

MINUTES OF A SPECIAL MEETING
- OPEN SESSION -
OF THE SPRINGFIELD HOUSING AUTHORITY
HELD ON JUNE 19, 2014

The members of the Springfield Housing Authority met in Open Session at the Conference Room of the Springfield Housing Authority at 60 Congress St., Springfield, Massachusetts at 4:30 PM on June 19, 2014.

A copy of the Notice of Meeting, pursuant to Section 23B of Chapter 39 of the Massachusetts General Laws, as amended, with the Certificate as to Service of the Notice, was ordered spread upon the minutes of the meeting and filed for records.

NOTICE OF MEETING

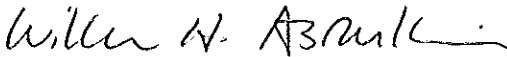
Notice is hereby given in accordance with Section 23B of Chapter 39 of the Massachusetts Laws, as amended, that a Special Meeting of the Board of Commissioners of the Springfield Housing Authority will be held at 4:30 PM on Thursday, June 19, 2014 in the Conference Room of the Springfield Housing Authority at 60 Congress Street, Springfield, MA 01104.

SPRINGFIELD HOUSING AUTHORITY
/s/William H. Abrashkin, Executive Director
June 16, 2014

CERTIFICATE AS TO SERVICE OF THE NOTICE OF MEETING

I, William H. Abrashkin, the duly appointed and qualified Secretary of the Springfield Housing Authority, do hereby certify that on June 16, 2014 I filed in the manner provided by Section 23B, Chapter 39 of the Massachusetts General Laws, as amended, with the Clerk of the City of Springfield, Massachusetts, a Notice of Meeting of which the foregoing is a true and correct copy.

Attest:



William H. Abrashkin/Executive Director/
Secretary to the Board

Chairman Warren called the meeting to order at 4:30 PM, and those present upon roll call were as follows:

PRESENT

Raymond Warren
Willie Thomas
Thomas Labonte
Angela Robles
Jessica Quinonez

ABSENT

ALSO PRESENT

William Abrashkin
Sean Cahillane
Nicole Contois
Michele Decoteau (arrived at 4:32 PM)
Fidan Gousseynoff
Wallace Kisiel

Mike Petro

The Board reviewed a recommendation to approve Application for safety grant. Upon a motion made by Commissioner Labonte, seconded by Commissioner Robles, it was unanimously

VOTED: To adopt a Resolution #9616 to approve Safety and Security Grant application and authorize a contribution up to \$10,000 from the COCC funds if the grant is awarded.

Chairman Warren invited Mike Petro from Casterline Associates, PC to make his presentation on the SHA finances. By his request Mr. Petro provided a brief history on how the SHA started cooperation with Casterline and explained the role his company has been playing in stabilizing the financial situation of the SHA. Executive Director Abrashkin commented that the time when SHA started working with Casterline coincided with the transition to asset management system, that requires each District management to be responsible for its own budgeting. The assistance and support that Casterline Associates, PC provided at that difficult transition time was very valuable.

Mr. Petro started his financial workshop with explaining that a key point in understanding how the finances work at housing is that the money for different programs cannot be switched between them. When the budget is allocated, it is allocated separately for each program and can be spent on certain items within that program only. The Accounting has to submit a separate reporting on each program. Mike Petro provided an overview of the SHA programs, including federal (low income public housing, capital fund that funds modernization projects, and Section 8 housing), state (family and elderly housing, modernization funding, and Section 8), non-profit program called SHA Inc. and Central Office Cost Center. He indicated that state programs in many ways mirror the federal programs but have some additional responsibilities and different reporting requirements.

Mr. Petro provided more detailed information on the federal programs that oversight by HUD, mostly through the Boston Field Office and sometimes directly from Washington, DC. The program has 1809 units and 10 asset management properties (AMPs). The operating subsidy is provided by HUD annually based on a calendar year and Mr. Petro explained that it is very hard to budget the subsidy because the SHA's fiscal year starts in March. For example, at the day of the meeting - June 19th - it was still unclear how much money the agency will be getting for the year of 2014. He emphasized that the subsidy is a main revenue source. The other source is rent (usually 30% of income) but most tenants have very limited income or do not have any income so without the subsidy the agency cannot survive. Mr. Petro explained that when proposing the budget he always underestimates revenue and overestimates expenditures. That is the main reason why the numbers on the financial statements sometimes do not line up, especially on the revenue side, because it is hard to estimate how much money will be received. He answered Mr. Abrashkin's question whether it is possible to change the fiscal year dates, explaining that it is allowed in certain circumstances, for example if there are tax credit properties in the portfolio.

Mr. Petro continued by providing a list of federal programs for low income public housing. He emphasized that it is important to understand the difference between a SHA development (which is a stand-alone property) and an AMP (which can sometimes combine more than one development). For example, Morgan and Sullivan are two separate developments with different types of housing and different circumstances but they are combined in one AMP and the reporting to HUD is provided based on an AMP, not a development. In the past there were 7 AMPs but a couple of years ago, three more AMPs were added after Reed Village, Robinson Gardens and Duggan Apartments, old state developments, were converted from the state portfolio to federal portfolio. The reason for federalization was to get more money since federal properties receive more financing than the state ones.

The presentation was continued by explaining what is Capital Fund Program. The program provides funding for modernization and is oversight by HUD in Boston and Washington, DC. Funding is provided in a separate grant each year and differs from year to year. The SHA gets the money under a contract and it has four years to expend it, however the agency usually spends the money in less than 4 years because there is always more work to be done than the money to spend. Mr. Petro explained how up to 48% of the CFP grant can be used for non-Capital expenditures (for example, given to AMPs to help to build operating subsidy or prepare for REAC inspections) and why this approach is not always in a housing authority's interests. He showed the Board the numbers on funding in the last several years, indicating how difficult it is now with the decreasing budget and increasing costs to satisfy the backlog of all work. Less and less money given to the SHA every year forces the agency to fix only the problems of highest priority. Mr. Petro responded to Chairman Warren's question whether the SHA is allowed to apply for so-called discretionary capital fund and informed that only a high performing agency is allowed to apply for this kind of money and the SHA was short several points of a high performer status.

Sean Cahillane left the Conference Room at 4:50 PM.

Mr. Petro provided information on federal Section 8 program, also oversight by Boston Field Office and Washington, DC. He explained that the funding is provided annually, each calendar year. There are two types of payments the SHA receives from the federal government - the funds must be kept and spent separately. One portion of money (also known as Housing Assistance Payments) goes to payments to landlords for tenant rents and payments to tenants for utility adjustments. Another portion is for administrative expenses. The more units are leased through the program, the more money for administrative expenses the agency receives. Currently, the SHA is assigned 2,884 baseline units with 2,644 leased up as of June 2014. He explained why the SHA is not maximizing the number of units leased - leasing is limited to the lessor of the base line units available. He praised the work of the Section 8 Department staff for utilizing all the 100% of the money provided by HUD.

Mr. Petro emphasized one more time that HAPs and administrative fees are two separate pots of money that must be tracked separately. Any

remaining funds from HAPs are considered Program Reserve. Any funds remaining from Administrative Fee - Net Profit - are considered "Unrestricted Net Assets". UNAs are being used to pay for salaries, benefits, materials and supplies but only for the Section 8. Mike Petro reminded the Board that several months ago they voted on obligating 1.5 million dollars from the UNA on a new real estate project. The SHA's Section 8 program currently has 3 million dollars in its reserve. He stated that most of the housing authorities due to the proration level do not have any money or very little money in their assets and some even turn to HUD to ask to close their Section 8 program. The SHA, even with 65% proration rate, is still able to generate some profit. The expected profit for the year of 2014 is about 75%, the total number is to be determined - this is not the best profit rate but still a positive sign for the budget. Mr. Petro expressed his concern that with 3 million dollars in the SHA reserve, HUD might decide to re-capture the money that the agency has been working so hard to save and the key problem here is that there is no way the housing authority can spend these funds on any programs that really need additional funds.

The presentation continued with providing an overview of the state programs oversight by the Department of Housing and Urban Development in Boston. The State portfolio consists of 606 units at 5 types of programs, including state Section 8 programs (50 units at 200 A at Reed Village, 102 units at Gentile, 48 units at 705 A at scattered sites), state family and elderly (365 units at 400 C program) and state special use program (41 units at Gandara Rehab & Group Residence).

Reporting requirements for the state programs are different from those for federally subsidized ones. DHCD obliges housing authorities to submit annual operating budget and quarterly and year-end financial statements online. It also requires that the Board of Commissioners certifies each program's budget. Another difference is that the funding for state programs are provided annually based on fiscal year.

The next program described by Mike Petro was COCC. This is a non-federal entity created by HUD which includes the "overhead" of the agency. The building at 60 Congress Street is also included in this program. The revenue is generated at the expense of a series fees charged to different programs and offices, for example, project management fee, bookkeeping fee, asset management fee etc. He indicated that these fees and allocated expenditures (for example to the Applications Department) are something that the management offices have no control of. Answering Commissioner Robles's question whether all the Districts pay the same amounts in fees, he stated that the fees depend on unit number in their portfolio. Chairman Warren inquired if the District offices complain about all the fees and how the fees are charged if different departments are in a different situation, some are in a better shape than the others and if there is a practice to transfer money between the AMPs. Nicole Contois commented that last year the COCC charged only 75-85% of regular fees to the management offices to reduce their expenses. Mr. Petro explained that sometimes to ensure a better PHAS score he is forced to move the funds between the programs. He demonstrated on a slide that all the transfers are always reflected on the financial statements. Answering Commissioner Thomas's question why some AMPs are

not able to make it, Mr. Petro named two major reasons - less operating subsidy and condition of the property (there is always not enough capital funds to do all the renovations). He supported Mr. Abrashkin's comment that it would be helpful if HUD used a formula based on the characteristics of the development to determine how much subsidy the development would receive. Returning to the discussion on the District Managers' attitude to the issue of paying the fees and transferring money, Chairman Warren indicated that attending Board meetings would give them an opportunity to express their concerns or address their complaints.

William Abrashkin left the Conference Room at 5:18 pm.

Mr. Petro continued his presentation by explaining why it is so important to get the Board's approval for use of operating reserves generated by COCC. He also emphasized how important it is that the COCC expenditures meet State and local rules and regulations.

Mike Petro then provided information on a sub-program of COCC - the Central Maintenance program, which has one employee, a Mechanic 1, who is responsible for the SHA fleet and charges different programs (state and federal) for his time. Mr. Kisiel answered Chairman Warren's and Commissioner Labonte's questions on how the program works and how the districts are charged.

The Board was then presented with the information on how SHA operating budgets are prepared. The management is requested to provide expenditure needs for the use of any remaining funds after fixed items (like salaries, benefits, insurances, utilities) are identified. The draft budgets then reviewed, discussed with the executive management, and upon authorization, presented to the Board for approval.

William Abrashkin returned to the Conference Room at 5:28 pm.

Mr. Petro supported Mr. Warren's comment on how hard it is with diminishing budget and increasing costs to manage the projects with so many needs to be addressed immediately, because delaying some repairs and renovations today will make the current problems much worse in the future. Unlike private sector, housing authority cannot increase rents to cover expenses on putting a new roof or upgrading a heating system and borrowing money from banks would add more expenses to the shrinking budget.

Mike Petro then described how the financial statements are prepared and submitted, identifying three major categories - monthly statements for internal reporting purposes, quarterly statements for DHCD, and annually reporting to HUD. The SHA also has to submit financial statements to TD Bank every quarter because of the loan the bank provided for 60 Congress Street. Mr. Petro explained how sequestration affected the SHA operating subsidy proration levels. Answering Chairman's question he confirmed that even despite such a difficult situation with decreasing budget, the agency is still in a better financial shape than many other housing agencies who are not even able to pay many of their bills and emphasized how important it is that all the departments within SHA work together to

identify the ways of cutting the expenses and ensuring higher efficiency. Executive Director Abrashkin commented that even though the agency is able to operate "in black", build some small reserves, solve many problems, manage many projects, it is still not able to put enough money into the developments, to do all the renovations and satisfy all the needs.

Mr. Petro then provided a detailed explanation of each item on the SHA financial statements, including why some net loss can be so high, what are depreciation expense and OPEB.

Wallace Kisiel left the Conference Room at 5:45 pm.

The last topic described to the Board was Public Housing Assessment System (PHAS) that evaluates physical inspection, management, financial and capital areas. The larger the AMP the higher the score has to be. Mr. Petro explained the maximization techniques he uses every year in accordance with HUD regulations in order to improve the score, comparing it to the system of deductions used when filing taxes. He indicated that such a technique is necessary not only to achieve a better overall score but also to identify what problems the Districts have to focus more to improve their situation. Mr. Abrashkin criticized the system, when an agency gets penalized for not achieving the highest score because it had not received enough funding. Mr. Petro provided information on REAC scoring basis and emphasized that there is no overall score for each AMP but there are separate scores for physical, financial and management operations and that there is no such thing as "troubled" AMPs, the whole agency is responsible for its bad score.

Chairman Warren thanked Mr. Petro for the excellent presentation and all the job he has been doing for the Springfield Housing Authority.

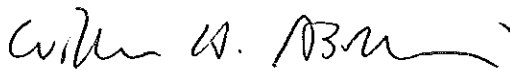
There being no further business to come before the members of the Springfield Housing Authority, upon a motion made by Commissioner Thomas, seconded by Commissioner Robles, it was unanimously

VOTED: To adjourn the Open Session of a Special Meeting of the Springfield Housing Authority at 6:00 PM.

ATTEST:



Raymond Warren, Chairman



William H. Abrashkin, Executive Director