

Notes

Grand Junction Housing Authority
August Finance/Audit Committee Meeting
In person or virtual via link

August 31, 2021 11:30 am
Virtual Meeting via Microsoft Teams

1. **Call to Order and Roll Call:** The GJHA Finance and Audit Committee Meeting was called to order at 11:32 am by Tami Beard, Committee Chair. Attendance was taken by roll call with the following present:

Board of Commissioners

Tami Beard, Committee Chair
Chris Launer
Chuck McDaniel
Bill Johnson
Rich Krohn

GJHA Staff

Jody Kole, CEO
Scott Aker, COO
Lance Lehigh, CFO
Jill Norris, General Council
Krista Ubersox, HR Director
Danette Buck, Asset Manager
Lacy Hildebrand, Executive Assistant
Sheila Brubacher, Accounting Supervisor

2. **Financial report for period ending July 31, 2021**

Lance announced he will be departing and moving back to Montrose. Lance started the discussion of the financial update by stating that everything is looking good. There were a couple of outliers with Arbor Vista and Highlands 2 with negative cash flow for the month. This is mainly due to timing of cash outlays. Overall, GJHA's financial state is looking good on a consolidated basis. The full quarterly financial report will be presented in depth during the October F&A committee meeting. Rent collections through August 19th remain stable with some improvement for the properties that have been troublesome during the pandemic with overall vacancy loss at 1.6%.

Scott provided the Covid funding update. GJHA submitted another draw for CBDG-CV reimbursement and has spent \$42,401 so far. GJHA continues to work with the city to get these funds spent down. GJHA has used the first tranche of HUD money for \$182,000 and is spending the second tranche of \$219,000. GJHA plans to use all of it.

3. **2022 Budget**

Consolidated revenues total \$16,104,000 and budgeted tax credit properties total \$3,286,000. Consolidated Net Operating Income is budgeted at \$528,000 with tax credit properties totaling \$824,000. Budgeted net income for the entire portfolio, net of depreciation and non-cash items is budgeted at \$325,000. Currently, the Voucher

program has over \$900,000 in administrative cash reserves that will be utilized as part of the cash requirements for appropriate operational expenses. Chris asked if we did not have the developer fees then would we be an additional \$200,000 in negative position. Lance responded that on an operating basis we would not, but it would be detrimental to non-operating. A budget of \$325,000 has been established for meth remediation and reconstruction. Ratekin Towers (consolidated) NOI is budgeted \$176,000 for 2022. Walnut Park (consolidated) budgeted NOI for 2022 is \$196,000. Nellie Bechtel budgeted NOI for 2022 is \$213,000. Crystal Brook 2022 budgeted NOI is \$72,000. Lincoln and Courtyard Apartments are included for the first quarter of 2022 as contingencies in the case the sales of the properties are not completed prior to yearend 2021. Linden Pointe as first year owned property reflects a budgeted NOI of \$226,000. Inclusion of non-operating income/expenses for the consolidated properties budgeted for 2022 creates net income of \$409,000. Scott added one of the reasons for the positive budget is the maintenance and property teams that have been doing an outstanding job minimizing the revenue lost to down-time with units during turn-over. Walnut Park is currently undergoing a \$235,000 roof upgrade that will fall under the 2021 budget. Walnut Park is currently debt free and capital improvements for the 2022 budget are under consideration with funding streams being determined and will cause a revision to the budget early in 2022. Estimated cost of the project will be approximately \$2,000,000 and expectations are funding received from Energy Outreach Colorado and long-term financing. Moving forward, all capital expenditures will remain on the balance sheet to keep operational items separate and clear. For the tax credit properties: Arbor Vista budgeted NOI for 2022 is \$255,000. The Highlands budgeted NOI is \$93,000. The Highlands 2 2022 budgeted NOI is \$171,000. The McMahon Homeowners Association is attributed with all common area expenses for the Highland's properties. 2814 LLLP budgeted NOI for 2022 is \$108,000. For 2022, budgeted NOI for Village Park is \$196,000. Overall, consolidated NOI budgeted for the Tax Credit properties is \$824,000 with non-operating expenses driven to the investor partners for a net consolidated tax credit property loss of (\$320,000). Overall cash flow for the 2022 budget for tax credits is \$113,500.

Vouchers and associated supportive services programs include the addition of 1.0 FTE to staff to manage additional vouchers for 2022. Additionally, Vouchers accounts for approximately 60% of GJHA revenue streams and will also utilize administrative reserves for additional support of Voucher administration and the related supportive service programs. Additional salary splits were added to the Voucher program as appropriate. Through the use of administrative reserves and other non-operating items, a positive cash flow of \$14,000 is budgeted. Chris asked would HUD take the reserves back. Jody answered yes, they will take the money back if it is not used in a timely manner.

Lance moved to discussion of the compensation portion of the budget. Based on prior approval and direction of the compensation plan by the board, the budgeted amount for overall compensation included 1% allowance for discretionary awards. The 2022 budget did not include other staff base pay increases. Staff opened dialogue with board members attending around possible base pay increases to include in the final budget for presentation to the full board. The proposed scenarios reflect 1). A 2%

base pay increase effective July 1, 2022 with a total impact of \$37,889. 2). A 2% base pay increase effective January 1, 2022 with a total impact of \$75,000, 3). 3% increase effective July 1, 2022 with an impact of \$56,800. 4). A 3% increase effective January 1, 2022 with a total impact to compensation of \$113,389. The current compensation plan is based at the market and there is still work to be done on retention. Krista added that we do need to continue to keep people at or near mid-point. Rich asked if we could afford to stay competitive and keep up with the cost-of-living increases. Rich would like to make sure we get to that mid-point and stay there. Tami added that competition for employees is steep right now and we need to be mindful of retaining employees. Jody added that Lance showed we can afford a 3% raise in wages for January 1st and she recommends we vote for a 3% raise. After discussion, the committee requested staff to build a 3% base pay increase to the 2022 budget effective January 1, 2022. Tami Beard recommended the approval of the 2022 budget and 3% salary increase. A motion was made by Chris to recommend the 2022 budget with the addition of a 3% increase to base pay for 2022 allowance effective January 1, 2022 was seconded by Bill and unanimously approved by the committee.

The committee further recommended:

- A. GJHA Consolidated Budget – Recommend Board Approval of *Resolution 2021-09-02, Adopting Consolidated Budget for Fiscal Year 2022*
- B. Tax Credit Properties – Recommend Board Approval of *Resolution 2021-09-03, Adopting Operating Budgets for Fiscal Year 2022 for Arbor Vista LLLP, Village Park LLLP, The Highlands LLLP, The Highlands 2 LLLP, and 2814 LLLP*

4. Final Review of 2020 Audit – Recommend Acceptance and Approval

Lance stated the final audit noted one change for grant funding initially not listed as federally funded with further testing as required, resulted in no findings. Tami entertained a recommendation for the acceptance of the 2020 Audit to the full board. Chris made the motion for acceptance, and it was seconded by Bill with unanimous approval to move the recommendation forward.

5. Other Business:

6. With no further business or discussion, the meeting was adjourned at 1:04 pm with a Motion by Bill Johnson and a second by Chris Launer and a unanimous vote.