future years.

The PHA's contributions to the LIUNA pension plan under this contract will be an additional $0.20 per standard work hour retroactive to January 1, 2016, $0.22 per standard work hour effective January 1, 2017, and $0.24 per standard work hour effective January 1, 2018. This brings the total amounts paid toward the LIUNA pension fund for all paid standard hours to $2.12 effective January 1, 2016, $2.34 on January 1, 2017, and $2.58 on January 1, 2018. These amounts are included in the costs of the wage increases stated above.

PHA CONTRIBUTION TOWARD MEDICAL INSURANCE

Staff is recommending Board approval to increase the monthly PHA contribution amounts paid toward the cost of employees' medical insurance as shown below. These are the same benefit increases that the Board approved for AFSCME employees and the Supervisory and Confidential group on November 25, 2015.

- On July 1, 2016 the PHA will increase its employee contribution by 3.5%. This is added to the base amount the PHA paid effective July 1, 2015. (The dollar amounts are listed on the following page and on an attachment.)
- On July 1, 2017, the PHA will increase its employee contribution by 3.5%. This is added to the base amount the PHA paid effective July 1, 2016.
- On July 1, 2018, the PHA will increase its employee contribution by 3.5%. This is added to the base amount the PHA paid effective July 1, 2017.

These recommended increases would continue the PHA's pattern of annually increasing its contribution to employees' medical insurance costs by 3.5%, which was first approved by the Board in 2011. Blue Cross/Blue Shield did not increase the insurance premiums that year but the PHA nevertheless committed to a 3.5 % increase in its contribution, with the intent of leveling out its annual cost increases rather than changing each year as premiums changed by varying amounts. Blue Cross/Blue Shield announced again this year that their premiums would not go up on July 1, so the PHA's increasing its contribution on behalf of workers effectively increases employees' take-home pay. In the case of Local 363, the difference is equivalent to an additional wage increase of about 1%, based on average salaries of covered employees. The table at the end of this report shows the history of premium increases and PHA contributions.

Consistent with the approach approved by the Board on April 28, 2008, the Agency pays the same dollar amounts regardless of the level of coverage (High Deductible, Basic, Standard, or Premium) chosen by the employee. Effective July 1, 2016, staff is recommending that those payments be raised to the following amounts based on the 3.5% increase:

- $752.00 for single coverage (up from $726.00)
- $1,181.00 for single plus 1 coverage (up from $1,102.00)
- $1,348.00 for family coverage (up from $1,258.00).

Effective July 1, 2017 staff is recommending that those payments be raised 3.5% to:

- Single: $779.00
- Single +1: $1,223.00
- Family: $1,396.00

Effective July 1, 2018 staff is recommending that those payments be raised 3.5% to:

- Single: $807.00
- Single +1: $1266.00
- Family: $1,445.00

For employees who choose the High Deductible option, the above amounts are divided between paying for the insurance premium and contributing the difference to the Voluntary Employee Benefits Association (VEBA) account that allows the employee to pay for out-of-pocket expenses with pre-tax dollars.

Using the December employee census, the annual cost of the recommended July 1, 2016 increase for the Agency's contribution for the Local 363 employee group is approximately $25,000, for a total Agency cost of $724,500 for Local 363 employee medical insurance premiums from July 1, 2016 to June 30, 2017. Medical insurance cost increases during FY 2016 were included in the Operating Budget approved by the Board on March 25, 2015 and are also recommended in the FY 2017 Operating Budget that is on the agenda for approval at this meeting.

The annual cost for the July 1, 2017 increase for the Agency's contribution would be approximately $25,400, for a total of approximately $749,900; and the annual cost for the July 1, 2018 increase in the Agency's contribution would be approximately $26,250, for a total of approximately $776,100.

ADDITIONAL CHANGES

In addition to these changes to salaries, LIUNA Pension contributions, and health insurance, the tentative agreement also includes the following changes:

1. **Scheduling Vacations of Three Days or More (Article 13.3)**: In accordance with the Agreement, Local 363 employees schedule vacation time based on seniority, with the most senior employees having first choice of vacation days. In response to Local 363's request for greater flexibility for staff who may need to cancel a previously-approved vacation of three days or more, the PHA is recommending the inclusion of the following language:

    > Once the vacation schedule (of three or more days) is finalized employees will be allowed to cancel one scheduled vacation per calendar year in its entirety, not a portion of the scheduled vacation. "Trading" scheduled vacations is not allowed.

2. **On Call Phone Pay (Add a new Article 9.5).** The proposed language provides additional compensation for an employee who is on-call outside of normal work hours.

    History: All Local 363 employees subject to being on-call must work, at a minimum, one on-call period during the winter (September 15- May 15) and one on-call period during the summer (May 16- September 14). Each assignment is typically for one consecutive seven day period (Friday at 4:30 PM - Friday at 8:00 AM). Any changes to the on-call schedule must be authorized by the immediate supervisor.

    Under the previous contracts on-call employees received no additional compensation for carrying the phone or answering phone calls after hours. If the employee was called back to a PHA site then he or she would receive pay for a minimum of two hours or the actual hours worked, whichever was greater, paid at the same hourly pay rate as a Maintenance Specialist.

The tentative agreement provides additional compensation as listed below for Local 363 employees during their seven-day on-call assignment, for carrying the phone, answering all calls received while off duty, and performing any other related PHA work that does not involve a call back to the site.

- Effective January 1, 2016- December 31, 2016, the additional compensation for the week will be $133.00.
- Effective January 1, 2017- December 31, 2017, the additional compensation for the week will be $168.00.
- Effective January 1, 2018- December 31, 2018, the additional compensation for the week will be $196.00.
- Any assignment less than seven consecutive days will be compensated for each day at the rate of 1/7th of the weekly rate.

The estimated cost to the PHA for this new provision is $20,750 in 2016, $26,210 in 2017 and $30,580 in 2018.

The recommended changes to the contract are attached, with new language double-underlined and deletions ~~interlined~~.

DMM/ANH/MGB

Attachment: History of Health Insurance Increases 1996-2016
Proposed Article 11.1: Job Classifications and Wage Rates
Proposed Local 363 Agreement

HEALTH INSURANCE INCREASES

Proposed

YEAR	PREMIUM INCREASE	PHA INCREASE	EMPLOYEE INCREASE
2018		3.5% Proposed	Varies by option and type
2017		3.5% Proposed	Varies by option and type
2016		3.5% Proposed	Varies by option and type

Actual

YEAR	PREMIUM INCREASE	PHA INCREASE	EMPLOYEE INCREASE
2016	0%	3.5%	Varies by option and type
2015	0%	3.5%	Varies by option and type
2014	5%	3.5%	Varies by option and type
2013	12%	3.5% plus PHA to contribute one time only – July 1, 2013 – June 30, 2014 an additional $100 per month for FT employees and $75 per month for PT employees	Varies by option and type
2012	7.2%	3.5%	Varies by option and type
2011	0%	3.5%	<3.5%>
2010	9%	9%	9%
2009	13%	12%	14%
2008	7%	2.5%	Varies by option
2007	7.5%	7.5%	7.5%
2006	7.13%	7.13%	7.13%
2005	0%	0%	0%
2004	5.27%	4.99%	6.41% ($330/60% dependent coverage
2003	9.71%	5.82%	28.06% ($315/60% dependent coverage)
2002	8.2%	8.2%	($315/60% dependent coverage)
2001	15.4%	15.4%	($295/60% dependent coverage)
2000	24.33%	24.33%	($255/60% dependent coverage)
1999	20%	20%	($245/60% dependent coverage)
1998	5.12%	5.12%	($225/60% dependent coverage)
1997	9.9%	9.9%	($215/60% dependent coverage)
1996	6%	6%	($215/60% dependent coverage)
Average Increase	**8.18% 171.76/21 years**	**7.57% 158.89/21 years**	

PUBLIC HOUSING AGENCY OF THE CITY OF SAINT PAUL

REPORT TO COMMISSIONERS		**FROM**	**JON M. GUTZMANN** **EXECUTIVE DIRECTOR**
REGARDING	Renew Blue Cross/Blue Shield Medical Insurance Policy	**DATE**	March 23, 2016

Staff recommends Board approval to renew the contract with Blue Cross and Blue Shield of Minnesota (BCBS) for the Agency's medical insurance policy effective July 1, 2016 to June 30, 2017, with no change in the premium costs. The Board's approval of the medical insurance contract includes approval of the premium costs for the Basic, Standard, Premium, and High Deductible Plan options.

As approved by the Board on November 25, 2015 for AFSCME and Supervisory and Confidential employees, the Agency will increase its contribution toward employees' medical insurance costs by 3.5% effective July 1, 2016, even though the premiums will not increase then. The same sharing of premium costs for employees represented by Local 363, City Employees' Union, is proposed for Board approval at this meeting, in the new contract with that union.

This is the second consecutive year that BCBS has submitted a proposal with no change in the Agency's premium costs for medical insurance proposed. In both years, BCBS paid out less for PHA employees' and dependents' health care than the total of premiums paid by the Agency and employees.

In January, 2014 the Agency issued a Request for Proposals (RFP) for medical insurance and chose Blue Cross/Blue Shield. Blue Cross/Blue Shield proposed a 5.0% increase with rate caps of 12% in 2015 and 15% in 2016.

Following are the current premium amounts which will continue in effect from July 1, 2016 through June 30, 2017 for the Blue Cross/Blue Shield Basic Plan, Standard Plan, Premium Plan, and High Deductible Plan:

High Deductible Plan	**SINGLE**	**TWO-PARTY**	**FAMILY**
Current Total Premium	$644.00	$1,248.00	$1,674.00

Basic Plan	**SINGLE**	**TWO-PARTY**	**FAMILY**
Current Total Premium	$735.00	$1,425.00	$1,909.00

Standard Plan	**SINGLE**	**TWO-PARTY**	**FAMILY**
Current Total Premium	$793.00	$1,539.00	$2,063.00

Premium Plan	**SINGLE**	**TWO-PARTY**	**FAMILY**
Current Total Premium	$835.00	$1,618.50	$2,170.00

With various levels of coverage offered, employees can choose the one that best fits their financial and medical insurance needs. The co-payment for doctors' office visits remains at $20; and the co-payment for prescription drugs remains at 20% of the cost, with a minimum cost to the employee of $10 and a maximum of $25. The medical insurance plan includes in-network and out-of-network coverage.

The amount the PHA pays toward employee medical insurance premiums is included in the FY 2017 Operating Budget recommended for approval at this meeting.

With the Board's approval of the recommended contract with Blue Cross and Blue Shield of Minnesota, an open enrollment period will be offered to employees to provide them the opportunity to choose between the four (Basic Plan, Standard Plan, Premium Plan, and High Deductible) medical insurance options.

DMM/ANH/AAG/MGB

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 23, 2016

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, 2016 through March 31, 2017. The cost of this policy will be approximately $239,390, which is an increase of $2,672 (1.1%) 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 $276,686 ($37,296 higher).

The PHA has contracted with the LMC Insurance Trust for Workers' Compensation insurance coverage since 1991. Starting this year 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 these three factors:

- The PHA's annual payroll for each of the four employee groups (CHSP, Project Leaders, Maintenance, and Clerical),
- The premium rate per $100 of payroll for each employee group, set by the LMC Insurance Trust, and
- The PHA's experience modification factor, calculated by the Minnesota Workers' Compensation Insurance Association, Inc. based on the Agency's claims loss experience.

The PHA's annual payroll for each employee group remained relatively the same with the exception of the Clerical group, which includes all of the PHA's office workers (most of the

Supervisory & Confidential group and AFSCME). The payroll for that group is projected to increase by $570,478, through a combination of the approved wage increases, new grant-funded positions, anticipated long-term temporary staff and other factors. However, the premium rate per $100 of payroll for the four employee groups (CHSP, Project Leaders, Maintenance, and Clerical) decreased by 13 - 35%. This decrease helped to offset the increases to both the annual payroll for each employee group, and the experience modification factor.

The PHA's experience modification factor increased from 0.91 last year to 1.05 for the coming 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 0.91 covered three years of claims loss experience for the period from April 1, 2011 – March 31, 2014, with a total cost of approximately $553,006 ($119,469, $239,522 and $194,015). This year's experience modification factor increased to 1.05 for injuries that occurred during the period of April 1, 2012 – March 31, 2015, with a current total cost of approximately $577,268 ($326,315, $184,572 and $66,381).

The experience modification factor has increased over the past few years due to the PHA having higher numbers of more serious, long-term claims. A factor of 1.05 means that the Agency's employee injury rate is 5% above 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. Staff will continue to monitor claims costs and may recommend changing the deductible amount in the future if the premium rate continues to increase.

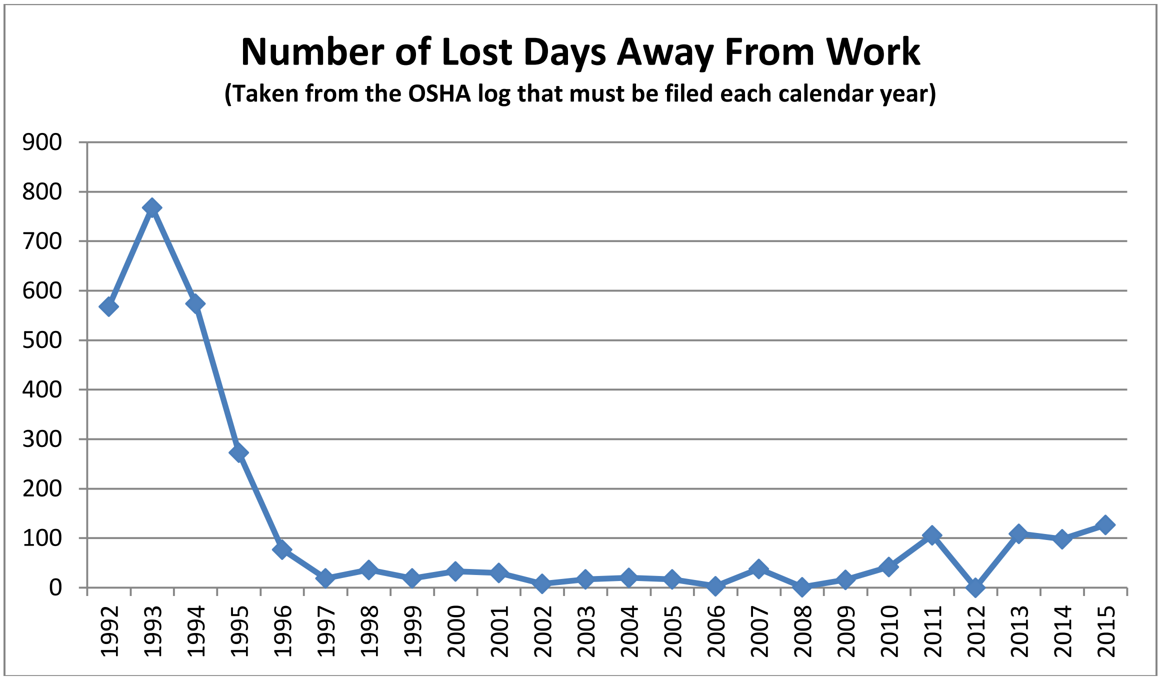
As shown on the charts below, the Agency's workers' compensation program has succeeded in reducing injury-related lost work time and costs from higher levels in the early 1990s, resulting in lower insurance costs for the past 20+ years. The PHA's ongoing management of its workers' compensation program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

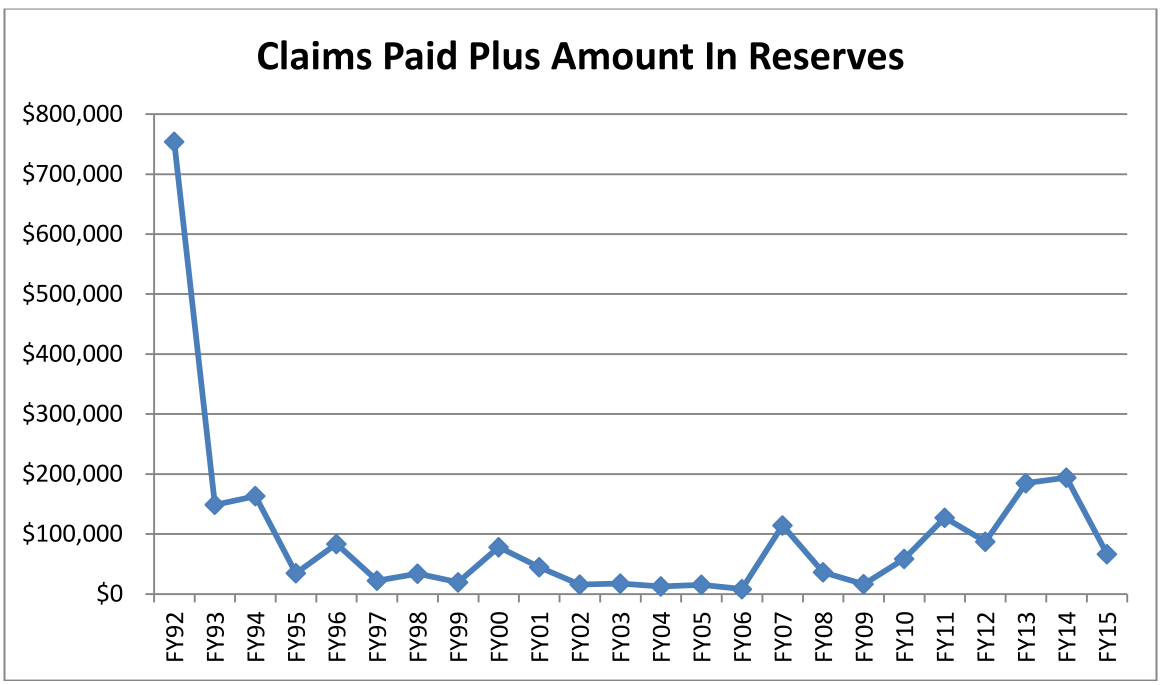
- Many years ago the PHA chose a premium option based on four employee categories instead of a single employee category called "housing authority workers". Staff continues to request and analyze quotes using both the "one category" option and the "separate categories" option. This year, by choosing the "separate employee" categories option, our premium is approximately $89,180 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.

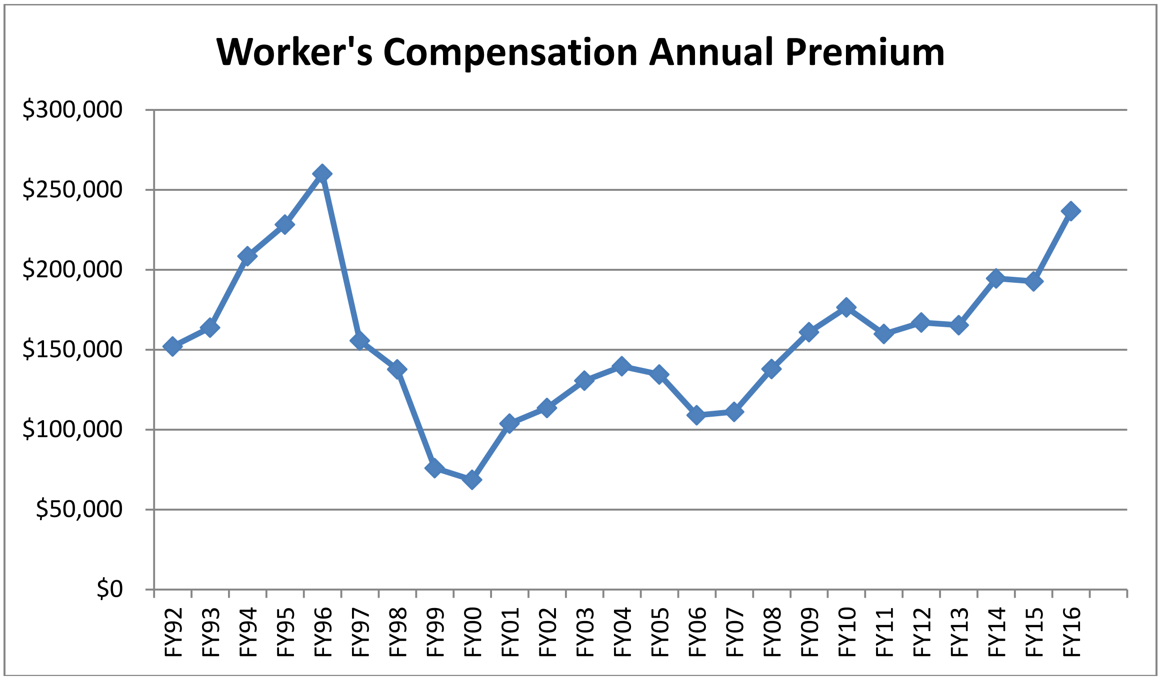
The PHA's Section 3 Policy states that insurance contracts including Workers Compensation are not subject to the PHA's requirements of submitting a Section 3 Action Plan or contributing to the Section 3 Training Fund. Sufficient funds to cover this premium are included in the FY 2017 Operating Budget 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


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


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
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FY14
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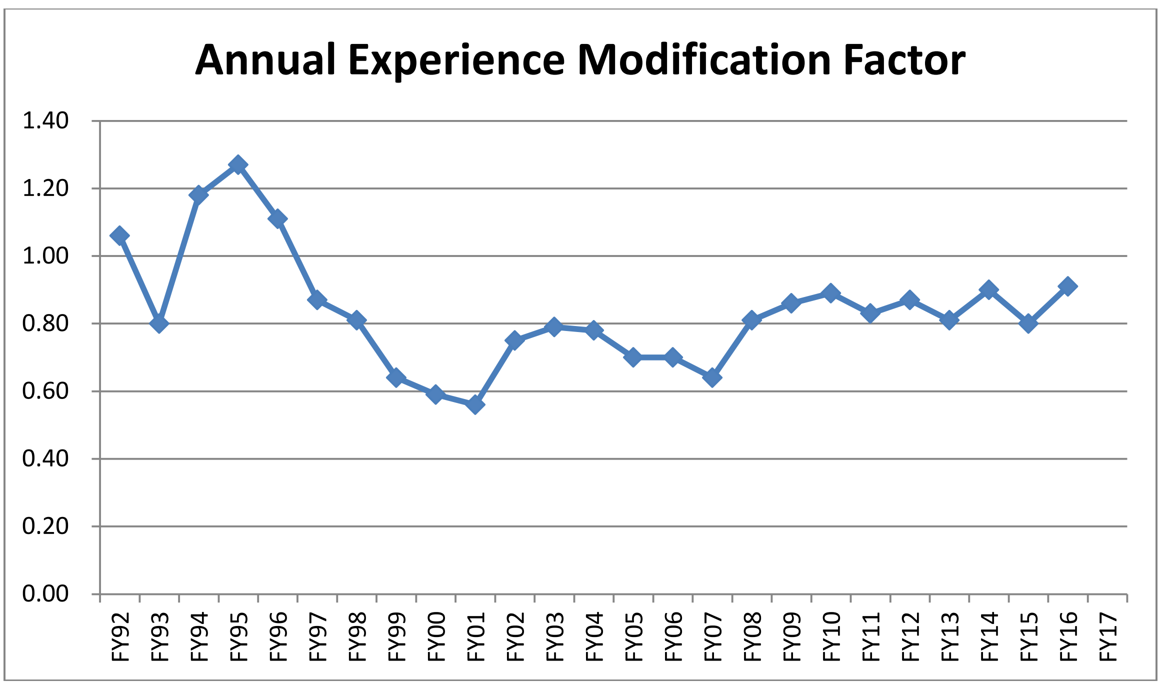
FY16


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
FY17

PUBLIC HOUSING AGENCY OF THE CITY OF SAINT PAUL

REPORT TO COMMISSIONERS		**FROM**	**JON M. GUTZMANN EXECUTIVE DIRECTOR**
REGARDING	Cleveland Hi-Rise Parking Lot Expansion And Improvement; AMP 8, MN 1-11 Contract No. 16-128	**DATE**	March 23, 2016

Staff requests Board approval to award a contract to expand the parking lot at Cleveland Hi-Rise (AMP 8, MN 1-11) and improve the existing pavement surface, to the lowest responsible bidder, Pine Bend Paving, Inc., Vermillion, Minnesota for the base bid amount of $117,900. A copy of the March 10, 2016 bid tabulation is attached.

The base bid is for construction of a new bituminous asphalt parking area located just to the northwest of the hi-rise building that will add nine new parking stalls, as shown on the attached site plan. The bid also includes improving the existing pavement in the main parking lot by milling it (grinding down the surface) and overlaying new material. The contractor will also replace the bituminous asphalt sidewalks adjacent to the main parking lot with new concrete sidewalks and remove and replace the bituminous asphalt walking path. Since the base bid was under the project budget amount, the two deduct alternate bids will not be used. (The deduct alternate bids would have reduced the project cost by eliminating the replacement of the walking path and sidewalks.)

Pine Bend Paving has performed satisfactorily on previous paving contracts with the PHA. Pine Bend Paving plans to perform a majority of the contract work with its own employees and does not intend to subcontract any work to minority business enterprises (MBE) or women-owned business enterprises (WBE). Pine Bend Paving intends to comply with the PHA Section 3 Policy by contributing an amount not less than 2.5% of the total contract amount to the PHA's Section 3 Training Fund. Copies of the Employer Information Reports for Pine Bend Paving and the second low bidder, Bituminous Roadways, Inc. are attached.

There is sufficient funding for this contract from the 2015 Capital Fund Program (CFP) grant.

BNF/vma

Attachments: Bid Tabulation
Employer Information Reports (EEO-1)
Site Plan

PUBLIC HOUSING AGENCY OF THE CITY OF SAINT PAUL

REPORT TO COMMISSIONERS		**FROM**	**JON M. GUTZMANN** **EXECUTIVE DIRECTOR**
REGARDING	Refuse Hauling Services at Hi-Rises Community Centers and 555 N. Wabasha Contract No. 16-137	**DATE**	March 23, 2016

Staff requests Board approval to award a contract for refuse hauling services for the sixteen hi-rises, Mt. Airy and McDonough Community Centers and the W. Andrew Boss Building/Central Administrative Office to the lowest responsible bidder, Republic Services, Inver Grove Heights, Minnesota for the unit bid prices listed on the attached tabulation of bids. Under this two-year contract (with an optional third year), refuse pickups will be made two to five times per week at each building.

The low bidder for this contract was determined using an estimated usage multiplier as indicated in the bid documents. Using this method, Republic Services' bid totaled $332,115.43. Other bids submitted by Advanced Disposal and Waste Management totaled $335,606.49 and $390,066.80 respectively. When questioned by staff, the low bidder confirmed that its bid was accurate. Staff anticipates that approximately $140,000 will be spent during the first year of this contract. This would be an increase of approximately 17% over last year's cost, due partly to adding another pickup per week at four hi-rises.

Republic Services has performed satisfactorily on PHA contracts in the past. Employer Information Reports for Republic Services and the next lowest bidder, Advanced Disposal, are attached. Because this is a unit-price contract, it is not subject to the Section 3 Policy's requirement for contributing to the PHA's Section 3 Training Fund. The PHA includes all such contracts in reporting the total of contracting activity that is subject to Section 3.

Sufficient funds for this contract are in the FY 2017 Operating Budget that is recommended for approval on this meeting's agenda.

KY

Attachments: Bid Tabulation
Employer Information Reports, EEO-1