

MINUTES OF THE SPECIAL MEETING
BOARD OF COMMISSIONERS
HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA
HELD WEDNESDAY, JUNE 13, 2007

[Meetings are recorded. A copy of the recording can be made available
via email by sending a request to fvital@oakha.org or by calling 510-874-1517]

The Oakland Housing Authority Board of Commissioners convened a Special Meeting at 1619 Harrison Street, Oakland, California on the above date. Chair Moses L. Mayne, Jr. called the meeting to order at 6:10 p.m.

I. Pledge of Allegiance

Mr. David Lipsetz, Senior Policy Analyst of the Executive Office led the Pledge of Allegiance.

II. Roll Call

Commissioners present were Joe L. Brown, Gregory D. Hartwig, Alfred Lee, and Chair Moses L. Mayne, Jr. Commissioners Robert J. Pittman Jr., Ramon J. Terrazas and Jacqueline M. Taylor were excused.

III. Report from the Legal Counsel regarding final decisions made during Closed Session on May 29, 2007.

General Counsel Jennifer Bell reported that there were no final decisions made in the last closed session.

IV. Modifications to the Agenda

There were none.

V. New Business

A. Briefing on the Public Housing Operating Budget for fiscal year 2008.

Mr. Jon Gresley, Executive Director, invited the Chair of the Budget Committee, Commissioner Hartwig, to make an introduction.

Commissioner Hartwig noted the goals of the budget committee. He said there were a couple of things that came out of their meeting. One was to improve management information for better decision-making. Second, he said, it is

important to note that when we move to approve this budget, it does not mean we are approving a budget as something that is going to be a permanent-type budget. Commissioner Hartwig noted that we are still early in the process of developing the budget being driven down to the AMP level. He said there are many issues regarding allocations of costs throughout the AMPS, and even how much manpower is going to be dedicated to each AMP. He indicated that we are looking at this as approving a process rather than approving a budget.

Mr. Gresley said it is also important to point out that we are required by HUD to provide them with a resolution by the end of June that indicates that the Board has approved an AMP budget, which will be placed on the agenda along with this budget at the meeting on June 25th. He made introductory comments before he asked Mr. Stephen Knight, Director of Finance, to provide a briefing. Mr. Gresley said this is the first time we have had an AMP budget, or a budget for public housing that breaks things down to specific areas. It reflects the new organizational structure that the Office of Property Operations is dividing itself in order to comply with the HUD requirement for Asset Management. He noted that this particular form is not prescribed by HUD, but has been developed by our Finance Department as a budgeting tool.

Mr. Gresley continued saying that in some cases changes have been made in response to the recommendations by our Budget Committee. He said, as noted by Commissioner Hartwig, this is a process, a concept of how we are going to operate our public housing financially, generally, over the next year. Mr. Gresley said that where it is going to become more meaningful to us is in the accounting that follows this, the recordkeeping of the reports that comes out to tell us what these properties actually cost. Mr. Gresley indicated that what we are talking about today will change; some requirements will become stricter; and what we are going to describe to commission is where we are in this process. He called upon Mr. Knight to provide a briefing.

Mr. Knight said that these budgets are for internal use only and are not going to HUD. He said, however, that the Board has to approve a resolution for these internal budgets. Mr. Knight noted that in the past we had only one consolidated budget for the low-rent conventional housing program. Now, he said, because of HUD mandate, we have to break it down into various segments which we call AMPS. He said that what is presented at this meeting is the compilation of data, some of which is actual, but most of it is composed of estimates based on historical data we have and how we think the AMPS will operate.

Mr. Knight went through each section starting from Unit Data indicating that all the data under this caption are actual figures. He explained each of the sections

under Unit Data, starting on Line 7 called the Total Annual Contributions Contract Units down to Line 9 and then dropping down to Line 15. He said that on Line 15 we are estimating to the best of our ability the vacant unit months per AMP. Mr. Knight said that Line 18 – Eligible Unit Months (**Line 8 – Line 17**) is believed to be the most important figure in the Unit Data area because that figure is used in the calculation of operating subsidy.

Mr. Knight discussed the data based on Per Unit Month (PUM). He said that on Line 22, we have taken the Project Expense Level (PEL) for FY 2006 and inflated it. Line 23 is the PEL Inflation Factor for FY 2007. He added that HUD gives us the inflation factor each year in order to use it within our subsidy calculation. The inflation factor of 1.024 was used in calculating the operating subsidy for the calendar year that we are in now. Mr. Knight said that when we are ready to calculate subsidy for calendar year 2008, HUD will give us the inflation factor for that year. He went on to discuss Line 24 to Line 27, directing the Commissioners to Page 6 of 8 showing the column titled Total Projects. He said that \$310 on Line 26 is the overall average rent per unit as of May 1, 2007.

Chair Mayne asked why is it considered Total when it is Average. Mr. Knight said in that column is the Total Average Rent for all projects. Mr. Knight discussed Line 27 on Page 6, noting that the figure of \$284.15 is a base year figure that we use because we are an MTW housing authority. He said we were allowed to determine our average rent for subsidy calculation based on a certain formula. That formula was going back to year 2004 and then was increased by certain inflation factors. Mr. Knight, citing 1621Harrison, AMP #1 on page 1, discussed the difference between Average Rent Roll and Average Rent for Subsidy Calculation.

Commissioner Hartwig asked whether Line 27, the Average Rent Roll for Subsidy Calculation of 253.67 was a revenue number that we would submit to HUD and Line 26, the Average Rent Roll of 279.52 would be the actual revenue. Mr. Knight said the 253.67 was not a revenue number to be submitted to HUD. He explained that when we have to do the subsidy calculation by AMP for fiscal year 2008, we are going to use the lowest average rent that HUD would allow us to use. Commissioner Hartwig made it clear then that Line 26 is the number that we would be using to calculate expected revenue and Line 27 is the calculated number that we submit to HUD to qualify for subsidy. Mr. Knight said yes.

Mr. Gresley commented that this all came out of negotiated rulemaking. This is a case that HUD negotiated so that every housing authority could go back several years and pick a number that was fixed in time and updated by an

inflation factor. Mr. Gresley said that HUD locked into a formula as part of what they agreed with the housing authorities so each of them is doing the same thing, and this adds up to additional funding.

Mr. Knight continued his presentation and went to Lines 28 and 29 under PUM Data and explained each of them. He directed the Commissioners to page 6 of 8 and went down to Lines 36 and 37 and explained the Management Fee Income and Service Fee Income, noting the columns entitled Central Office Cost Center (COCC) Executive Office, Program Administration, Information Technology, Finance, Property Operations and Human Resources. He said all these sections, in some form, will be providing services to the projects. Mr. Knight said that the project can only be charged a fee if the project has the ability to pay the fee. He made 1621 Harrison Street as an example which has a fee of \$26.89 for management fee, but no fee for service fee. He went to Line 30 and said it is a bookkeeping fee provided by HUD.

Commissioner Hartwig commented that we are allocating our management fee based on the ability to pay that fee. He pointed out that we should be very aware that this kind of allocation is not all reflective of reality, and anyone cannot draw a meaningful conclusion based on that by looking at the Net Profit and Loss. Mr. Knight said that the purpose of this presentation, at least based on what is indicated here, is that the projects for the AMPS end up with a breakeven budget, and gave 1621 Harrison Street as an example that does not have the ability to pay a fee for services.

Commissioner Hartwig said he wasn't sure if we are going to continue with this kind of allocation and asked what value of this AMP budgets could be when you are making an allocation to asset sites based on the ability of that asset to pay. He said we really have no visibility on how the assets are actually performing. He asked what the reason was for making the allocation simply based on the ability to pay, and why did we choose that methodology. Mr. Gresley said this is the beginning of a process. He indicated that we are trying to get a budget that generally reflects the way we are going to need to allocate our resources in order to comply with HUD. Mr. Gresley said the highest fee we are charging is \$62. He said this is a budget and is not perfect because there are lots of things we could work out on it and directed the Commissioners to Line 77. He said that there is money coming from the capital fund into the individual AMPS. Mr. Gresley said this is an area that we could perfect in our own budgeting. We are allocating capital fund and interest income to balance the budget.

Mr. Gresley continued saying we are trying to get the AMPS to have a budget that we can produce to HUD. He said this is a budget, a plan that is a general

direction and the reality is going to be reflected in financial reports. He indicated further that we have a lot of flexibility because we are using other funds because we are an MTW housing authority, and we subsidize this budget from the capital fund. Commissioner Hartwig said he does not know how the accounting will change this at all because the methodology being used here is we are still coming down to allocating indirect expenses to the AMPS. He does not think we are going to achieve the goal. Commissioner Hartwig would like to have a budget that is reflective of reality because we can make any adjustment to that budget that we want for submission to HUD. Right now he does not see us going in the right direction.

Mr. Knight said that in reality, all of these AMPS are not coming online in fiscal year 2007 – 2008. He said we are trying to comply with what HUD wants us to do and that is to have the Commission approve the AMP budgets, and this is our best attempt at this stage. Commissioner Hartwig asked what it means for the AMPS not going to be online. Mr. Knight said the actual operation of an AMP separately being able to staff it properly, or being able to track data properly, is not going to happen all at once on July 1, 2007.

Commissioner Hartwig suggested that we want to come forward with an AMP-based budget that is as reflective of reality as we make it. He said we really need to make the effort to try to make it as close as we possibly can. Commissioner Hartwig was concerned about what he called it “irrational mechanism” for allocating management fee. Mr. Gresley said HUD uses some standards for what they would allow the Authority to charge as management fee, and that’s where the \$62 comes from. He said we could put \$62 on all of them and that would be a reasonable approach because it is consistent with HUD’s standards. However, he said, the effect is that it would take some of the costs that have to be subsidized now.

Mr. Gresley continued that if the Board would be comfortable, we could make a few adjustments. He said our goal is to come back with a break-even budget for each AMP; a consistent allocation method across the AMP so that they are all being treated the same, but in the long run it may not be workable. Mr. Gresley said this budget needs to be published for the Commission meeting of the 25th of June, and we have time to make few adjustments. He noted that we would be more comfortable if all of them would be \$62, except the Oak Grove.

Commissioner Hartwig asked that if we were to use \$62, would that actually be going to tie into the Central Office Costs Centers? Mr. Gresley said no because at this point in the process we know that the management fee is not sufficient to pay for all of the Central overheads. Commissioner Hartwig indicated that the \$62 across is not necessarily more reflective of reality. Mr. Knight said the fact

that it is not accurate is because we do not have any historical data that we can pull from to actually determine that. Commissioner Hartwig would like to make a concerted effort to try to do the most rational approach that we can find for these costs at this point.

Chair Mayne would like to see the Chair of the Budget committee and staff to work this out and present it to the full Board as an item that reflects what was worked out. He asked a question that is related to the unit data, noting that Line 7 is per unit and Line 8 is multiplied by 12 months. Chair Mayne then would like to assume that occupied dwelling unit is 12 months also. Mr. Knight said that is correct. Chair Mayne then said that the difference between the two, like 1212 and 1177, the number should be divisible by 12, and it is not. Mr. Gresley said it is not because these are individual months --- one unit may be vacant for 4 months and the other may be vacant for 6 months.

Chair Mayne would like an understanding of AMP 21 on page 6, which is Coliseum. Mr. Knight said AMP 21 reflects those units regarding Coliseum that are still under construction and have not been built yet. Mr. Gresley added that we have only completed Foothill property with 21 units and Lion Creek Crossings with 26 units. These are just keeping track of the non-completed units.

Mr. Knight continued his presentation and discussed the Income section, noting that we might lose rent because of vacancy. He discussed the lines under the Income section. Mr. Gresley said it is important to note that the federal budget for the calendar year 2007 has been published; HUD has been giving us instructions. He said the federal budget for fiscal year 2008 has not yet been approved. Mr. Gresley said we need to have some basis of where we are going to be. HUD provides us the utility cost in the calculation of eligibility for subsidy. However, we are only getting eighty-two percent of that, and we are paying EBMUD and PG&E one hundred percent. Therefore, the eighteen percent is coming from our other subsidy.

Mr. Knight continued discussing the Operating Expenses and noted that most of the expenses reflected in the AMPs are the result of data provided by the Office of Property Operations. He also noted that Commissioner Hartwig would like to know the direct and indirect costs by AMP. Mr. Knight said that from Line 46 to Line 65 in the Expense area are classified as direct costs; lines 69 to 70 are classified as indirect costs.

Commissioner Lee asked how we came up with this budget. Mr. Knight discussed the process starting with the sending of requests to the department directors in December of each year to sending back the budget information by

the department directors to the Finance Department. He noted that copies are sent to the Executive Director. Mr. Knight also discussed the meetings set separately with each department director before they come up with their decisions with the budget. Mr. Gresley said that while Mr. Knight fully discussed the budget process, this particular budget was different. He said that when the directors get the information and the forms to fill out their budgets, they are also given the past history. With this particular budget, we do not have the basis for breaking it down much further by the AMPs.

Commissioner Lee asked staff what they would be asking the Board at the next meeting. Mr. Gresley said staff will be asking the Board to adopt this budget for public housing in order to meet HUD's requirement to have AMPs specific budgets. Commissioner Lee wanted to clarify that what the Board was going to approve was just a draft budget. Mr. Gresley said it was a budget which largely reflects the staffing as we are going into July 1st. He said, as an example, we have a huge number of staff that are held back to the central maintenance on July 1st not being assigned out to the AMPs. Mr. Gresley said the Board will receive a briefing which is scheduled for July 11th. The briefing is anticipated to be the outline of our plans for the reorganization of the Property Operations. He said this is a process that is going to take several years, and this is the beginning of that process.

Mr. Gresley continued by saying this budget reflects what is in place now and on July 1st, but as the reorganization evolves, we are going to be asking the Board to approve that reorganization in steps and as steps are accomplished, it is going to change this budget. He said it is necessary to bring back to the Board budget revisions reflecting these changes. Mr. Gresley said the budget will not change until the Board changes it.

Chair Mayne said this is an initial budget, and as things change, we adjust the budget to reflect the changes. He said we have to submit a budget to HUD and at this particular point we are submitting our best estimate. As things change, we will let HUD know. Commissioner Lee asked if it would be possible to have the briefing on the reorganization with the budget. Mr. Gresley said no because we do not have the time to work on it. He said this has been scheduled and noted at prior meetings. Mr. Gresley told Commissioner Lee he would be happy to talk to him about it. Commissioner Lee indicated that he was still looking for a timeline. Mr. Gresley said July 11th is our timeline, and we will give the Board a briefing and will have a budget to adopt in about a week and a half.

VI. Recognition of people wishing to address the Commission.

The speaker was Ms. Lillie J. Hurd of Vallejo. Ms. Hurd said she was renting her house in Oakland to a Ms. Guyton. She said back in March she received a Notice of Intent to Vacate from Ms. Guyton and has been calling the Authority to get information about this notice. She has not gotten a response yet and so she decided to meet with Mr. Gresley last Tuesday. Mr. Gresley has asked staff for an investigation and would respond to Ms. Hurd within ten (10) days. Chair Mayne said Mr. Gresley is working on it and would send Ms. Hurd a response. He said further that if there is no resolution to her problem, she could come back or call us to put her item on the agenda for discussion.

VII. Written Communications

There were none.

VIII. Executive Director's report regarding matters of special interest to the Commission occurring since the last meeting of the Commission.

Mr. Gresley reported that there is going to be a Bay Area Housing Summit sponsored by the City of San Francisco and San Francisco Housing Authority inviting all housing authorities from the Bay Area to participate. It will be on Saturday, July 14th from 11am to 3pm at the San Francisco State University. The summit was intended to discuss goals of public housing and Section 8 programs. A number of the Authority's staff would be participating, and we are also encouraging the RAB members to go.

Mr. Gresley said we received an invitation from Lady's Catering for a Grand Opening celebration of its restaurant in downtown Oakland on Friday afternoon. He invited the Commissioners to go.

Mr. Gresley invited the Commissioners to a celebration on Friday afternoon at 3:30 pm in the Executive Conference Room for Mr. David Lipsetz. Mr. Lipsetz has accepted a position as the Director of Strategic Planning for the New York Housing Authority. Mr. Gresley said Mr. Lipsetz's last day here at the Authority will be on Friday, June 22nd.

Mr. Gresley reported that Ms. Bridget Galka came back to work for the Authority's Development Department.

Mr. Gresley said he will be attending the CLPHA meeting in Washington week after next and will also be attending the NAHRO meeting in Chicago, along with some of the commissioners.

He said he got a call from Orlando Cabrera's office last week that he would be visiting Contra Costa and Berkeley Housing Authorities to have meetings with them. He is

also going to meet with the San Francisco Housing Authorities. Mr. Gresley said he had extended an invitation to Mr. Cabrera months ago to visit Oakland when he is in the area. Mr. Gresley will show Mr. Cabrera a couple of HOPE VI sites.

Mr. Gresley said we need to replace the alarm system in this building for the seniors because of some series of malfunctions. He said he has authorized an emergency procurement for about \$200,000.00 and will be bringing the procurement for the Board authorization at the next Commission meeting.

Mr. Gresley said we would have a meeting on June 25th and a briefing on July 11th. Unless something comes up, it may not be necessary to have a meeting at the end of July, and if we did, it will be on July 30th.

IX. Reports of Commission Committees.

There were none.

X. Announcements by Commissioners.

Commissioner Lee would like the Chair to set up two committees. One would be the Bylaw Committee to work on the bylaws. The other one would be the Operation Committee for issues affecting the tenants and the neighborhood. Chair Mayne said it would be better to have that in a workshop session so that all the Commissioners would be given the opportunity to provide some input. Legal Counsel Bell said it is really important that we have to remember the Brown Act requirement for the committees. If we have a standing committee such as the Operation committee, the Brown Act will require notice. Chair Mayne said that that was one of the reasons why he said it would be done in a workshop session rather than forming a committee. He said we have enough committees now that should be terminated soon so that they don't become standing committees.

Mr. Gresley said we would be happy to work with individual commissioners to look at issues that come up without forming a committee. He further said that Mr. Carel Duplessis, Chief of our Police Department, has indicated that there are a couple of areas that he would like to invite the commissioners to look at some police issues so that individual commissioners would have a sense of what our police officers are doing. Mr. Gresley said individual commissioners can give their own expertise and input without violating the Brown Act. Legal Counsel Bell said that standing committees are subject to the Brown Act.

XI. Adjournment.

The meeting was adjourned at 7:55 pm.

Chair

Secretary