

Board of Commissioners' Special Meeting Minutes
Grand Junction Housing Authority ("GJHA")

8 Foresight Circle, Grand Junction, CO 81505

October 18, 2022 at 5:00 p.m.

1. **Call to Order and Roll Call**

GJHA's Board of Commissioners' Special Meeting was called to order at 5:02 p.m. by Ivan Geer, Chair. Attendance was taken by roll call with the following present:

Board of Commissioners:

Ivan Geer, Chair
Rich Krohn, Vice Chair
Chris Launer
Tami Beard
John Howe
Bill Johnson

GJHA Staff:

Jody Kole, CEO
Scott Aker, COO
Shelley Carpenter, Controller
Jill Norris, General Counsel
Danette Buck, Asset Manager
Krista Ubersox, HR Director (Virtually)
Kevin Sperle, IT Supervisor (Virtually)
Sheila Brubacher, Accounting Supervisor
Racquel Wertz, Voucher Supervisor
Desirae A. Garman, Paralegal

Jason Blumenstock and Rich Larsen with Novogradac & Company were acknowledged as attending the meeting virtually by Ivan Geer. Mr. Blumenstock and Mr. Larsen left the meeting after their presentation to the Board.

1. **Novogradac & Company's presentation of 2021 Audited Financials**

Jason Blumenstock and Rich Larsen provided an overview of Novogradac's process during the 2021 financial and major program audit. Grand Junction Housing Authority received an unqualified opinion, which is a clean audit with no errors, deficiencies, or material misstatements. There were no issues found that would require reporting to the U.S. Department of Housing and Urban Development ("HUD"). Rich Larsen commented that GJHA is in a strong financial position and complimented the GJHA Staff for their work and cooperation throughout the process. As of December 31, 2021, GJHA has approximately six (6) months of operating reserves. The Auditors indicated that this was more favorable than they typically see at most Public Housing Agencies.

2. **Consent Agenda**

- a. The Consent Agenda consisted of: (1) Notes of March 10, 2022 Real Estate Committee Meeting; (2) Notes of August 30, 2022 Finance and Audit Committee Meeting; (3) Minutes of September 6, 2022 Regular Board Meeting; (4) Minutes of September 20, 2022 Special Board Meeting; (5) Notes of September 27, 2022 Finance and Audit Committee Meeting; (6) Approval of Resolution No. 2022-10-01 – Re-Appointing Pam

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Francil, Christian Mueller, and David Nelson to the *Doors 2 Success* Board; and (7) Approval of Resolution No. 2022-10-02 – Authorizing Separate Agreements with Novogradac & Company and Hawkins Ash CPAs for Audit and Tax Services.

With a motion by Rich Krohn, a second by Bill Johnson and a unanimous vote, the Consent Agenda was approved.

3. Housing Choice Voucher Update – Racquel Wertz, Voucher Supervisor

Racquel Wertz advised the Board that the Resident Advisory Board has reviewed and recommended approval of approved the 2022 Housing Choice Voucher Administrative Plan (“Plan”). A chapter for the Emergency Housing Vouchers was added to this Plan, noting that the Emergency Housing Vouchers cannot be issued after September 30, 2023. Families will retain an Emergency Housing Voucher if issued prior to that date.

There was also a change to the criminal background check requirements for Emergency Housing Voucher candidates, as these candidates tend to be chronically homeless, so GJHA decreased the criminal records check requirement to two (2) years. The landlord has the right to pull a background check for a longer time frame. This change has better assisted applicants to use the Emergency Housing Voucher to find housing.

Racquel Wertz requested approval of Resolution No. 2022-10-03 – Civil Rights Certification, Annual Certification and Board Resolution.

With a motion by Chris Launer, a second by John Howe and a unanimous vote, Resolution No. 2022-10-03 – Civil Rights Certification, Annual Certification and Board Resolution was approved.

4. Finance & Audit Committee Report – Tami Beard, Committee Chair and Shelley Carpenter, Controller

a. Discussion regarding proposed 2023 Budgets

Tami Beard advised the Board that the Finance and Audit Committee did discuss the proposed budget, but there is no recommendation as Staff was still finalizing the proposed 2023 Budget.

Shelley Carpenter advised Staff did ask for additional time to work to decrease some of the proposed expenses. After another detailed review, Staff was able to decrease the maintenance expenses for several properties. Staff found that the workers’

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compensation insurance expense was being counted twice, so expenses were decreased by approximately \$130,500.

Staff reviewed the proposed cash projections, the anticipated capital improvement expenses, and acquisition and development expenses. Given anticipated pre-development work in 2023, acquisition and development expenses are projected to be significant in 2023. There is no deferred developer revenue expected in 2023.

The general fund's budgeted net operating income is slightly negative due to salaries, increases in travel and training costs, memberships and dues, and a \$10,000 scholarship to Colorado Mesa University. Additionally, there is a significant cost increase for Acquisition and Development for 2023 including a salary for a development director/manager starting in the second quarter. Rich Krohn wanted to know if the increased expenses are in anticipation of submitting a 2024 tax credit application and Jody Kole confirmed that this is the anticipated plan. GJHA is hoping that a City of Grand Junction grant will assist in paying for the acquisition of land, which will offset some of the expenses for GJHA.

In 2023, GJHA changed methodology for budgeting hazard expenses. Previously there was a non-operating budget item (sometimes referred to as "below the line") for hazard expenses. This is not the case in the proposed 2023 budget. Staff feels that the replacement reserves and operating reserves accounts for each property can absorb the hazard expenses. Ivan Geer requested clarification as to why the hazard expense was removed from the 2023 proposed budget. Shelley Carpenter explained this expense is below the line and there is no way to project which properties may have hazard expense. Further, while in some cases funds may be able to be shifted between certain properties to cover these costs, in other cases – primarily the tax credit properties – each property's reserves can only be used for that specific property. Thus, a general reserve for hazard expense would not be appropriate. Hazard Expense is paid directly out of cash, and in some cases may be reimbursed with proceeds from an insurance claim. Staff reviewed all the cash accounts to confirm that if there was a hazard expense, there was sufficient cash to cover the cost. Jody Kole also clarified that these properties have not been financially underwritten to absorb the cost hazard expenses from methamphetamine clean up as an operating expense.

The major assumptions that Staff used in drafting the proposed 2023 budget are: no deferred developer fee revenue, a five percent (5%) market-based increase in pay for Staff, and a ten percent (10%) increase for property and casualty insurance. Other income and bad debt expenses are being budgeted differently. GJHA has historically recorded late fees and maintenance charges as income. Payment of these charges is rarely received. GJHA then writes them off as a bad debt expense. Other income now only includes income

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that is anticipated to be received. Utilities were anticipated to increase by five percent (5%). The maintenance hourly rate charged by GJHA was increased from \$63 per hour to \$70 per hour. Rich Krohn wanted confirmation that Staff had given reasonable consideration to increased vendor and other costs in the proposed budget. Scott Aker advised that Staff has anticipated to the best of its ability increased expenses for 2023.

Crystal Brook has some capital improvements projected in 2023, but GJHA only budgeted approximately \$50,000 as there are applications pending with Energy Outreach Colorado and the City of Grand Junction to assist with funding these improvements.

Shelley Carpenter reviewed projected operating income for all properties and the debt service coverage ratio for each property. Each tax credit property is well within their guidelines, which require a minimum debt coverage ratio of 1.15X. As for the GJHA owned properties, Nellie Bechtel is being watched closely. Nellie Bechtel is in a strong cash position, but has a large mortgage, so this does negatively impact the debt service coverage ratio.

The Housing Choice Voucher program proposed budget was reviewed and the projection is negative for net operating income, as Staff is being conservative as to the anticipated administrative fee revenue for 2023. The administrative fees are outperforming projected budget in 2022 and Staff believes this could occur again in 2023. Client support services are being funded mostly through HUD, community contracts and grants that Doors 2 Success is projecting to receive in 2023. The Housing Choice Voucher program does subsidize some client support services, if needed.

The tax credit properties are performing as expected. It is anticipated that there will be no surplus cash from the tax credit properties to distribute in 2023, resulting in no anticipated payments towards the soft loans. This will allow the tax credit properties to meet replacement reserves requirements. Ivan Geer wanted to know if there was any surplus income in 2022 to pay down soft loans. Shelley Carpenter advised that it is not anticipated that the tax credit properties will have any surplus cash in 2022.

Staff acknowledges that there is a projected decrease to cash in 2023 but is working to decrease controllable expenses. The Board and Staff discussed that cash can be increased by revisiting the capital improvements scheduled for 2023 and putting non-essential projects on hold, if needed.

Staff requested approval of Resolution No. 2022-10-04 – Adopting Operating Budgets for Fiscal Year 2023 for Arbor Vista LLLP, Village Park LLLP, The Highlands LLLP, The Highlands

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2 LLLP, and 2814 LLLP; and Resolution No. 2022-10-05 – Adopting Consolidated Budget for Fiscal Year 2023.

With a motion by Rich Krohn, a second by Tami Beard and a unanimous vote, Resolution No. 2022-10-04 – Adopting Operating Budgets for Fiscal Year 2023 for Arbor Vista LLLP, Village Park LLLP, The Highlands LLLP, The Highlands 2 LLLP, and 2814 LLLP; and Resolution No. 2022-10-05 – Adopting Consolidated Budget for Fiscal Year 2023 were approved.

5. **Other business, if any**

Jody Kole advised that a Real Estate Committee meeting is being scheduled for October 25 at 11:30 a.m.

6. **Adjourn**

With no further business or discussion, and following a motion by Bill Johnson, a second by Chris Launer, and a unanimous vote, the meeting was adjourned at 6:18 p.m.

All Board packet documents and documents distributed during the Board Meeting are retained at GJHA.