

**Minutes of Regular Meeting of
The Housing Authority of the City of Galveston, Texas
Island Community Center – Community Room
4700 Broadway, Galveston, TX 77551
June 10, 2010 at 5:00 P.M.**

The Board of Commissioners of the Housing Authority of the City of Galveston, Texas, (GHA) met as stated above. Chairperson Mabasa called the meeting to order at 5:00 p.m. and declared a quorum was present. He further clarified that the meeting was duly posted. The following commissioners were noted present: Arthur Mabasa, Chairperson; Sharon Strain, Vice-Chair; Raymond Lewis and Juan Gonzalez.

Commissioners Absent: Suzanne Choate

Others Present: Pete Urbani, Jr., Legal Counsel;
Harish Krishnarao, Executive Director/Secretary

Approval of minutes for previous meetings of 04/08/10, 04/26/10 and 5/17/10—Commissioner Lewis moved for approval, and Vice-Chair Strain seconded the motion.

The following vote was recorded:

Ayes: Mabasa; Lewis; Gonzalez; and Strain

Nays: None

Abstentions: None

Absences: Choate

The motion carried 4-0.

Financial statements as of May 31, 2010 –

Mr. Bruney, Finance Director, stated that the requested sundry expense pages had been added and reported the following:

- a. Central Office Cost Center (COCC) - The total revenue year-to-date is \$2,059,083 and total operating expense is \$1,786,125. This leaves a residual from operations of \$272,958. Statement of Net Assets is: Total Assets of \$2,490,675 and Total Liabilities and Net Assets of \$2,490,675.
- b. AMP #1 – Oleander Homes/Palm Terrace – The total revenue year-to-date is \$1,247,948 and total operating expense is \$211,202. This leaves a residual of \$1,036,746. Statement of Net Assets is: Total Assets of \$9,863,228 and Total Liabilities and Net Assets of \$9,863,228.
- c. AMP #2 – Gulf Breeze/Holland House - The total revenue year-to-date is \$1,540,759 and total operating expense is \$1,401,867. This leaves a residual of \$138,892 minus the Asset Management Fee of \$39,900 with Cash Flow from Operations \$98,992. Statement of Net Assets is: Total Assets of \$8,995,622 and Total Liabilities and Net Assets of \$8,995,622.
- d. AMP #3 – Magnolia Homes/Cedar Terrace/Scattered Sites - The total revenue year-to-date is \$1,030,124 and total operating expense is \$462,494. This leaves a residual of \$567,630 minus the Asset Management Fee of \$3,500 with Cash Flow from Operations \$564,130. Statement of Net Assets is: Total Assets of \$13,203,741 and Total Liabilities and Net Assets of \$13,203,741.

Vice-Chair Strain asked about “other income” and questioned the significant amount of money that had come into that line item. Mr. Bruney explained that it was a reimbursement from FEMA.

Vice-Chair Strain commented that she appreciated that the cash and cash equivalents were shown as restricted. She suggested that it show “also restricted” under net assets.

- e. Section 8 – The total operating revenue year-to-date is \$9,958,091 and the total operating expense year-to-date is \$10,200,655, leaving a deficit of \$242,564. Statement of Net Assets is: Total Assets of \$3,441,196 and Total Liabilities and Net Assets of \$3,441,196.
- f. ICC - The total operating revenue year-to-date is \$787,196 and the total operating expense year-to-date is \$540,860. This leaves a residual of \$246,336. Statement of Net Assets is: Total Assets of \$2,306,547 and Total Liabilities and Net Assets of \$2,306,547.
- g. DHAP – Katrina/Rita - The total revenue year-to-date is \$11,636 and total operating expense is \$27,935, leaving a deficit of \$16,299. Statement of Net Assets is: Total Assets of \$246,783 and Total Liabilities and Net Assets of \$246,783.
- h. DHAP – Ike - The total revenue year-to-date is \$23,035,618 and total operating expense is \$22,054,199. This leaves a residual of \$981,420. Statement of Net Assets is: Total Assets of \$13,261,814 and Total Liabilities and Net Assets of \$13,261,814.

Commissioner Lewis requested an explanation for what appeared to be an exorbitant amount of bank fees. Mr. Bruney explained that during Ms. Strain’s tenure as Executive Director, GHA had secured a contract with the bank in which they were required to pay 2.56% interest on GHA’s account. However, the bank was required to collateralize every dollar and had to take out an instrument with the federal government to cover the money. This difference is charged back to GHA as banking fees. He further stated that the interest at the top must be compared to these fees.

Vice-Chair Strain questioned whether it would be a good time to re-bid bank services. Mr. Bruney explained that this was a tedious process and that the current economic conditions would prohibit any real gain. Mr. Bruney also stated that the bank does a work-up on a monthly basis and that those fees, including the required excess, is what the fee structure is based upon.

Commissioner Lewis pointed out that GHA had paid the bank \$500,000 and he would prefer to see the interest the bank paid back reflected on the financial statements. Vice-Chair Strain suggested adding this as a footnote.

Resolutions - Approval of

- a. #2443 – The Housing Choice Voucher Utility Allowances for FY2011 - Vice-Chair Strain moved for approval, and Commissioner Gonzalez seconded the motion. Charina Beasley, Direction of Housing Operations, reported that when GHA initially inspects a property, the landlord fills out a Request for Tenancy Approval (RFTA) in addition to the Housing Assistance Payment (HAP) Contract, which is the binding document to the housing authority. On that form, the responsible party for the utilities is listed. The landlord has the option to indicate whether it is a tenant-paid or owner-incurred expense. Those amounts are factored into how much contract rent the landlord is able to request.

Ms. Beasley used a sample form to explain how different factors are determined. GHA gives the tenant an allocation, which is based on 30% of their monthly adjusted income. When GHA adds up the tenant-paid utility costs and cross references it with the bedroom size and type of unit, those amounts are factored into calculating the 30% of the monthly adjusted income. Often, if the income is very low, the tenant may end up either having a utility check

or having it factored into the rent. Due to this, there is often confusion with the calculation of Section 8 rent with the general public and that utility allowance schedule must be considered.

Commissioner Lewis commented that this would explain why it is not always a flat 30% of the income. Harish Krishnarao added that under GHA's regulations, a family is obligated to pay no more than 30% of their adjusted income toward the contract grant and that is why details are so critical.

Ms. Beasley explained that this resolution allows for the provision requiring the Housing Authority to review its utility allowance schedule annually and would allow an adjustment if a change had occurred that was ten percent or more.

Mr. Krishnarao added that for the public housing displaced DHAP families, it is difficult to manage the energy expenses. Ms. Beasley explained that many former public housing DHAP participants struggled due to higher utility costs last winter. In cases where there was a documented need that the family had endeavored to keep up with the utilities, or a change of income had occurred, GHA ensured that the families were not without heating, water, etc.

The following vote was recorded:

Ayes: Mabasa; Lewis; Gonzalez; and Strain

Nays: None

Abstentions: None

Absences: Choate

The motion carried 4-0.

- b. #2444 – Amendment to the Section 8 Administrative Plan to Establish a Local Preference for Admission to the Housing Choice Voucher Program for Families Displaced as a Result of Natural Disasters - Commissioner Gonzalez moved for approval, and Commissioner Lewis seconded the motion. Ms. Beasley reported that this resolution would allow for a preference to families who have been displaced from GHA's public housing units as a result of the demolition resulting from Hurricane Ike. She stated that based on the regulations of DHAP-Ike, families are often removed because of their income. This income would still allow for eligibility under public housing, but not under DHAP-Ike, and would allow for a preference through the Housing Choice Voucher Program to directly assist these specific families. These changes would go over GHA's utilization rate, which is very important to HUD.

Chairperson Mabasa asked how the waiting system was determined. Ms. Beasley explained that according to the Agency Plan, there was already a preference for Hurricanes Katrina and Rita displaced families. This resolution would allow GHA to add Hurricane Ike displaced families as well, with previous public housing families being placed first. Commissioner Lewis asked if Hurricane Ike's former public housing participants would take precedent over a Hurricane Katrina family. Ms. Beasley affirmed that question.

Ms. Beasley stated that last year GHA received 303 vouchers to set aside due to Hurricane Katrina and Hurricane Rita, but only received about ten applications applicable to those hurricanes. GHA was required to keep the waiting list open for 12 months to continue to accept these specific applications. The regulations stated that if GHA advertised in accordance with the waiting list in the local newspapers, which we did, the remaining vouchers could then be issued to persons coming off of the waiting list.

Vice-Chair Strain asked if GHA would still be screening for criminal background and income eligibility. Ms. Beasley stated that these screenings would still be done and these applicants would still go through normal housing choice voucher admissions guidelines.

The following vote was recorded:

Ayes: Mabasa; Lewis; Gonzalez; and Strain

Nays: None

Abstentions: None

Absences: Choate

The motion carried 4-0.

- c. #2445 – Natural Disaster Response Policy - Commissioner Lewis moved for approval, and Commissioner Gonzalez seconded the motion. Mona Purgason, Deputy Executive Director, reported that this resolution is presented to the Board annually to approve GHA to provide protection for the residents, employees and property in hazardous weather conditions, specifically hurricane evacuation. This policy authorizes future minor revisions. It provides for transportation from Coach Bus Lines to a pre-arranged shelter location in Bryan/College Station for GHA residents. Client outreach is conducted throughout the year and then aggressively during hurricane season. Transportation will be offered to public housing DHAP clients as well.

Chairperson Mabasa asked about the performance of the Coach Bus Lines service last year. Ms. Purgason stated that there were no complaints, but there are stipulations in this agreement that allow GHA to obtain other buses if Coach is unable to provide the needed transportation as Coach has a disclaimer that buses may not be available depending on the emergency at hand.

Mr. Krishnarao added that during the last evacuation the state emergency management system took over all of the buses and that basically neutralized our bus contract. The state took over everything, but as GHA has a great relationship with the city, the city provided the buses to GHA that the state allocated to us so GHA was able to evacuate the residents.

Ms. Purgason stated that GHA also has a Memorandum of Understanding with the City of Galveston to utilize the ICC as the main staging site for the city's evacuation. Commissioner Lewis asked what the chain of command is in case the Executive Director is incapacitated. Ms. Purgason stated that the policy identified the internal chain of command, but it would technically go to the Chairman of the Board first. Mr. Krishnarao added that only three persons are allowed to sign checks for GHA: BIL Bruney, Chairperson Mabasa and himself.

Commissioner Lewis questioned the "stay in place" policy. Ms. Purgason stated that that policy would be changed this year and that people would be required to leave their residence in case a mandatory evacuation is called.

The following vote was recorded:

Ayes: Mabasa; Lewis; Gonzalez; and Strain

Nays: None

Abstentions: None

Absences: Choate

The motion carried 4-0.

- d. #2446 – The Central Office Cost Center (COCC) Operating Budget for FY2011 - Commissioner Gonzalez moved for approval, and Commissioner Lewis seconded the motion. Mr. Krishnarao explained that the next year will be extremely difficult and that this may be brought before the Board again several times for revisions. The reason for this is that many

factors are unknown at the present time. He stated that the temporary DHAP-Ike Program will go forward “as is” for now.

Mr. Bruney explained that the next six budget resolutions, #2446-2451, are approvals for twelve months. Resolution #2452 is only for four months because GHA has only received a four month extension on DHAP-Ike at this time.

The following vote was recorded:

Ayes: Mabasa; Lewis; Gonzalez; and Strain

Nays: None

Abstentions: None

Absences: Choate

The motion carried 4-0.

- e. #2447 – The Asset Management Project (AMP) #1 (Oleander Homes and Palm Terrace) Operating Budget for FY2011 - Commissioner Lewis moved for approval, and Commissioner Gonzalez seconded the motion. Mr. Krishnarao interjected that the question to be answered is how HUD is going to be funding this in terms of a phase down, which is related to obtaining subsidy. HUD is required to fund 100% the first year, 66% the second year, 33% the third year and so on. HUD does, however, have the flexibility to provide GHA with more funding, and this is one thing we are trying to work on. GHA is attempting to have the insurance proceeds released so that they may be utilized for acquisition of properties and some of this phase down funding.

Vice-Chair Strain questioned whether the 100% started in 2010. Mr. Krishnarao answered that GHA is trying to get HUD to count 2010 as the first year. HUD does not look at the situation as properties are down until you make a submission stating this. The funding entities, unless the properties are cleared in that particular location, do not consider that property down. A similar thing happened at Oleander Homes when a building was burned. HUD has the authority to treat these situations as 100% funding, 66% funding, etc.

Mr. Bruney added that the budgeted restricted interest would come from the insurance reimbursement section, depending on how soon GHA needs the money. If GHA begins building very quickly, that money will not be realized.

The following vote was recorded:

Ayes: Mabasa; Lewis; Gonzalez; and Strain

Nays: None

Abstentions: None

Absences: Choate

The motion carried 4-0.

- f. #2448 – Asset Management Project (AMP) #2 Operating Budget (Gulf Breeze and Holland House) for FY2011 - Commissioner Lewis moved for approval, and Commissioner Gonzalez seconded the motion.

The following vote was recorded:

Ayes: Mabasa; Lewis; Gonzalez; and Strain

Nays: None

Abstentions: None

Absences: Choate

The motion carried 4-0.

- g. #2449 – Asset Management Project (AMP) #3 (Cedar Terrace, Magnolia Homes and Scattered Sites) Operating Budget for FY2011 - Commissioner Lewis moved for approval and Commissioner Gonzalez seconded the motion.

The following vote was recorded:

Ayes: Mabasa; Lewis; Gonzalez; and Strain

Nays: None

Abstentions: None

Absences: Choate

The motion carried 4-0.

- h. #2450 – Housing Choice Voucher Operating Budget for FY2011 - Commissioner Lewis moved for approval and Commissioner Gonzalez seconded the motion. Mr. Bruney stated that the big contention with the Housing Choice Voucher budget has been the expense in “other general expenses” category. As Mr. Bruney previously explained, GHA had secured a contract with the bank in which they were required to pay 2.56% interest, required to collateralize every dollar, and this difference is charged back to GHA in banking fees. GHA hopes to bring back most of our tenants; if so, GHA will use the amount of money paid out and keep Section 8 in the black.

The following vote was recorded:

Ayes: Mabasa; Lewis; Gonzalez; and Strain

Nays: None

Abstentions: None

Absences: Choate

The motion carried 4-0.

- i. #2451 – Island Community Center (ICC) Operating Budget for FY2011 - Commissioner Lewis moved for approval and Commissioner Gonzalez seconded the motion. Vice-Chair Strain questioned whether the expense amount for employee health insurance could be negotiated to a lower rate. It was determined that it was really not negotiable at this time, due to across the board insurance increases.

The following vote was recorded:

Ayes: Mabasa; Lewis; Gonzalez; and Strain

Nays: None

Abstentions: None

Absences: Choate

The motion carried 4-0.

- j. #2452 – Disaster Housing Assistance Program (DHAP-IKE) Operating Budget for FY2011 - Commissioner Lewis moved for approval and Commissioner Gonzalez seconded the motion. Mr. Bruney stated that the administrative fees consist of 15% HAP fees along with the case management fees, which combined, is not enough to run the program. He added that GHA is currently funding out of prior reserves.

The following vote was recorded:

Ayes: Mabasa; Lewis; Gonzalez; and Strain

Nays: None

Abstentions: None

Absences: Choate

The motion carried 4-0.

Secretary’s Report –

Courtney Beck, Homeownership Coordinator, gave a presentation on a partnership with Bay Area Habitat for Humanity. There was a brief question and answer session after the presentation.

Ms. Beck introduced Ms. Peggy Baldwin, Executive Director for Bay Area Habitat for Humanity. She stated that sweat equity is an invaluable tool and Habitat has homeowners invest 300 hours in building their home. She added that they use other tools that can be considered “sweat equity” hours,

such as budgeting classes, ESL classes, etc., and that they are always looking for new ways to earn these hours.

Commissioner Lewis asked whether Habitat for Humanity would be a “stand-alone” chapter in Galveston or if it would be part of someone else and what the relationship would be between Habitat and GHA. Ms. Baldwin answered that there would be a contractual relationship between Habitat and GHA. She stated that they are currently working toward a regional concept.

Mr. Krishnarao discussed an opinion piece that has been previously published in the Galveston Daily News by a professor from Georgia. He stated that he had contacted this professor and as a result of that, GHA has obtained summer intern, Daniel Ling. Mr. Ling has over ten years of experience and has completed his Master’s degree in Urban Planning.

Mr. Krishnarao reported that the City of Galveston is supposed to have completed a comprehensive housing market study. The final draft is supposedly out and as a conclusion, they have determined that there is a need for about 5,000 housing units in Galveston.

Mr. Krishnarao explained that GHA is still dealing with disaster housing from Hurricane Ike. He stated that there are still over a thousand families on the program and that a majority of them are still in high level service needs. In the last few days, there has been a conciliation agreement between the State of Texas and some advocacy groups; that will mean a lot of changes for the City of Galveston and GHA. GHA will be eligible to receive \$50 million in additional monies to go toward the redevelopment process.

Mr. Krishnarao further explained that according to this report, they have set aside \$174 million for the Affordable Housing program, and of that, \$50 million is dedicated to family and elderly public housing in the City of Galveston that had been damaged or destroyed by Hurricane Ike. The conciliation agreement is calling for restoration of single family rental housing stock of \$40 million. In GHA’s redevelopment plan, GHA calls for scattered clusters, and HUD is calling for restoration of multi-family rental housing stock of approximately \$84 million.

Mr. Krishnarao stated that he had prepared a summary of the PIC reporting rate and that the majority of the months have been at 100%. He congratulated the staff for the achievement.

Mr. Krishnarao discussed Section 3 contracts using GRACE Corporation, which he believes will result in a many jobs within the City of Galveston.

Commissioners’ comments –

- a. Vice-Chair Strain reported that HOPE VI planning is going well. There have been three meetings with the consultants that were all very well attended. The group of people understands what is required. At the last meeting, there was a representative from the Beaumont Housing Authority who are near the end of a HOPE VI grant that they received after Hurricane Rita. Their presentation to the committee really put a face on how this grant could make a difference in peoples’ lives. The next meeting is scheduled for July 13, 2010. The developer will present a pro forma budget for us so that we will know exactly how much this will cost. The partners are extremely interested in working with GHA.

- b. Commissioner Gonzalez thanked the Commissioners for taking on the HOPE VI project. He stated that he was pleased at the way in which people were cooperating on a level playing field. He also thanked Bay Area Habitat for Humanity for their presentation.
- c. Chairperson Mabasa thanked Mr. Bruney for his detailed reports, and recognized the Galveston Police Department officers that were present.

There being no further business, the meeting was adjourned at 6:40 p.m.

(d:minutes061010)