Housing
Authority of the City of Alameda

PHONE (510) 747-4300
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701 Atlantic Avenue • Alameda, California 94501-2161

IF YOU WISH TO ADDRESS THE BOARD:

1. Please file a speaker's slip with the Executive Director, and upon recognition by the Chair, approach the rostrum and state your name; speakers are limited to 5 minutes per item.

2. If you need special assistance to participate in the meetings of the City of Alameda Housing Authority Board of Commissioners, please contact (510) 747-4325 (TDD: 510 522-8467) or vmondo@alamedahsg.org
Notification 48 hours prior to the meeting will enable the City of Alameda Housing Authority Board of Commissioners to make reasonable arrangements to ensure accessibility.

AGENDA **REGULAR MEETING OF THE BOARD OF COMMISSIONERS**

DATE & TIME **Wednesday January 16, 2019 –**

Regular Meeting – 7:00 p.m.

LOCATION Independence Plaza, 703 Atlantic Avenue, Alameda, CA

Welcome to the Board of Commissioners of the Housing Authority of the City of Alameda meeting. Regular Board of Commissioners meetings are held on the third Wednesday of each month in the Ruth Rambeau Memorial Community Room at Independence Plaza.

Public Participation
Anyone wishing to address the Board on agenda items or business introduced by Commissioners may speak for a maximum of five minutes per agenda item when the subject is before the Board. Please file a speaker's slip with the Housing Authority Executive Director if you wish to address the Board of Commissioners.

PLEDGE OF ALLEGIANCE

1. ROLL CALL - Board of Commissioners

2. Public Comment (Non-Agenda)

3. <u>CONSENT CALENDAR</u>

- Consent Calendar items are considered routine and will be approved or accepted by one motion unless a request for removal for discussion or explanation is received from the Board of Commissioners or a member of the public.

3-A. Approve Minutes of the Board of Commissioners Meeting held October 17, 2018, November 7, 2018, and December 5, 2018 – Page 1
3-B. Accept the Monthly Overview Report for Operations, H.R., and I.T. – Page 28
3-C. Accept the Monthly Overview Report for the Housing Programs Department – Page 31
3-D. Accept the Monthly Overview Report for the Rent Stabilization Program – Page 35
3-E. Accept the Monthly Overview Report for Property Operations – Page 36
3-F. Accept the Monthly Overview Report for Housing & Community Development – Page 41
3-G. Accept the Monthly Development Report for Littlejohn Commons – Page 44
3-H. Accept the Monthly Development Report for Everett Commons – Page 46
3-I. Accept the Monthly Development Report for Rosefield Village – Page 48
3-J. Accept the Monthly Development Report for North Housing – Page 50
3-K. Accept the Five Month Budget Variance Report through November 30, 2018 – Page 53
3-L. Accept the Annual Review of the Investment Policy – Page 62

4. <u>AGENDA</u>

4-A. Approve A Short-term Internship Program to Provide Research and Analysis Support for Housing Authority Projects and Programs and Offer Professional Development Opportunities to Undergraduate and Graduate Students – Page 72

4-B. Approve the Executive Director or Designee to Negotiate and Execute All Steps Necessary to Secure the Assignment of the Audit Contract with Rubino & Company, Chartered to Citrin Cooperman & Company, LLP for the 2017 - 2018 Audit – Page 74

4-C. Accept Presentation of Agency Pension Liabilities and Provide Direction to Staff on the Establishment of a Trust for Pension Liabilities in Order to Return with a Prefunding Request at a later meeting – Page 82

5. <u>ORAL COMMUNICATIONS, Non-Agenda (Public Comment)</u>

6. <u>COMMISSIONER COMMUNICATIONS, (Communications from the Commissioners)</u>

7. <u>ADJOURNMENT</u>

* * *

Note

- If you need special assistance to participate in the meetings of the Housing Authority of the City of Alameda Board of Commissioners, please contact (510) 747-4325 (TDD: 510 522-8467) or vmondo@alamedahsg.org. Notification 48 hours prior to the meeting will enable the Housing Authority of the City of Alameda Board of Commissioners to make reasonable arrangements to ensure accessibility.

- Documents related to this agenda are available for public inspection and copying at the Office of the Housing Authority, 701 Atlantic Avenue, during normal business hours.

- Know Your RIGHTS Under The Ralph M. Brown Act: Government's duty is to serve the public, reaching its decisions in full view of the public. The Board of Commissioners exists to conduct the business of its constituents. Deliberations are conducted before the people and are open for the people's review. In order to assist the Housing Authority's efforts to accommodate persons with severe allergies, environmental illnesses, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products. Please help the Housing Authority accommodate these individuals.

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DRAFT MINUTES

REGULAR MEETING OF THE BOARD OF COMMISSIONERS
OF THE HOUSING AUTHORITY OF THE CITY OF ALAMEDA
HELD WEDNESDAY OCTOBER 17, 2018

The Board of Commissioners meeting was called to order at 7:06 p.m.

PLEDGE OF ALLEGIANCE

1. ROLL CALL - Board of Commissioners

   Present: Commission Chair Tamaoki, Commission Vice Chair McCahan, and Commissioners Hadid, Kay, and Kurrasch.

   Absent: Commissioners Rickard and Weinberg

2. Public Comment (Non-Agenda)

   No Public Comment.

3. CONSENT CALENDAR
   - Consent Calendar items are considered routine and will be approved or accepted by one motion unless a request for removal for discussion or explanation is received from the Board of Commissioners or a member of the public.

   Items accepted or adopted are indicated by an asterisk.

   Executive Director Vanessa Cooper made an amendment to agenda item 3-R and changed the title to "Authorize the Executive Director or Designee to Approve a Contract for Fair Market Rent Survey to a Qualified Party, Not to Exceed $250,000." This amendment is being made because depending on applications, Ms. Cooper may have a conflict of interest, in which case Commission Chair Tamaoki or Vice Chair McCahan would award the contract.

   The Board of Commissioners agreed and moved on to the Consent Calendar. Commissioner Kay questioned why the HQS inspection pass rate is so low, especially since maintenance is viewing units prior to the HQS inspections. Staff provided an explanation of the numbers.

Vice Chair McCahan provided a suggestion for Ms. Lisa Caldwell, Director of Property Operations, to add a "Leases Pending" column to the vacancy table.

Commissioner Kurrasch welcomed our police officer in the audience and noted that he was glad to see the report and statistics on the police activity at our properties.

Commission Chair Tamaoki complimented staff on the Section 8 Directors Roundtable. Chair Tamaoki asked for more information on the Alameda Unified School District ROPS pass through fund allocation. Ms. Kathleen Mertz, Director of Housing & Community Development, explained that in May of this last year, AHA signed a memorandum of understanding (MOU) with AUSD to use a portion of the redevelopment funds on some of our projects. Staff explained that cost overruns at Littlejohn related to some insurance and hard costs, lead to the approximately $300,000 number in this report. The AUSD funds for this period are about $268,000.

Commission Chair Tamaoki asked if there are any additional obligations that come along with accepting funding from AUSD. Ms. Mertz stated that with Littlejohn Commons (Del Monte), there are no obligations. At Everett Commons there is a preference point at lease up in the randomized lottery to AUSD employees, and any of AHA's future projects would be similar. Ms. Mertz explained that the MOU includes three years of funding, 2016 – 2019. AHA is working with AUSD to create timelines for future projects.

Chair Tamaoki asked if AHA will come back before the Board to ask for consent on the specific breakdown of funds from AUSD and Ms. Mertz said that it is similar to the Rosefield resolution. The process has been setup for the Board to authorize staff to find the funding source(s) and not really specific dollar amounts found from each source. Once funding has been identified and investor negotiations have taken place, staff will come back to the Board of Commissioners to get authorization on the global amount and budget of funding.

Chair Tamaoki noted he sees that we are expanding the Property Management Agreement with the John Stewart Company, and wanted to double check that this will not affect our current staff. Ms. Cooper said that expanding the agreement will not cause any staffing changes internally and that the maintenance staff will be reallocated elsewhere since there is plenty of work to be done.

Commissioner Kurrasch motioned to accept the consent calendar with the amendment to item 3-R and Vice Chair McCahan seconded.

*3-A. Approve Minutes of the Board of Commissioners Meeting held September 19, 2018
*3-B. Accept the Monthly Overview Report for Operations, H.R., and I.T.
*3-C. Accept the Monthly Overview Report for the Housing Programs Department
*3-D. Accept the Monthly Overview Report for the Rent Stabilization Program
*3-E. Accept the Monthly Overview Report for Property Operations
*3-F. Accept the Monthly Overview Report for Housing & Community Development
*3-G. Accept the Monthly Development Report for Littlejohn Commons

*3-H. Accept the Monthly Development Report for Everett Commons
*3-I. Approve and Authorize the Executive Director to Execute the First Amendment to the John Stewart Company Contract for Rosefield Village Dated July 1, 2017 to include an extension to June 30, 2020 and minor contract changes and Enter into a New Contract for Eagle Village effective January 1, 2019 in an amount not to exceed $175,000
*3-J. Authorize the Executive Director to Execute Administrative Amendments to the LifeSTEPS Contract Dated July 1, 2017
*3-K. Authorize the Executive Director to Negotiate and Sign the Following Contracts: A Three-Year Contract for HR Counsel Services to the Law offices of Liebert Cassidy Whitmore Not to Exceed $250,000 and A Three-Year Contract with the Law Offices of Wiley Price & Radulovich and/or Atkinson, Andelson, Loya, Ruud & Romo for Additional HR Legal Services Not to Exceed a Total of $100,000. All Contracts are on an As-Needed Basis
*3-L. Accept the Holiday and Office Closure Schedule for 2019
*3-M. Accept the Housing Authority 2017-18 Fiscal Year-End Report
*3-N. Accept the Annual Police Activity Report for FY 2018
*3-O. Accept the Budget Variance Report for August 31, 2018
*3-P. Accept Board of Commissioners Meeting Schedule for 2019
*3-Q. Approve Outside Employment of Executive Director, per 2014 Employment Contract Between the Board of Commissioners and Vanessa Cooper
*3-R. ~~Authorize the Executive Director to Approve a Contract for Fair Market Rent Survey to a Qualified Party for a Period of Four Months, Not to Exceed $250,000~~
Authorize the Executive Director or Designee to Approve a Contract for Fair Market Rent Survey to a Qualified Party, Not to Exceed $250,000
*3-S. Authorize the Executive Director to Negotiate and Approve a Third Extension of Amount and of the Term for the Contract between the Housing Authority of the City of Alameda and Nan McKay and Associates Up to a Total Not to Exceed Amount of $390,000 and to Extend the End Date to December 31, 2019

4. <u>AGENDA</u>

4-A. Accept a Presentation on the North Housing Parcel

Ms. Vanessa Cooper introduced Ms. Danielle Thoe, Management Analyst, who gave the North Housing presentation. Ms. Cooper thanked all of those who attended the first public North Housing Community Meeting. She noted that the project now has a website and excellent aerial photographs.

Ms. Thoe discussed the timeline moving forward and talked through the community engagement meetings. Since, community buy-in is key, efforts have been made to involve stakeholders and the general public and to understand the opinions of the neighbors and public. The community meeting schedule was advertised in many ways including: postcards mailed to site neighbors, newspaper announcements in four languages, AHA newsletter articles, and a North Housing email list.

Next steps will be to continue both the community engagement process and monthly partner meetings with Building Futures and APC. AHA will continue to move the Development Plan through City staff review in early November, then to a Planning

Board Study Session, followed by a Planning Board Hearing. Also, a meeting is scheduled with Carmel Partners on the topics of safety and security of the site.

Ms. Thoe then discussed pre-development funds and explained how staff has a much better idea of costs and work necessary to get through the Development Plan than earlier in the process. As a result, staff is now asking for additional funding for the pre-development costs and the Development Plan. Staff is requesting a total of $3.4 million on top of what was already approved. Ms. Thoe reiterated that the Development Plan is for the entire 12-acre site, not just one building. As part of this request, staff is asking for $2.5 million for demolition of the existing buildings. This cost estimate is based on the bids Carmel Partners received for their demolition of three buildings with similar requirements and guidelines that we will have.

Ms. Cooper reminded the Board that the agreement with APC and Building Futures requires this money be paid back to AHA first from future revenue. If the partners decided to sell any of the land at any time, the cash from that transaction would first go back to paying development expenses like the $3.4 million being requested.

Commissioner Kurrasch asked if the first buildings being demolished would allow for the new roads to be put in place and Ms. Cooper confirmed that this is correct – six buildings are currently under demolition. Staff is requesting funds for the demolition of the other sixteen AHA buildings. This does not include Habitat for Humanity's buildings.

Commissioner Kurrasch asked if Carmel Partners had agreed to take care of the sewers, and Ms. Cooper confirmed that they have.

Vice Chair McCahan commented on Lake Alameda, the property north of the AHA site. Ms. Thoe confirmed that it is owned by the City and while it is currently fenced in, there are anticipated plans to take down this fence to allow walking and biking access.

Vice Chair McCahan asked if there is intent to build housing on the old Miller School site. Commissioner Kurrasch explained that the plan is to move Island High School to this location. Ms. Thoe noted that the transfer of that site to AUSD has taken place.

Commission Chair Tamaoki commented on the $3.7 million and asked if this amount is anticipated to cover all costs until ground is broken. Ms. Thoe stated that this amount is for the Development Plan and it is anticipated that additional funding will be needed before the first building will get to ground breaking. Ms. Mertz added that for Everett Commons and Littlejohn Commons, it cost around $1 million of predevelopment funds to get AHA to closing, and this is a larger project with a larger overall process of a Development Plan for hundreds of units. Staff will then have to come back with the specific plans for each project. Although per unit, the Development Plan is not a huge upfront cost and there will probably be more cost later, it is likely that per unit costs will be less than previous projects because many issues will have been addressed and planned out in the Development Plan.

Commission Chair Tamaoki asked for clarification on whether each individual site will be leased out to a new tax credit partnership and that partnership would then pay AHA for the right to use the land. Ms. Cooper confirmed that there would be land leases.

Commissioner Kurrasch motioned to accept items 4-A and 4-B and Commissioner Hadid seconded. All were in favor.

Ms. Cooper thanked those Commissioners who have attended the Community Meetings and extended the offer to everyone for attending the future Community Meetings.

4-B. Accept the Monthly Development Report for North Housing and Approve a $3.4 Million Loan Amendment to Island City Development for Pre-Development at the North Housing Site and Authorize Executive Director to Negotiate and Execute the Loan Documents

This item was discussed and accepted along with the presentation in Agenda Item 4-A.

4-C. Accept the Monthly Development Report for Rosefield Village, Adopt a Resolution Authorizing Submission of Funding Applications, and Approve a $1.3 Million Loan Commitment Amendment to Island City Development for the Rosefield Redevelopment Project and Authorize Executive Director to Negotiate and Execute Loan Documents

Ms. Cooper introduced Ms. Kathleen Mertz, Interim Director of Housing and Community Development. Ms. Mertz directed attention to the updated Board memo (included with the meeting minutes as Attachment A), which was distributed at the beginning of the meeting because AHA will also need to form new owner entities for the project. This is similar to what was done for Littlejohn Commons and at Everett Commons. ICD as the general partner and the initial limited partner, the Housing Authority, formed a partnership and a new legal entity.

This project has been ongoing since 2015 and staff has been working to finalize a financing plan since that time. Staff was aware that the A1 competitive application was going to be opened because AHA already has a non-competitive Base Allocation. The competitive application portion was released on October 1, 2018. There was a six-week turnaround time with this application, so staff has been working to update documents as the project increased to 91 units changing the documentation to be submitted.

AHA originally approved a $5.7 million loan for 60 units, but because of the increase to 91 units staff discovered a gap in funding. The additional funding request is $1.3 million, which staff hopes to backfill with additional sources as the project progresses. Staff specifically requested a resolution for the authorization to apply for any and all funding sources as it becomes available. A resolution is also necessary for the A1 application.

Commissioner Kurrasch said it was good to leverage our money the proper way. He added that being able to add 30 units to the property makes the Board very happy.

Ms. Mertz mentioned that in June 2018, when the Capital Needs Planning was done with the reserve analysis, AHA did identify Rosefield as needing repair, so this agenda item fits in line with the overall schedule of investing in AHA properties and leveraging new growth.

Commission Chair Tamaoki asked how much money AHA will be looking for from A1 funds in the second round of funding. Ms. Mertz said that right now, it appears to be about $8.5 million. Chair Tamaoki commented that he wanted to make sure that AHA is having a net benefit.

Chair Tamaoki also asked if the 20% of units at 20% AMI are required to be homeless housing. Ms. Mertz explained that it is not a threshold requirement, but for the additional competitive points, yes, it does. Ms. Cooper commented that the question of whether or not this project can find the funding without the competitive points is a question that has not been resolved. Homeless families can still live in the unit without it being set aside specifically for homeless housing. Ultimately this will come down to working with the financial advisor to see which way AHA needs to go to get this project funded. Ms. Mertz added that it is leaning towards applying for the competitive points.

Chair Tamaoki commented that this will be a management challenge if AHA does not know the type of services needed for each of the specific tenants that are housed. Ms. Cooper commented that this is part of the reality of creating affordable housing today. Both the County and the State funding sources are targeted towards helping homeless individuals and veterans. If AHA does not need to opt in to house the homeless at Rosefield, AHA will not, but if this is the only funding that can be secured, then that is the direction of this project.

Commissioner Kay mentioned that the success of helping and housing homeless individuals does not work without providing services and Ms. Cooper agreed that AHA will commit to providing these services through an expert 3rd party provider to help in this capacity.

Several board members and staff continued the discussion on the need for homeless services and systems in Alameda.

Chair Tamaoki commented that homelessness issue needs to be addressed as a society and the Housing Authority is the agency to deal with this issue. The goal of creating additional homeless units over at the North Housing site is something that is strongly supported because this housing will be able to be designed in the way that it should be designed.

Vice Chair McCahan motioned to accept and Commissioner Kurrasch seconded. A Roll Call Vote was taken and all were in favor.

4-D. Conduct Public Hearing to Hear Comments on Housing Authority Significant Amendment Effective January 2019 or upon HUD Approval

Ms. Cooper introduced Ms. Tonya Schuler–Cummins, Senior Management Analyst, who spoke on this item and Ms. Lynette Jordan, Director of Housing Programs who spoke on the next item. Ms. Schuler–Cummins explained that staff previously came before the Board with a significant amendment contingent on a waiver from HUD to put specific families at Park Alameda. HUD responded that they will not approve the waiver, but proposed a new route. This proposes a voluntary, disability-specific supportive services preference for the nine units at Park Alameda, which is the first part of the significant amendment. The second part of the significant amendment allows under housed families in Project-Based Voucher units to stay in their current unit if supportive services are available to them.

Ms. Schuler–Cummins stated that all of the public noticing has been done and AHA did not receive any written comments. AHA conducted two public meetings for the Resident Advisory Board (RAB). While one of the Resident Advisory Board Members is now on the Board of Commissioners and no longer eligible for the committee, the other two members stated that they were in favor via a phone conversation, but were unable to attend a meeting. There was no public comment which altered any of what is being presented and the significant amendment has been posted on the AHA website, the Main Library, and a notice of the location and meetings in the newspapers. There now needs to be an open public hearing for oral comments before the resolution can be adopted.

Commission Chair Tamaoki opened the public hearing at 8:20 p.m.; there being no Public Comment, the hearing was closed at 8:20 p.m.

4-E. Adopt A Resolution Approving A Significant Amendment to FY 2019 Annual Plan, Effective Upon Acceptance by HUD or 75 days after HUD Submittal

Ms. Schuler–Cummins stated that the next agenda item is to "Adopt the Resolution Approving A Significant Amendment to FY 2019 Annual Plan, Effective Upon Acceptance by HUD or 75 days after HUD Submittal," and Chair Tamaoki asked the Board if there were any further questions. Ms. Cooper added that there has been outreach for next year's Resident Advisory Board and there are six individuals interested, so Ms. Cooper will review a recommendation next week for the new Resident Advisory Board.

Commissioner Kay motioned to accept 4-E and Commissioner Hadid seconded. Roll call was taken and all were in favor.

4-F. Amend the Housing Authority of the City of Alameda (AHA) Section 8 Administrative Plan Chapters 2, 3, 4, 5, 7, 8, 10, 12, 15, 16. The Title Page and Table of Contents to comply with The Violence Against Women Reauthorization of 2013 (VAWA) Final Rule, Public and Indian Housing (PIH) Notices 2016-9, 2017-08, 2017-12, 2017-13, 2013-9, and to comply with Quadel Administrative Plan Final Review

Ms. Cooper explained that the Administrative Plan regulates the Section 8 Program and, on a regular basis, AHA goes through the chapters and updates the plan to be in compliance. These changes may take place due to new legislation, new items by HUD, or edits which AHA makes to meet best practices.

Ms. Lynette Jordan, Director of Housing Programs, explained that these edits are to make sure that AHA is in compliance with HUD notices and the latest regulations. AHA previously updated the Violence Against Women's Act (VAWA) items but in reviewing the chapters this round found a few reauthorization dates which needed to be updated. Changes are being made to allow for triannual recertifications and a correction to clarify voucher issuances for 180 days. There are also changes to current practices to make sure that AHA is in alignment with our new procurement policy, and a new lead-based paint procedure which AHA has already implemented, but is now aligning the plan. There were also some changes to the HOTMA sections. AHA is already Affirmatively Furthering Fair Housing, but with this change clarifies that this applies to all of the AHA programs. All the changes have been redlined and the copy in the packet shows these edits.

Commissioner Kurrasch commented on the good work and Commissioner Hadid stated that as a past member of the RAB, he appreciates what AHA does and all of the work that goes into these changes. Ms. Cooper commented that AHA is always looking for new RAB members and their input is important because it helps AHA to make sure changes are being made in the right direction. Ms. Cooper thanked Ms. Schuler–Cummins and Ms. Jordan for their hard work in making the update to these chapters. Chair Tamaoki commented that keeping track of all the changes is impressive.

Commissioner Kurrasch motioned to accept and Commissioner Kay seconded. All were in favor.

4-G. Accept Goals for the Executive Director for the Period of October 1, 2018 to September 30, 2019 and Approve an Increase of Five Percent (5.0%) in the Executive Director's Compensation, Effective on the Next Payroll Date Following the Completion of the Executive Director Performance Review Which was Held September 19, 2018

Ms. Cooper commented that each year goals are set for the Executive Director, and then around this time each year the Executive Director is evaluated against these goals. The Board previously met about the evaluation in September to review these goals as a proposal, and Ms. Cooper would like to make one change to the proposed goals based on comments from that meeting. The change is to bring forward the recruitment of the Deputy Executive Director. This recruitment was previously planned for 2019, but per Ms. Basta's memo, this recruitment has been moved up.

Chair Tamaoki asked for further comments. Ms. Cooper said that several of the goals hinge upon the Strategic Plan which will be brought back before the Board. The Strategic Plan text is more or less complete, but staff is working on the picture issue. As mentioned previously, the authenticity of the report feels different if the pictures reflect AHA's actual participants, but this brings about a privacy issue so staff is working to solve this problem.

Chair Tamaoki asked to change Goal 2, Item i from "and make them more efficient" to read "and improve efficiency".

Ms. Cooper proposed adding letter "j" to Goal 2 with the approximate language: "Start the recruitment of the Deputy Director position in early October with a goal of hiring in first quarter of 2019."

Chair Tamaoki asked if the board would like to make a motion to move the recommendation as amended and Vice Chair McCahan motioned to accept as amended, and Commissioner Hadid seconded; all were in favor.

5. ORAL COMMUNICATIONS, Non-Agenda (Public Comment)

None

6. COMMISSIONER COMMUNICATIONS, (Communications from the Commissioners)

Commissioner Kay commented on how many people attended the Littlejohn Commons Grand Opening and that she was totally impressed with every aspect of the building and it was thrilling to see the reaction of everyone that attended and their impressions of the building. Ms. Cooper said that these comments would be passed along to staff.

Commissioner Hadid thanked staff and told them to keep up the hard work.

Vice Chair McCahan commented there was a high degree of emotion coming away from the grand opening and everyone should be very proud of the work that was done.

Commission Chair Tamaoki was unable to attend the Littlejohn Commons Grand Opening but acknowledged staff's work on this project.

Commissioner Kay commented that another organization she works with just had 4,200 people apply for housing and this just emphasizes again the need for housing.

Vice Chair McCahan will not be able to attend the next meeting and wanted to make an announcement to all residents that the Christ Church will have a citywide free Thanksgiving dinner and the Fire Department is hosting a toy drive program for all residents. Families that qualify can go through the food bank and signup starting November 1, 2018. Ms. Cooper commented that AHA would like a toy barrel in the lobby.

7. ADJOURNMENT

There being no further business, Chair Tamaoki adjourned the meeting at 8:40 p.m.

Vanessa M. Cooper Executive Director/Secretary	Kenji Tamaoki, Chair Board of Commissioners

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DRAFT MINUTES

SPECIAL MEETING OF THE BOARD OF COMMISSIONERS OF THE HOUSING AUTHORITY OF THE CITY OF ALAMEDA HELD WEDNESDAY NOVEMBER 7, 2018

The Board of Commissioners Special meeting was called to order at 7:00 p.m.

PLEDGE OF ALLEGIANCE

1. ROLL CALL - Board of Commissioners

   Present: Commission Chair Tamaoki, Commission Vice Chair McCahan, and Commissioners Hadid, Kay, Kurrasch, and Weinberg.

   Absent: Commissioner Rickard

2. Public Comment on Closed Session

   Commission Chair Tamaoki stated the agenda of this Special Board of Commissioners Meeting and read the agenda item aloud. Chair Tamaoki explained that this is a disciplinary matter involving an individual who has requested an open session meeting. Ms. Ali confirmed that she would like an open session and Chair Tamaoki explained a complainant's rights. The Commission's role was to determine whether to uphold or reject arbitrator Richard C. Solomon's Advisory Opinion and Award as to Ms. Ali's termination. A copy of the Advisory Opinion was provided to the Commissioner's and made a part of the record and included in these minutes as Exhibit A. Ms. Ali was given 10 minutes to give her presentation. (Upon Ms. Ali's request to be heard in open session, the findings of the independent arbitrator were released as public information and copies were provided for the audience.)

   Chair Tamaoki asked if the Housing Authority of the City of Alameda would like to come forward and Mr. Nakano from Liebert Cassidy Whitmore spoke on AHA's behalf. Mr. Nakano was given 10 minutes for his presentation.

   Commission Chair Tamaoki confirmed that there were no further questions and asked for public comment before moving into closed session.

   A member of the public came forward and explained her housing situation and need for housing as she is currently homeless. She was then directed to speak with AHA staff.

Chair Tamaoki adjourned to closed session at 7:31 p.m.

3. Adjournment to Closed Session Pursuant to Government Code 54957 to Consider: Public Employee Discipline/Dismissal/ Release

4. RECONVENE SPECIAL MEETING

The special meeting was called back to session at 7:55 p.m.

5. Announcement of Action Taken in Closed Session, if any.

Chair Tamaoki commented that since Ms. Ali did not return after closed session, the Board meeting would move forward. Chair Tamaoki announced the action taken in Closed Session, which was to adopt the recommendation in full. All Commissioners were in favor with the exception of Commissioner Hadid who abstained.

6. Public Comment (Non-Agenda)

None

7. <u>AGENDA</u>

7-A. Public Employee Discipline/Dismissal Release

Commissioner Hadid abstained and all other Commissioners voted in favor of adopting the recommendation.

8. <u>COMMISSIONER COMMUNICATIONS, (Communications from the Commissioners)</u>

None

9. <u>ADJOURNMENT</u>

There being no further business, Chair Tamaoki adjourned the meeting at 7:56 p.m.

Exhibit A: IN THE MATTER OF ISLAH ALI, Appellant and HOUSING AUTHORITY OF THE CITY OF ALAMEDA, Respondent OAH Case No. ARB-16-0183. ADVISORY OPINION AND AWARD

Vanessa M. Cooper
Executive Director/Secretary

Kenji Tamaoki, Chair
Board of Commissioners

IN THE MATTER OF

ISLAH ALI, Appellant

and

HOUSING AUTHORITY OF THE CITY OF ALAMEDA, Respondent

OAH Case no. ARB-16-0183

ADVISORY OPINION AND AWARD

ARBITRATOR:	Richard C. Solomon
DATE OF HEARING:	February 12-16, 2018, and May 21-23, 2018
APPEARANCES:	Jacqueline Coulter-Peebles, Esq. For the appellant Matthew Nakano, Esq. and Richard Bolanos, Esq. Liebert Cassidy Whitmore, for respondent

INTRODUCTION:

The hearing officer was duly selected by mutual agreement of the parties pursuant to Article IX(B)(1) of the respondent's personnel policy (dated Aug. 17, 2016) which, at an employee's option, provides for a hearing before a neutral hearing officer who shall issue an advisory opinion.[1] The parties have stipulated that the matter is properly before me. All witnesses were sworn and subject to cross-examination. Oral and documentary evidence was received, and the hearing was recorded and transcribed by Jeannette Samoulides, CSR. Upon conclusion of the hearing, the parties agreed to submit post-hearing briefs after they receive the hearing transcript. Those briefs have been received, and the matter is now deemed submitted for an advisory decision.

THE ISSUES

1. Did the respondent have just cause to suspend appellant for four days in February, 2016;
2. Did the respondent have just cause to terminate appellant's employment?
3. And, if not, what is the appropriate remedy?

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[1] That policy calls for the Agency's Executive Director to appoint the hearing officer. Because the Executive Director was involved in the matter as a percipient witness, the parties mutually agreed to waive that requirement and, instead, select me as hearing officer.

EXHIBITS

Respondent's exhibits are listed in the reporter's transcript at pp. 4-10 and appellant's exhibits are listed at pp. 11-15.

SUMMARY OF THE EVIDENCE[2]

The respondent Housing Authority is charged with providing subsidized housing for eligible tenants in a mix of approximately 1500 properties owned by private owners and by the respondent itself either outright or in partnership with other owners. During the time period relevant to this matter, Housing Authority staff performed two essential functions, among others: qualifying tenants for assistance, both initially and on an on-going basis, and inspecting units on a scheduled basis to ensure that they are safe and habitable. Both tasks had performance and productivity goals or standards which employees were expected to meet.

Ms. Ali was initially hired in 2004 as a Housing Specialist. This position determined whether applicants were eligible for housing assistance, performed rent reasonableness calculations for units in the federal rent subsidy program, processed annual recertifications of participants' income, and the like. The job was essentially administrative and was done in the office. The Housing Inspector inspected units in the program, using a written checklist or, later, an electronic tablet, and determined whether units in the program met minimum health and safety standards and were thus suitable for occupancy. The Housing Inspector also had to generate appropriate notifications to the owner and tenant as to the result of the inspection and, when using paper records, scan them into the Authority's computer system. Both positions require attention to detail, keeping accurate records, and completing tasks on time.

In 2012, Ms. Ali requested that her job title be changed to Housing Inspector because most of her time was spent on inspections; this request was granted in March, 2013.

In 2015, the Housing Authority, following a change in HUD rules, changed the frequency of inspections from yearly to every other year. This resulted in a 50% reduction in appellant's work load as an inspector. The respondent offered appellant a choice: work part-time as an inspector or transition back to a Housing Specialist position and perform both inspections at the reduced load and the rent calculation/eligibility work routinely done by Housing Specialists. Ms. Ali chose the latter. Her new position was to start in February, 2016. I return to appellant's evolving job duties after a necessary description of performance issues.

Supervisors noted performance problems from the beginning of her employment. Her performance review three months into her probationary period noted that she needed "to improve [her] punctuality." RX 61. The same deficiency was noted in her six month review (RX 62) and one year review. RX 63. Punctuality became an ongoing issue throughout her employment. Respondent allows employees a choice as to when to start work. Regardless of the start time, they are expected to be clocked in (using a program on their desktop computers) and

[2] As is commonly done in arbitration matters, much detail was introduced by respondent to explain the respondent's mission, job classifications, and the like. This evidence was helpful to understand the "back story" but, for brevity's sake, only facts relevant to the disciplinary issues will be summarized.

ready to work at their chosen start time. The program does allow a "rounding" period to cover the times when they are a few minutes early or late, by rounding or converting the actual time clocked in to the designated start time. Management witnesses all testified that this was for payroll purposes and could not be interpreted to, for example, assuming an 8:30 start time, allow an employee to clock in at 8:40 every morning because that would, in effect, transform the 8:30 agreed-upon starting time to an 8:40 start time. Appellant continually referred to this ten minute period as a "grace period," meaning that arrival at work within that grace period counted as being timely. Appellant testified, uncontradicted, that she never arrived beyond the ten minute limit.

Respondent disagreed with calling it a "grace period, claiming that it was implemented only to make time keeping and the consequent salary calculations simpler. Ms. Ali's supervisors testified that they explained this to her on many occasions, but she continued to arrive late. For example, in April, 2007, a supervisor noted that "punctuality continues to be a serious problem." RX 65. This supervisor had verbally reprimanded appellant, but noted no improvement. She recorded that Ms. Ali was late 106 times for a total of more than thirteen hours. Similarly, in 2008, tardiness was again noted as a performance problem for which she had received a written reprimand (earlier in that evaluation period), which noted that Ms. Ali was late 55 times out of 80 days worked over a five month period, almost 70% of the time. RX 66.

The written documentation is somewhat unclear on how to characterize the ten minute period. There are numerous references to punctuality issues; on the other hand, Ms. Korbel wrote in a memo to Ms. Ali, " if at any time you miss the 10 minute grace period at morning punch or the 5 minute grace period returning from lunch . . ., immediately complete a leave request slip accounting for all the minutes of delay after you punch." RX 23, p. 1. As mentioned above, the performance reviews, however, do contain regular and repeated comments such as "in one pay period in August you were late four times, ranging from two to 10 minutes each" [RX 61, p. 2]; "I am very concerned about your continued tardiness. You must improve in this area immediately. I expect you to be here and ready to work at 8:30 every day." RX 65, p. 2.

Respondent also introduced evidence showing that appellant received written warnings in 2015 for not following the employer's policy for reporting absences. RX 55, 7; AX 237. Appellant testified that these absences were justified under the policy and/or the suddenness of the emergency (usually migraine headaches) precluded advance notice. On other instances, she testified that she properly reported them.

In addition, in 2010, appellant was orally reprimanded for going into co-workers' offices uninvited and complaining to them about their work habits. RX 56. In 2014, she received a written warning for making a statement to co-worker that was "racially charged, hostile and unprofessional." RX 57. The offending remark was made in response to a co-worker who had inappropriately invaded appellant's work space (as revealed by the supervisor's investigation). Some eight months later, appellant again used racially charged language toward a co-worker and received another written warning. RX 58.

Respondent also proved that Ms. Ali, in her role as housing inspector, in May, 2015, failed to spot and record "fail" conditions with four units (as determined by a later quality control inspection), and she marked another unit as "failed" when, according to the quality control inspection, it should have passed. The former mistakes mean that possibly unsafe conditions continue unabated (for example, in one unit, Ms. Ali failed to see and/or record that the hot water line under a sink was leaking that could lead to rot and mold if not fixed). The latter mistake means a property owner was improperly told his or her unit failed the inspection thus jeopardizing the Housing Authority's relationship with the owner and putting the owner to unnecessary effort to correct the mistake. RX 8. The Agency also established that a pattern of botched inspections could threaten continued funding from HUD. This resulted in a written counseling memo; in addition, Ms. Ali was directed to attend an additional training session. The evidence established that Ms. Ali made similar inspection errors on November 18, 2015, December 29, 2015, and January 26, 2016 which resulted in more written counseling memos. RX 28; RX 32; RX 33

On November 19, 2015, Ms. Ali's request to meet with her supervisors to discuss workplace issues was granted and she met with three of them later that day. During this meeting, she listed a number of complaints she had about working conditions describing them as "colonial" meaning supervisors were trying to control the workforce to meet the needs of upper management, similar to colonizers in Africa. (Kramer testimony, TR vol I, pp. 81:8-82:2); see also RX 59. On cross-examination, Appellant agreed that she considered Ms. Korbel to acting like an "oppressor," explaining that "oppressor" referred to slave owners. The evidence is unclear, but I inferred from the testimony and the respective witnesses' body language that one supervisor, Ms. Korbel, disagreed with appellant's characterization of her working conditions, to which Ms. Ali referred to Ms. Korbel as an "overseer." Korbel, who is also Black, was deeply offended because to her it harkened back to slave times when slaves were sometimes ordered to supervise other slaves in their forced labor. In other words, the word "overseer" is, in Korbel's mind, always a highly negative epithet when used while criticizing another Black person.

Housing Authority management agreed, and suspended appellant for four days.[3] RX 60. Executive Director Cooper testified that she based her decision to escalate the discipline to a suspension without pay, rather than a lesser action, on the ground that Ms. Ali had twice before used inappropriate race-based language for which she received a written warning: She said to two co-workers "Excuse me Massa! Massa, I'z about to go into the field now Massa." RX 57; the second incident involved Ms. Ali telling another Black employee that needed a piece of watermelon. Appellant insisted that was an "inside Black joke," but the employee to whom it was directed was offended. Ms. Cooper concluded that the more severe discipline was necessary to drive home the point that these kinds of comments were not tolerated. TR VI, p. 1165:9-24.

Management also insisted that Ms. Ali attend a "sexual harassment" on-line training, which Ms. Ali objected to as inappropriate in light of the offense. RX 18. She suspected "some

[3] Ms. Korbel formally complained about Ms. Ali's remark and Ms. Ali formally complained to management complaining, in essence, that she was being held to a different and much stricter standard than other employees. The Agency hired an outside investigator to conduct a confidential investigation and make findings with respect to each complaint. She found that Ms. Ali's claim of disparate treatment were not sustained and that Ms. Korbel's complaint that Ms. Ali used a derogatory race-based comment were sustained. RX 59. I do not rely on the investigator's findings because, as explained in the "Burden of Proof" portion of the Opinion, I am obligated to make my own findings based on the evidence presented at the hearing.

ulterior motive." In spite of her objection, management stood by its decision that Ms. Ali complete that training. Appellant timely objected to this discipline, and it is presented as the first issue for decision. All of the supervisors and managers denied any "ulterior motive" in drafting negative performance reviews, putting Ms. Ali on the PIP (and an earlier one in 2013), and in insisting that she take a sexual harassment training session (even though the offense was race-based).

After the "overseer" incident, Ms. Korbel was replaced as Appellant's supervisor by Ms. Jordan who testified that she began to see the same kinds of performance problems that had been documented by previous supervisors. Her progress reports on the PIP are replete with instances of unsatisfactory performance. For example, in the final memo reporting on Ms. Ali's performance, June 13, 2016, Jordan wrote that Ms. Ali was not accurately performing basic rent increase calculations and in insufficient numbers; she did not complete her recertifications at the 80% accuracy rate required by the PIP; and she continued to fail to submit daily tracking sheets. RX 47, TR III, p. 647:16-19.

Four months before the "overseer" incident, respondent had put Ms. Ali on a Performance Improvement Plan. RX 9. Much testimony and many documents explained this process and how it was documented and repeatedly extended until management decided that Ms. Ali's performance continued to be unsatisfactory and that discharge was the respondent's only option. Ms. Ali objected and considered the "terms" of the PIP onerous and unfair. For example, she was expected to submit weekly "tracking sheets" to reflect her productivity. Id. Ms. Ali testified that these were time consuming to prepare and caused her unnecessary stress. Two supervisors testified that completing these tracking sheets should have taken no more than twenty minutes per week.

I take arbitral notice of the fact that PIPs are commonly used in the public sector and, when used appropriately, can assist a chronically under-performing employee to bring their performance to acceptable levels if management's expectations are clearly spelled out in the PIP. The original PIP and the extensions meet that standard: the Plan itself is appropriately detailed, and the follow-up reviews were timely held and documented and, again, were appropriately detailed Many examples of unsatisfactory performance are cited throughout the reviews and testified to by Appellant's supervisors. For example, on September 8, 2015, Ms. Ali was not prepared to leave the office at the scheduled time to begin her round of inspections, did not ensure that the handheld tablet she was to use the record the inspection results was fully charged, and was prepared to leave the office without some of the equipment she needed to complete the inspections. RX 12. And, on the October 26, 2015, PIP follow-up review, Korbel notes that Ms. Ali left late for her scheduled appointments and missed three scheduled inspections because she went to the wrong addresses. RX 25. The original PIP was extended four times because, according to Agency witnesses and the documentation, Ms. Ali failed to consistently perform at satisfactory levels throughout each PIP period. For example, in the February 4, 2016 PIP review, Ms. Jordan noted that Ms. Ali made errors with incorrect data entries for utilities. RT 36, p. 4. In the April 19, 2016 review, Ms. Jordan noted that Ms. Ali averaged twelve rent increase calculations per month, whereas two other Housing Inspectors performed twenty one and twenty respectively and that "files had incorrect utilities or amenities." RX 41, p. 2. In the May 3, 2016 review, Ms. Jordan noted that Ms. Ali made an incorrect rent calculation which had to be returned to her for correction. RT 44, p. 2. In the same period, three interim rent adjustments had errors. Id. at pp. 4-6. Jordan noted: "To date, Islah has not demonstrated that she is able to accurately process interim recertifications at an 80% [accuracy] level. . . ." Id. at 6. During this period, Jordan also noted that Ms. Ali's productivity was vastly lower than other Housing Inspectors: 306 documents scanned by Ms. Ali on a particular day in comparison to over 1780 by others. Id. at 7. Ms. Ali at times was late in completing rent increases which forced the Agency to absorb the tenant portion of the rent increases because the tenant had not received the required thirty day notice. RX 45, p. 2. The other PIP reviews contain similar comments about unsatisfactory performance.

The issues are whether the initial PIP was justified by Ms. Ali's performance issues and whether it was implemented in a good faith attempt to correct deficient performance rather than as a pretext to punish her. These issues are discussed in the Opinion section below. Ms. Ali objected to imposition of the PIP and felt like it put her under the microscope, with everything she did under constant scrutiny and with her supervisors basically waiting for her to fail. She testified that this exacerbated her migraine headaches. It probably contributed to her conviction that the atmosphere at work was "colonial" and her supervisor was acting like an "overseer."

No evidence was presented, other than Ms. Ali's testimony, that other employees were treated differently. For example, there was no evidence that the number of inspections Ms. Ali was expected to complete (as detailed in her PIP) was more than the number expected of other inspectors or the third party inspector hired to inspect Agency-owned properties. Nor was there evidence that other employees were allowed to clock in repeatedly within ten minutes after their start times without repercussions, or that racially-based remarks uttered by other employees were overlooked.

The parties disagreed on whether the training offered to Ms. Ali was sufficient. Respondent introduced testimonial and documentary evidence to prove that throughout Ms. Ali's employment, it provided a variety of training on all of the technical aspects of the Housing Specialist and Housing Inspector positions. According to Agency witnesses, Ms. Ali was provided more training than other similarly situated employees received. For example, one of her supervisors testified that Appellant was allowed to shadow another employee on at least two occasions to see how to do required Housing Specialist tasks. Respondent did once reject Ms. Ali's request for additional training on the ground that the training provided should have been sufficient for her to satisfactorily meet job expectations. RX 42. Appellant asked for additional training on several occasions, particularly after she began working under the PIP.

Respondent's witnesses also testified that Ms. Ali consistently under-performed other employees in the same position with roughly the same experience on the job. This evidence was uncontradicted and supported by the documentary record. Respondent's witnesses also testified that the job expectations were applied evenly to all employees in a given position and that they were not made stricter or more difficult for Ms. Ali. In other words, Agency witnesses testified that Ms. Ali was held to the same performance standards of other similarly situated employees and that she consistently failed to meet those standards.

In spite of regular meetings and additional training, Ms. Jordan concluded that the PIP was not successful in that appellant's performance remained unacceptable. She recommended that the PIP, which had been in place for some ten months, not be renewed and that Ms. Ali's employment be terminated. Management agreed, and on August 18, 2016, appellant's supervisor sent her a notice of intent to terminate appellant's employment. RX 5. The grounds for discharge were cited as Personnel Policy VIII(B)(6) (failure to observe working schedules; habitual tardiness); Policy VIII(B)(20) (unsatisfactory job performance or inability to perform in a satisfactory manner); and Policy VIII(B)(32) (other conduct incompatible with service to the public).

A *Skelly* meeting was duly held, at which Ms. Ali was represented by present counsel. Because the Housing Authority's executive director was a percipient witness to many of the events which lead up to Ms. Ali's discharge, the Human Resources Director of the City of Alameda – unconnected to the Housing Authority – conducted the *Skelly* meeting. She concluded that no facts were presented which undermined the Agency's decision to discharge Ms. Ali. RX 2. Respondent followed up by terminating Ms. Ali's employment on October 18, 2016. RX 1. Ms. Ali timely appealed the decision to advisory arbitration.

THE PARTIES' CONTENTIONS

Respondent argues that it had ample just cause for both disciplinary actions. The four day suspension was justified because appellant accused a supervisor of being an "overseer" which, under the circumstances, the supervisor, who is black, as is appellant, reasonably and understandably took as a racial slur, and the suspension followed two other incidents involving racial slurs for which appellant had received written warnings. Respondent thus argues that the suspension was fully compliant with its commitment to progressive discipline.

The discharge was also justified because of appellant's chronic performance issues which started during her probationary period and which continued in spite of counseling, additional training, and a lengthy performance improvement plan. Respondent requests that the appeal be denied and its two employment decisions be upheld.

Appellant argues that her use of the word "overseer" was not racially derogatory but, instead, was simply an expression of appellant's belief that the supervisor was being unfairly harsh in her treatment of appellant. Thus, because it was not a racial slur, it did not warrant any discipline, let alone a four day suspension. Similarly, appellant argues that her performance problems were largely caused by management's unreasonable and unfair demands on appellant and their failure and refusal to address her susceptibility to migraine headaches. Specifically, appellant emphasizes management's insistence that she attend a sexual harassment training in response to the "overseer" incident, even though that incident had nothing to do with sexual harassment and in spite of appellant's objection. The misconduct, if any is found, was minor and did not justify the drastic decision to terminate her employment.

OPINION

A. BURDEN OF PROOF

As the employer seeking to justify its decision to discharge an employee, it has the burden to establish good cause by a preponderance of the evidence: good cause to conclude that the employee's underlying conduct or misconduct actually occurred and warranted discipline, and good cause to conclude that discharge was the appropriate employment decision. The first "level" of good cause is determined by the arbitrator de novo, meaning without deferring to the employer's decision. This is required because employers do not have discretion to get the underlying facts wrong: either the complained-of conduct occurred or it did not. Vesting arbitrators with the ability to make that determination preserves the job security protected by the good cause standard.

On the other hand, deciding what level of discipline is appropriate under the circumstances typically involves the exercise of discretion. Here, it required management to consider the severity of the performance problems, the impact of the numerous previous written warnings, reprimands, and the four-day suspension, the impact on Agency staff if Appellant was given yet another chance to improve (or not), and so forth. Arbitrators, obviously, do not manage the enterprise and have no particular expertise on weighing all of the factors that typically are considered in determining what "punishment" fits the "crime." Therefore, arbitrators usually defer to the employer's decision on the particular discipline at issue and modify it only if the arbitrator is convinced that the employer abused its discretion.

THE FOUR DAY SUSPENSION

The standard applicable in racial harassment claims under federal and California law apply to similar claims made in the arbitration context. That standard requires that the claim be viewed from the "perspective of a reasonable person belonging to the racial or ethnic group of the plaintiff." *Nazir v. United Airlines, Inc.* (2009) 178 Cal. App. 4th 243, 264. Therefore, because Appellant directed her overseer remark to a black supervisor, whether it was offensive (and therefore violated the Agency's zero-tolerance policy) must be viewed from the point of view of a reasonable black supervisor.

Ms. Korbel testified that she found the remark offensive because it was made while Ms. Ali was criticizing her supervision of Ms. Ali's job performance and in the context of Ms. Ali's references to "colonialism" and "slavery." Under the circumstances, Appellant was more than likely accusing Ms. Korbel of currying favor with the Agency's executive director and HR director (both of whom are white) by keeping her subordinate employees in line and compliant. Ms. Korbel's claim of being offended was both plausible and credible. The evidence, in light of the applicable legal standard, compels the conclusion that management had good cause to impose discipline for this racially offensive remark.

In her Post-Hearing Brief, Appellant's counsel argues that the "Supervisory staff was a constant source of criticism and demeaning of Mrs. Ali's ability to perform job duties she had been performing under the old management for years prior to the arrival of the new 'management team.'" Appellant's Post-Hearing Brief at p. 2. This implies that (a) unfair and onerous expectations were imposed under a new supervisor and (b) that those new burdens somehow provoked Ms. Ali to analogize her situation to colonialism and slavery with Ms. Korbel both being a part of and handmaiden to the "new" management team. Neither implication is supported by the evidence, other than Appellant's unsupported testimony. First, Ms. Ali had performance issues from the start, as evidenced in her probationary performance review. The

PIP was a reasonable response to years of unsatisfactory performance, and, although it did impose additional tasks (such as weekly and then daily tracking logs), those additional tasks were either minor and/or were offset by lowered productivity expectations compared to Appellant's co-workers. And, second, there is no justification for race-based epithets in the work place under the Agency's zero tolerance policy, a policy it clearly has the right to adopt.

Appellant's counsel also argues that vestiges of slavery linger on, that Executive Director Cooper (who was born and grew up outside the United States) has a perspective on racism in America different than people born and raised in the U.S., that Ms. Korbel "suffered from a lack of understanding" as to the true meaning of overseer, and that the "term 'Overseer' has many meanings.". Id. At p. 3. None of these arguments are germane to the legal standard I am compelled to apply. The sole focus must be on how Ms. Korbel perceived the statement in the context in which it was made, and her perception of it was reasonable.

Given the Housing Authority's commitment to progressive discipline, a suspension without pay of some period was entirely within the management's discretion. Ms. Ali had received written warnings because of two prior similar incidents which did not deter her from repeating the offense. Clearly, a suspension was warranted, and there is no principled basis for me to conclude that the Agency abused its discretion in setting the length of the suspension at four days.

GOOD CAUSE TO DISCHARGE

The evidence, largely undisputed, overwhelmingly supports the Agency's conclusion that Ms. Ali's performance, in numerous specific details, was significantly below acceptable and warranted appropriate discipline. Accurate inspections, accurate calculations of eligibility, rent levels, etc. and scanning of documents are critical job skills, and yet Appellant's work was frequently and repeatedly below the 80% accuracy threshold. Indeed, some of her mistakes on inspections were potentially life-threatening. Others could have resulted in injuries to tenants and guests, and inspections where she was late in arriving or didn't show up were inconvenient to tenants, as well as potentially expensive if they had to take time off work to be there at the designated time.

Showing up for work on time is another critical job requirement, which was made clear in virtually every performance review and in many counseling memos. Of course, an employer has the management right to establish an attendance policy (unless otherwise constrained by an agreement negotiated with an employee representative) – whether relatively loose or strict – and here the Agency has adopted a modified policy which insists that employees show up on time with some leeway for the occasional early or late arrival for payroll purposes. Yet Appellant continued to insist that the ten minute rounding period allowed her to consistently show up for work later than her 8:30 start time.

Thus, Appellant's performance violated each of the Personnel Policy sections cited in the Notice of Intent to Terminate: she was regularly late for work; she failed to perform satisfactorily throughout the PIP period (as well as earlier); and her mistakes could have caused tenants, owners, and HUD to view the Agency with disfavor (by, for example, failing to meet deadlines for assigned annual recertifications and failing to perform rent calculations at the required accuracy rate which could have had funding implications with HUD).

Appellant's counsel argues that the amount of work demanded "was ever growing." Post-Hearing Brief at 6. If there were true, Ms. Ali's frustration with the PIP and management would have been understandable and justified. But it did not "grow." Rather, the expectations were consistent and less than the productivity goals for similarly-situated Housing Specialists. For example, after Ms. Jordan became Appellant's supervisor, she consistently expected Ms. Ali to perform ten rent increase calculations in a two and a half hour period, with each expected to take no more than ten or fifteen minutes. See, e.g., RX 39, p.2, RX 41, p. 1, RX 46, p. 3 (March 17, April 19, and May 25, 2016 respectively). Appellant's counsel does not support the assertion with any references to the evidence. Appellant also complained about the hand-held tablet which was introduced to make getting the housing inspection results into the Agency's computer system more efficient. Specifically, she complained that the device frequently malfunctioned. Even if true, she always had the option of using a paper booklet in which to record inspection results; a malfunctioning tablet did not excuse the failure to accurately inspect units and record the results on a consistent basis. Thus, there simply is no evidence to support counsel's assertion that "The conduct of the supervisory/management staff fell outside the bounds of decency." Post-Hearing Brief at 8. To the contrary, aside from the single instance of the inappropriate sexual harassment training, management here appears to have responded appropriately to the facts before them.

Ms. Ali testified that Ms. Korbel and then Ms. Jordan were particularly and overly stringent and demanding. Yet once, when Ms. Jordan was out of the office for four days, Ms. Ali was supervised by Mr. Harold, who had previously supervised and training Appellant. In the May 25, 2016 review, Mr. Harold also found deficient performance: over a two day period, she completed only one annual recertification, which had several significant errors. RX 46, p. 2. This supports the Agency's argument that the supervision was consistent throughout Ms. Ali's employment.

Counsel also argues that Ms. Ali suffered from frequent and sudden-onset bouts of migraine headaches but did not take this into account in setting productivity goals. Appellant's counsel also faults the Agency's apparent failure to refer Ms. Ali to a workers compensation doctor after she began reporting the migraines. Post-Hearing Brief at 8. There is no evidence in the record linking those goals with Ms. Ali's medical condition, nor is there any evidence that she requested reasonable accommodations for it and/or presented a note from her physician requesting accommodations. The Agency did give her time off from time to time when requested under its sick leave policy, and did fault her twice for absences without any advance notice. Ms. Ali, at her request, was also referred to the Agency's Employee Assistance Program. But there is no evidence that the quantity and accuracy of work expected caused or contributed to the migraines. Nor is there evidence about the frequency of the migraines and whether they prevented Ms. Ali from meeting the PIP productivity goals on any given day, week, or other period of time. Clearly, migraines can be debilitating and preclude useful work. But we don't know their impact on Ms. Ali's overall productivity and accuracy. Nor do we know anything about what might have caused or brought on the migraines. If some or all of them were attributable to the productivity and accuracy expectations (which were justified because of prior under-performance), it's difficult to imagine what the Agency could have done differently, other than lower those expectations even more (and some categories were already lower than expected from other employees). And, had Appellant sought medical help from her own physician (she was a Kaiser member), that could have led to a workers compensation, state disability, or other type of claim. But none of this happened; from the employer's point of view, one of its employees had periodic migraines which sometimes prevented her from working. There is no evidence that the Agency responded inappropriately or unlawfully to what they saw and knew about Ms. Ali's condition.

It is true that when a work-place injury or illness occurs, California employers must give the employee a workers compensation claim form. Where, however, the illness develops over time, rather than from a single traumatic event, the employer is not expected to make the judgment as to whether it is work related. Employees bear some responsibility to get appropriate care and ascertain their rights vis-a-vis the employer.

Employees can respond to justified criticisms of their work by either accepting those criticisms and, if they can, correct the mistakes or by rejecting them and, in turn, blame the employer for "picking" on them unfairly. Here, I have no doubt that the criticisms were justified, and I am equally convinced that it has proven difficult for Ms. Ali to accept the fact that she either was not able to bring her performance to acceptable levels or she did not care to and got stuck in a "they're out to get me" stance. Or perhaps it was a combination of the two. Either way, the performance problems were pervasive and the Agency did everything reasonably feasible to try to help Appellant perform satisfactorily, including training and extending the PIP in the face of limited progress.

I do not doubt that Ms. Ali felt enormous pressure after being placed on the PIP. If Ms. Ali failed to turn in a necessary document and if her supervisor walked to Ms. Ali's cubicle and asked for it, Ms. Ali's reaction that the supervisor was badgering and criticizing her in front of co-workers is understandable. If the supervisor calls up Ms. Ali's start times on the computer system and talks with Ms. Ali about her late arrivals, again, it is understandable how Ms. Ali perceived this as "surveillance." And, the Agency's mistaken insistence that Ms. Ali take a sexual harassment training, however brief, in response to the "overseer" remark added to the sense of being picked on and treated arbitrarily. But the perception doesn't make it so. Asking a subordinate for a missing document in a neutral, non-judgment tone (as testified to) is not a criticism in front of co-workers; looking up arrival times and then discussing them is not "surveillance." Supervisors, to do their jobs, need to do these things, particularly for employees on PIPs. Other than the sexual harassment training, Ms. Ali's negative reactions to her supervisors appears to reflect her unwillingness or inability to face the fact that her performance was not consistently at acceptable levels.

With respect to the decision to discharge, again, there is no principled basis for me to conclude that the Agency abused its discretion. Ms. Cooper certainly could have decided to give Ms. Ali more time and settled for another suspension without pay, or even some lesser discipline. But the discharge decision was driven by a long history of inadequate performance and apparently ineffectual warnings and reprimands. Within the range of possibilities, the decision to terminate Ms. Ali's employment was consistent with the Housing Authority's commitment to progressive discipline well within the Agency's discretion.

AWARD

For the above reasons, I recommend that the body reviewing this opinion deny Ms. Ali's appeal and uphold the Housing Authority's decision to terminate her employment.

Dated: October 10, 2018

Richard Solomon

RICHARD C. SOLOMON
Arbitrator

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DRAFT MINUTES

SPECIAL MEETING OF THE BOARD OF COMMISSIONERS OF THE HOUSING AUTHORITY OF THE CITY OF ALAMEDA HELD WEDNESDAY DECEMBER 5, 2018

The Board of Commissioners special meeting was called to order at 7:03 p.m.

PLEDGE OF ALLEGIANCE

1. ROLL CALL - Board of Commissioners

Present: Commissioners Hadid, Kurrasch, Rickard, and Weinberg.

Absent: Commission Chair Tamaoki, Commission Vice Chair McCahan, and Commissioner Kay.

2. Public Comment (Non-Agenda)

A public patron, briefly spoke about her housing situation and Ms. Lynette Jordan, Director of Housing Programs, having been in contact with her previously agreed to meet in another private meeting.

3. CONSENT CALENDAR

- Consent Calendar items are considered routine and will be approved or accepted by one motion unless a request for removal for discussion or explanation is received from the Board of Commissioners or a member of the public.

Items accepted or adopted are indicated by an asterisk.

Commissioner Rickard asked for clarification around item 3-H on page 46 and wanted to understand if the request for $300,000 - $400,000 dollars is a new request. Ms. Kathleen Mertz, Director of Housing & Community Development, stated that the past three overview reports have mentioned that there may be an additional cost associated with the Littlejohn Commons project due to delays. Prior to now, the magnitude of this cost was unclear because the building had not been completed. The cost certification for this project has been completed which is why there is a better understanding of this additional cost; however, the interest accrual on the loan significantly increases the owed amount each month and AHA is working to get the interest carry cost under control and convert the loan to permanent financing.

Commissioner Rickard recalled that there were delays regarding weather early in the project and asked if this is the main reason for the delay and this additional cost. Ms. Mertz explained that weather is one of the reasons, but there were also delays associated with coordination on infrastructure improvements, specifically the traffic plan, and AMP coordination.

Commissioner Rickard commented that a half a million-dollar request should not be a consent calendar item and this project should be a model for planning future projects as there is always a risk when developing. Commissioner Weinberg asked if there was contingency for this project and Ms. Mertz stated that yes, there was contingency in the budget.

Ms. Mertz commented that the dollar amount needed to cover additional project costs should be less than the requested amount within item 3-H, but additional funds were requested so this item would not need to come before the Board again.

Meeting minutes for October 17, 2018 and November 7, 2018 will be carried over to the January meeting since there is not a quorum of Commissioners present from the October and November meetings.

Commissioner Rickard moved to accept the consent calendar with the exception of item 3-A and Commissioner Bachir seconded as amended; all were in favor.

3-A. Approve Minutes of the Board of Commissioners Meeting held October 17, 2018 and November 7, 2018 [Not Approved]
*3-B. Accept the Monthly Overview Report for Operations, H.R., and I.T.
*3-C. Accept the Monthly Overview Report for the Housing Programs Department
*3-D. Accept the Monthly Overview Report for the Rent Stabilization Program
*3-E. Accept the Monthly Overview Report for Property Operations
*3-F. Accept the Monthly Overview Report for Housing & Community Development
*3-G. Approve Chapter 8 Property Acquisition (APN 74-428-21) and Authorize the Executive Director, or her Designee, to Negotiate and Execute Purchase Documents
*3-H. Accept the Monthly Development Report for Littlejohn Commons and Authorize a Project Budget Increase of Up to $500,000 and Authorize the Executive Director, or her designee, to Negotiate and Execute Documents Related to the Budget Increase
*3-I. Accept the Monthly Development Report for Everett Commons
*3-J. Accept the Monthly Development Report for Rosefield Village
*3-K. Accept the Monthly Development Report for North Housing
*3-L. Accept the Quarterly Investment Report
*3-M. Accept the Annual Customer Survey

4. AGENDA

4-A. Approve a Donation of $2,500 to the Butte County Housing Authority to Provide Assistance to Households Displaced by the Camp Fire and Approve the Board Chair to Send a Letter of Support

Commissioner Kurrasch stated that this is a very reasonable request and the devastation in Butte County is overwhelming. Since AHA can afford to help, a donation would be welcomed.

Commissioner Rickard moved to approve the donation and Commissioner Bachir seconded; all were in favor.

4-B. Adopt the Resolution to Adopt a Revised Pay Schedule with a Modification in Wage Range Assigned to the Deputy Executive Director Position and a Change in Rates to the Resident Manager-Related Positions

Ms. Cooper commented that this item relates to two items, the first being the Deputy Executive Director position. In the two-year plan and Executive Director goals, it was asked that there be a salary review of the management positions. This is still in progress, but the Deputy Executive Director position has been expedited due to the pending recruitment. There was a recommended change for this position to be assigned to salary range 56 rather than salary range 54.

The second change relates to the minimum wage ordinance which was passed by the City Council earlier this year. The only AHA impacted positions which currently pay less than the future minimum wage are the Resident Manager I position, Assistant Resident Managers, and Resident Custodians. AHA has two Resident Manager positions; a Resident Manager I and a Resident Manager II.

The minimum wage is increasing to $12 an hour in January 2019 for the State of California, and there are changes within the City of Alameda which will increase it to $13.50 as of July 1, 2019.

Commissioner Weinberg asked for clarification around the compensation associated with the positions because responsibilities are unclear. Ms. Cooper explained the various roles.

Commissioner Rickard moved and Commissioner Bachir seconded. Role was taken and all were in favor.

4-C. Accept Presentation of Agency Pension Liabilities and Provide Direction to Staff on the Establishment of a Trust for Pension Liabilities in Order to Return with a Prefunding Request in Early 2019

This item is being moved to the January 16, 2019 Board of Commissioners meeting due to three Commissioners being absent.

5. ORAL COMMUNICATIONS, Non-Agenda (Public Comment)

None

6. COMMISSIONER COMMUNICATIONS, (Communications from the Commissioners)

Each Commissioner wished everyone Happy Holidays and a Happy New Year. Ms. Cooper, on the behalf of Vice Chair McCahan, made an announcement about the Alameda Firefighters Holiday Toy Program which will give toys to children on December 21st and 22nd at Christ Church in Alameda. There is a toy collection box in the lobby of the Housing Authority of the City of Alameda and donations will be collected on December 19th, 2018.

Commissioner Kurrasch commented on how well the community dinner went for Thanksgiving and wished everyone a Happy New Year!

7. ADJOURNMENT

There being no further business, Commissioner Kurrasch adjourned the meeting at 7:25 p.m.

Vanessa M. Cooper
Executive Director/Secretary

Kenji Tamaoki, Chair
Board of Commissioners

Housing
Authority of the City of Alameda

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701 Atlantic Avenue • Alameda, California 94501-2161

To: Honorable Chair and Members of the Board of Commissioners

From: Janet Basta, Director of Human Resources and Operations

Date: January 16, 2019

Re: Accept the Monthly Overview Report for Operations, H.R., and I.T.

BACKGROUND

This memo provides a high level overview of agency activities in the prior month for agency Operations, Human Resources, and IT.

Human Resources and Operations

Recruitments that have recently been completed include a Program Assistant for Housing and Community Development and a Maintenance Specialist, and the Resident Manager II position at Esperanza is in the final stages of recruitment. Interviews are being conducted for the third Rent Stabilization Program Specialist position.

Recruitments being coordinated by outside recruiting firms include the Asset Manager and the Senior Project Manager positions, both of which are in the interview stage of recruiting. An outside firm has also been engaged to conduct the searches for the Deputy Executive Director and a new Finance Director. A summary of the projected timeline for these two positions is below.

	Deputy Executive Director	**Director of Finance**
Task	**Planned Completion Date**	**Planned Completion Date**
Develop Recruitment Approach, Position Profile and Recruitment Brochure	12/12/2018	1/2/2019
Conduct Outreach and Recruiting	1/21/2019	2/11/2019
Conduct Candidate Evaluation	1/28/2019	2/18/2019
Preparation of Search Report	2/16/2019	3/9/2019
Selection of Candidate, Negotiation, and Close Out of Search	3/9/2019	3/30/2019

Upcoming recruitments include posting for a third Accounting Specialist and the Resident Manager position at Parrott Village/Gardens in January, and filling the second Management Analyst position in the Executive/Administration department.

Management is offering a pilot program beginning in January 2019 that will allow non-exempt staff some flexibility to adjust their work start times on a day-to-day basis, with the understanding that staff are expected to be at work and ready to start their workday by 8:30 am when the office opens to the public. This program met with a positive reception from staff, and the majority of staff eligible to participate elected to do so. The program will be monitored over the upcoming four month pilot period to assess its effectiveness and, following the pilot, a decision will be made regarding continuing and/or expanding the program.

Management has also been monitoring the effectiveness of the pilot to close the office to the public every Friday, rather than every other Friday. The pilot has been successful and Management intends to continue with this schedule. Additionally, the half-day office closures over the holiday period worked well again this year, allowing for public access during the morning while providing more flexibility to manage time off requests from staff.

Terry Kitay, Esq, conducted the annual Fair Housing training for staff and Commissioners in December. Upcoming trainings for managers/supervisors include a session on Planning and Management of Priorities in January, and a session on Self Care in early February.

Information Technology/Administration

The two Housing Assistance Payments (HAP) contracts for Everett Commons were signed December 20, 2018. These contracts are for twelve regular Project-Based Vouchers (PBV) and five Veteran Affairs Supportive Housing (VASH) PBVs. These represent the first of 30 VASH PBVs that the Housing Authority expects to have under contract by 2020.

Under the Housing Opportunity Through Modernization Act (HOTMA), the Housing Authority, with mutual agreement of the owner, can extend the initial term of a PBV contract signed prior to HOTMA to a term up to 20 years. The Housing Authority gave the opportunity to the owners of the complexes with 10-year contracts to extend to 15-year contracts. This affects Breakers at Bayport, Shinsei Gardens, Park Alameda, and Alameda Point Collaborative (APC). To date, Breakers at Bayport has been extended.

Local Housing Authorities, government agencies, and non-profits have collaborated together to commission a Rent Survey of the Fair Market Rents (FMR) for Alameda and Contra Costa Counties. The firm has completed the survey and achieved the HUD-required 200 recent mover eligible responses. The firm will provide data to the AHA and it will be submitted to HUD by the January 11, 2019 deadline. The purpose of this survey is to keep the FMRs at the 2017 level rather than decreasing them by the 10% proposed in October 2018 by HUD.

Staff is working to tie the domain controllers and e-mail functionality together. This will allow refined restrictions to be placed on e-mail as controlled by the domain settings. Staff is also researching software that will assist in maintaining the Housing Authority's website in compliance with ADA requirements. This software would scan the website to make sure that descriptions for the visually impaired have been entered for every picture, link, and file. It would also check other ADA requirements and provide a dashboard of needed non-compliance items.

RECOMMENDATION

Accept the Monthly Overview Report for Operations, H.R., and I.T.

Respectfully submitted,

Janet Basta

Janet Basta
Director of Human Resources and Operations

JCB/TMSC

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To: Honorable Chair and Members of the Board of Commissioners

From: Lynette Jordan, Director of Housing Programs

Date: January 16, 2019

RE: Accept the Monthly Overview Report for the Housing Programs Department

BACKGROUND

This memo provides a high-level overview of Housing Programs Department (HPD) activities in the prior month.

Funding Update

The partial Federal government shut down that began on December 22, 2018 has continued into the New Tear. However, the shutdown has not impacted AHA's ability provide services, pay Housing Assistance Payments (HAP) to our owners, or pay our vendors. In the month of December, AHA received full funding to meet January HAP of $2,643,065 from HUD. HUD planned-ahead for this shut down and has committed to fund PHA's on time at least through February 2019. In the event HUD is unable to make HAP payments in the month of March, AHA staff would request the Board approval to make HAP payments from reserves.

Everett Commons Lease Up

In September 2018, HPD staff began screening applicants from our Project Based (PBV) waitlist and AHA owned PBV sites where a tenant required a transfer or a reasonable accommodation. AHA's goal was to have applicants approved and ready for immediate occupancy in order to meet the end of the year deadline.

On December 20, 2018, the Executive Director signed the Housing Assistance Payment (HAP) contracts and families immediately took occupancy of the newly constructed complex located at 2437 Eagle Ave. The two Housing Assistance Payments (HAP) contracts for Everett Commons are for twelve regular Project-Based Vouchers (PBV) and five Veteran Affairs Supportive Housing (VASH) PBVs.

The new tenants of this complex will enjoy amenities such as a community room, management office, social services office, bike storage, onsite laundry room, and a courtyard and child play area. The final resident signed their lease on December 31, 2108 at 3:36 pm signaling the end of a well-coordinated leasing effort.

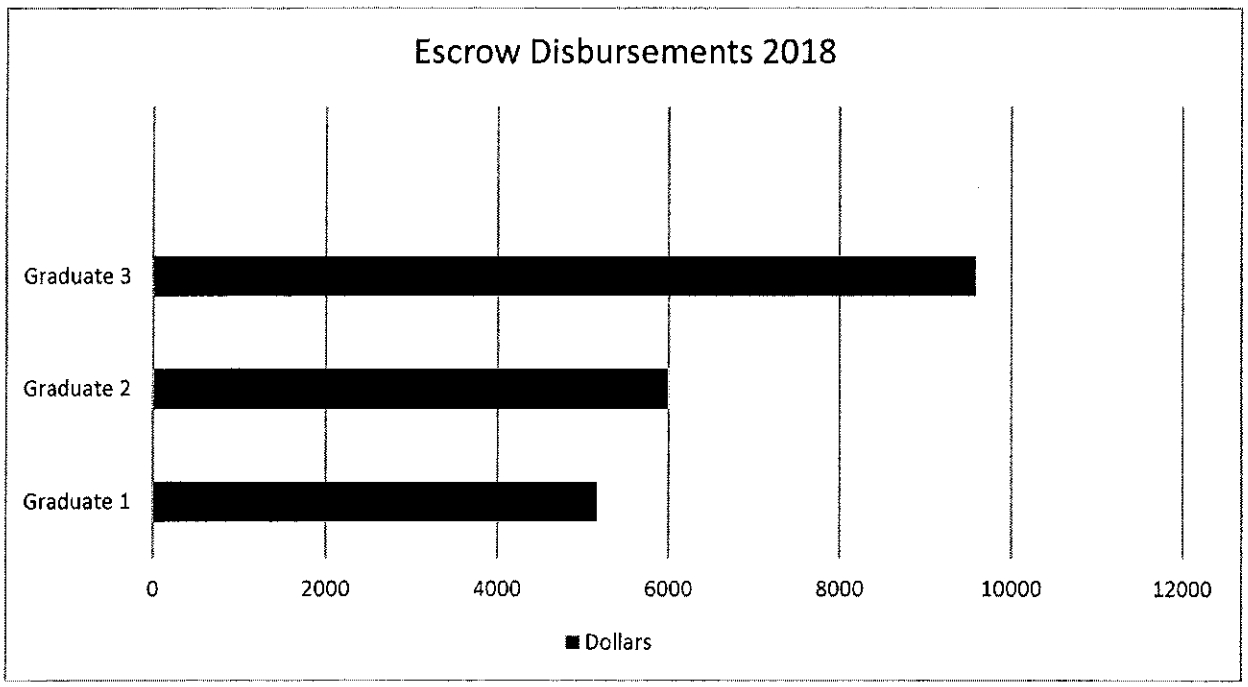
Family Self Sufficiency Program Graduates 2018

The Family Self-Sufficiency (FSS) program is an employment and savings incentive program for low-income families that have Section 8 vouchers. FSS is a HUD funded program that allows residents of HCV to build financial assets as the household increases earned income from wages.

AHA began administering the FSS program in 2012, to afford program participants the opportunity to reach for and achieve economic and social independence. For the past five years program participants received opportunities for education, job training, counseling and other forms of social service assistance to aide them in reaching their individual goals.

In 2018, three FSS participants completed their five-year Contract of Participation. All three participants successfully graduated by securing gainful employment and no longer receiving Cal-Works Cash Aid grants.

The chart below shows the average escrow savings for the 2018 graduates.



Project Based Voucher (PBV) Owners Workshop

A PBV owner workshop was held December 12, 2018 at 703 Atlantic Ave. A total of (15) PBV partners attended representing all but one of our sites. The PBV owner workshop is an opportunity to review the PBV program rules, and regulations. It is also an opportunity to meet new program staff and to answer questions regarding the current year changes in HUD regulations, and learn the status of new projects coming on line in the near future.

The topics presented at this year's workshop were:

- PBV and AHA staff roles
- New Legislation: Lead Safe Home Rule
- Wait List: Management and Selection
- AHA Significant Amendment Changes
- Housing Quality Standards /Uniformed Physical Conditions Standards Inspections: Timeline, Deadlines and Extensions
- Participant /Resident: Annual Certifications, Lease Violations

HPD STATISTICS

Statistics	October	November	December
Annual Re-examinations Processed	Due:100 Completed:98	Due:99 Completed:104	Due: 116 Completed: 131
Rent Increases	Due:32 Completed:32	Due:27 Completed:27	Due: 47 Completed:47
Interim Re-examinations Processed	Due:53 Completed:44	Due:45 Completed:14	Due:59 Completed 39
HQS Private Landlord Inspections Conducted Pass rate %	95 64%	87 61%	1 100%
HQS in AHA Owned units Pass rate	Parrot Village 53 60%	0 AHA	AHA 83 See below

AHA Owned	Number of units	Pass Rate
Rosefield Village	35	66%
Senior Condo	7	86%
China Clipper	26	38%
Lincoln Willow	4	50%
Stanford House	3	33%
Sherman St	8	75%

- AHA owned units had an overall average pass rate of 58%, above is the list per complex.

VOUCHER ISSUANCE AND LEASE UP DATA

Statistics	October	November	December
Section 8 Continued Movers seeking housing	9	6	9
Port-in voucher holders seeking housing	5	3	3
Voucher holders ported out and seeking elsewhere	8	9	3
Total voucher holders seeking housing	**22**	**18**	**15**
Non-Port Leased	HCV-3 PBV-1	HCV-3 PBV -1	HCV-6 PBV -0
Port Move-In Leased	1	1	0
Total vouchers leased up in month in Alameda	**4**	**6**	**6**
New Vouchers Issued	0	5	0
New VASH Issued	1	3	0

RECOMMENDATION

Accept the Monthly Overview Report for the Housing Programs Department.

Respectfully submitted,

Lynette Jordan
Director of Housing Programs

VC/all

Housing
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701 Atlantic Avenue • Alameda, California 94501-2161

To: Honorable Chair and Members of the Board of Commissioners

From: Jennifer Kauffman, Management Analyst

Date: January 16, 2019

Re: Accept the Monthly Overview Report for the Rent Stabilization Program

DATA

The monthly reports for the Rent Stabilization Program are available at www.alamedarentprogram.org. For outcomes of submissions reviewed, please see the full report available online.

	September	October	November
Rent increase submissions	11	13	33
Termination of tenancy submissions	7	2	6
Capital Improvement Plan submissions	0	0	0
Number of RRAC meetings	3	1	3
Number of cases reviewed by RRAC	4	3	14
NOTES	3rd RRAC meeting discussed amendments to the RRAC Rules and Procedures.	-	-

RECOMMENDATION

Accept the Monthly Overview Report for the Rent Stabilization Program.

Respectfully submitted,

Jennifer Kauffman, Management Analyst, Rent Stabilization Program

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To: Honorable Chair and Members of the Board of Commissioners

From: Lisa Caldwell, Director of Property Operations

Date: January 16, 2019

Re: Accept the Monthly Overview Report for Property Operations

BACKGROUND

This memo provides a high-level overview of the property operations activities in the prior month.

DISCUSSION

VACANCY – December

Lease up coordination between the Property Management and Housing Programs departments continues in order to fill vacancies as soon as possible. Applicants from waitlists have been outreached or are in process for all vacant units. Three applicants are processed at a time for each vacancy.

Property	Unit #	Vacancies end of December	Lease Pending	Rate
Anne B. Diament Plaza	65	0	0	0%
China Clipper Plaza	26	0	0	0%
Eagle Village	36	0	0	0%
Esperanza	120	2	2	2%
Independence Plaza	186	16	3	9%
Parrot Village	50	0	0	0%
Combined Smaller Sites *	41	2	0	3%
Total	**524**	**20**	**5**	**4%**

*Lincoln House (4), Lincoln/Willow (5), Parrot Gardens (8), Senior Condos (7), Sherman Street (9), Stanford House (4), Paru Street (1) and Mulberry Townhomes (3).

The total unit count above includes the six (6) manager units located at Anne B. Diament Plaza, Esperanza, Parrot Village, Independence Plaza, China Clipper and Eagle Village.

For the moment, upcoming vacant units at Independence Plaza are being held open in order to accommodate the ADA capital improvements to 20 units. At the end of December, there were sixteen (16) vacant units at Independence Plaza and these units are included in the vacancy numbers listed above. Eight (8) of the current vacant units are units that are in the next phases of the ADA rehabilitation and will be vacant for the next few months. The first phase was completed the second week of December and the six (6) units were released for lease up; these units are in the process of being leased.

Rosefield Village is not included above as The John Stewart Company (JSCO) is handling the leasing of vacant units. At the end of December, fifteen (15) units at Rosefield were permanently offline due to the upcoming reconstruction and rehabilitation of the property. As vacancies become available at other AHA owned sites, residents at Rosefield are offered these units, where eligible, in order to accommodate as many current residents that want to remain housed in Alameda.

The John Stewart Company will take over the property management of Eagle Village effective February 1, 2019. This has been pushed out one month from the original transfer date of January 1, 2019 in order to better prepare for a successful handover.

RENT COLLECTIONS – December

All properties had a collection rate of 98% or above with the exceptions of Independence Plaza that currently has 16 vacancies due to the rehabilitation of twenty (20) ADA units and Eagle Village that had three (3) vacancies in December that were filled at the end of the month.

GPR - Budget vs. Collected

Property	ABD	China Clipper	Eagle Village	ESP	IP	Parrot Village	*All Other Sites	**Total**
					Tenant Rent Only			
Budgeted GPR	89,055	35,096	73,792	289,988	145,222	128,668	59,980	**821,801**
Collected	94,146	37,703	65,812	300,905	133,714	138,450	64,826	**835,557**
Collection Rate	106%	107%	89%	104%	92%	108%	108%	**102%**

*Lincoln House (4), Lincoln/Willow (5), Parrot Gardens (8), Senior Condos (7), Sherman Street (9), Stanford House (4), Paru Street (1) and Mulberry Townhomes (3).

Below are the collection rates for Rosefield Village for the month November. The financial reporting for Rosefield is one month behind AHA managed sites due to JSCO providing financial packets the middle of the each month for the prior month.

For the month of November, the collection rate was above 98%.

Gross Potential Rent - Budget vs. Collected

Rosefield	November
Budgeted GPR	87,683
Collected	91,962
Collection Rate	105%

Property Management staff have been working over the past few months with Attorney Bill Ford on a number of terminations of tenancy for non-payment of rent. Several have already repaid their debts in full or have signed and are paying on a payment plan with AHA. A remaining seven (7) households who each owe two or more months rent are being offered a stipulated payment agreement to resolve the current situation. Three (3) other households are subject to a termination of tenancy for serious lease violations. All households subject to termination have been referred to our social services provider, LifeSTEPS for assistance including budgeting and obtaining rental assistance. Where tenant households are also Section 8 Housing Choice Voucher (HCV) holders, the Section 8 staff have also conducted mandatory in person case management conferences to remind them of their obligations under the HCV Program.

Rent Increases

Rent increase for 2018 have been completed and 2019 rent increases have started to go out. Starting January 1, 2019, we will be moving to the PBV payment standard for all properties except for Independence Plaza. The increase should not affect the tenant's portion unless they are residing in an unassisted unit (which often is a result of being over income for assistance) or are over housed (i.e. have an extra bedroom outside beyond of their approved voucher size). All those who are over housed and have a tenant based voucher and have already or will be offered an opportunity to move to the correct sized unit when available. The rent increase notices are provided 60 days prior to the effective date. Rent increase notices are mailed out monthly.

Rent increase notice effective February 1, 2019 for Independence Plaza were issued to qualifying residents at the end of September 2018 in order to provide advance notice and allow residents to prepare for the increase. LifeSTEPS is also available to assist residents with this change.

MAINTENANCE

The HQS inspection process for FY2018-2019 is in process. The maintenance staff is currently working on preventive maintenance for upcoming HQS inspections as well as working on units that did not pass prior inspections in order to ensure all corrections are completed and HQS inspections pass by the 28th day.

The maintenance staff has also been busy working on turning vacant units and handling daily routine maintenance requests as well as emergency work order as needed.

The maintenance department has been without a maintenance specialist since August. There was part time temporary help that ended in October. We are happy to announce this position has been filled and will start in January. Once on boarding and training has been completed work order reports will resume in March.

CAPITAL PROJECTS

Construction for the capital improvement work at Independence Plaza that includes ADA upgrades to 20 units began October 1st. Phase one, which included six units in building three, was completed in early December. Phase 2 has since begun and includes three units in building two, and four units in building four. The entire project is scheduled to conclude in August 2019. Construction is approximately 30% complete. To date the project has yielded fifteen change orders for a total of $142,608, which accounts for approximately 62% of the construction contingency. The revised contractor cost is $2,442,608.

Staff recently completed a plumbing repair project at Sherman House where a hot water line underneath the concrete slab had failed. Fixing this issue involved setting environmental controls, demoing concrete, identifying and repairing the leak and finishing up with repairs. The project duration was approximately 3 weeks.

In late November, a kitchen fire affected a unit at Lincoln House. While the fire was contained to the kitchen, smoke and water damage has made the unit uninhabitable. The tenants have since been provided a Housing Choice Voucher and is in the process of securing alternate accommodations. Staff is currently coordinating restoration efforts with the insurance company.

Also in late November, a roof drain line failed at Stanford House resulted in a water loss that affected the hallway and living room of one unit. Immediately following the loss staff coordinated the drain line repair, abatement, and unit repairs, completing the project in early December.

The attached table (Attachment 1) summarizes Housing Authority capital project work recently completed, currently underway and smaller projects that included coordination with the maintenance staff and the project manager to complete.

Honorable Chair and
Members of the Board of Commissioners

January 16, 2019
Page 5 of 5

FINANCIAL IMPACT

Report only, no financial impact.

RECOMMENDATION

Accept the monthly overview report for Property Operations.

Respectfully submitted,

Lisa Caldwell

Lisa Caldwell
Director of Property Operations

VMC/all
ATTACHMENT 1 –Capital Projects Update

Housing
Authority of the City of Alameda

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To: Honorable Chair and Members of the Board of Commissioners

From: Kathleen Mertz, Director of Housing and Community Development

Date: January 16, 2019

Re: Accept the Monthly Overview Report for Housing & Community Development

BACKGROUND

This memo provides an overview of the Housing and Community Development departmental activities in the prior month.

DISCUSSION

Community Development Block Grant (CDBG) and HOME Program

Staff is managing the loan oversight for three large projects under the CDBG program. The demolition work at North Housing is nearing completion. The units have been demolished, and the foundations and debris are being removed from the site. The Midway Shelter bathroom trailer has been installed. HUD issued the Authorization to Use Grant Funds (AUGF) for the Cross Alameda Trail. The Memorandum of Understanding is being routed for signature, and the work is expected to begin in the first quarter of 2019. Lastly, the final inspection for the work at the Homeless Intake Center is scheduled for December 31, 2018. Based on the current completion rates of existing projects, the City is on track to pass HUD's timeliness test for the use of funds.

The CDBG Community Needs Statement was approved by City Council on January 2, 2019, thereby allowing staff to finalize the Notice of Funding Availability for both the CDBG and HOME programs. Despite the current federal government shutdown, staff are proceeding on the regular funding schedule with the expectation that these programs will ultimately be funded by Congress. The NOFA will be published from January 4 to February 1, 2019.

Inclusionary and Below Market Rate Programs

On November 9, staff received the notice of default filing for a BMR unit. Staff referred the household to Housing and Economic Rights Advocates (HERA). HERA has been selected by the Alameda County Housing & Community Development Department to provide technical, legal and financial assistance to County residents that qualify. On December 12, the household reinstated their loan. While the pending foreclosure has been averted, staff advised the household to continue working with a housing counselor and learn about budgeting, pre-foreclosure counseling and loan modifications so that they will be better prepared to weather fluctuations in income or sudden expenses.

Hello Housing completed the Annual Monitoring of 140 BMR households. This year, 121 households submitted complete responses, resulting in a satisfactory response rate of 90%. Staff is coordinating with the City Attorney's Office to determine the appropriate next steps for those households that did not submit any response.

Staff continues to work with the City Attorney's Office on the assignment of the paper equity notes for the 32 BMR units at Alameda Landing and Marina Shores that were developed through the City of Alameda's Inclusionary Housing Program and was discussed in the previous board report.

Island City Development

The Housing Authority previously made two predevelopment loans to Island City Development (ICD) on behalf of two development projects: North Housing and Rosefield. The loan balance and project details are discussed in the attached project specific reports. Additionally, AHA made a $250,000 working capital loan to ICD in April 2017. These funds are used for short-term project costs related to timing mismatches for the monthly construction draws. This operating capital loan matures in 2022. ICD will be receiving $200,000 in developer fee from Littlejohn Commons in January. These funds were anticipated in ICD's 2018 budget but are not being paid until 2019. The $100,000 annual service fee to AHA, per the approved agreement, has been paid in advance, to date. After review of the financials, staff is recommending this be invoiced as services rendered rather than prepaid for future years so the timing of this payment will change in 2019. Staff have updated the Procurement Policy for Island City Development and proposed to take it for ICD Board approval by February. A copy will be included in the next Board packet for reference and a copy of the ICD Board packet will be forwarded to you per the usual protocol.

Affordable Housing Project Pipeline

Littlejohn Commons – A separate report on the project is attached.
Everett Commons – A separate report on the project is attached.
Rosefield Village – A separate report on the project is attached.
North Housing – A separate report on the project is attached.

Staff is moving forward with the purchase application for the tax delinquent property on Haight Avenue, per the Board approval granted in April 2018. Staff is working with Alameda County staff on the details, but there may be an issue in the tax code that requires only a taxing government agency to acquire the property. If that conclusion is confirmed, staff will return to the Board for approval to have Alameda Affordable Housing Corporation acquire the property, which is definitely allowed under the revenue code.

Staff continues to evaluate potential real estate development and acquisition opportunities throughout Alameda as they become available.

Asset Management
Staff has started 4th quarter reporting to lenders and investors. Recruitment is open for the Asset Manager position.

Other Activities
Staff are preparing for the 2019 summer internship program, per the separate Board report. HCD's new Program Assistant began work in December.

Staff continues to participate in CARES (Collaboration Advancing Research, Efforts, and Supports) for Alameda's homeless population. One of the policy proposals recommended in the Homelessness Report is the Parking Meters for Homelessness Program. These bright orange meters will be located in non-traditional locations and money contributed will not pay for parking, but will be utilized as donations to homeless social service agency programs in Alameda. In support of this "Sunsetting Homelessness" meter program, the Housing Authority has offered to host a parking meter at the AHA offices and will work with the City staff to determine a mutually agreeable location away from a specific parking spot and outside of pedestrian paths of travel.

RECOMMENDATION

Accept the Monthly Overview Report for Housing & Community Development.

Respectfully submitted,

Kathleen Mertz
Director of Housing and Community Development

Housing
Authority of the City of Alameda

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To: Honorable Chair and Members of the Board of Commissioners

From: Kathleen Mertz, Director of Housing and Community Development

Date: January 16, 2019

Re: Accept the Monthly Development Report for Littlejohn Commons

BACKGROUND

The Housing and Community Development Department provides monthly reports on projects under construction where either AHA or Island City Development (ICD) is acting as developer and provides performance guarantees.

The Littlejohn Commons project includes the new construction of 31 units located at 1301 Buena Vista Ave. Construction funds were secured at the financial closing on December 14, 2016. ICD is the developer. BBVA Compass is the construction lender and California Community Reinvestment Corporation is the permanent lender. SGPA is the architect of record. Brown Construction is the General Contractor.

Bedroom Size	1	2	3	4	Total
# Units	30	1			31

Total Development Cost: $19.6 MM
Financing Sources: Low-Income Housing Tax Credits, HOME funds, AHA Loan, bank loan, Project Based Vouchers

DISCUSSION

Construction of the project started on December 27, 2016 and staff received the Final Certificate of Occupancy on August 2, 2018. The project received its Green Point Rated certification, achieving a level of Gold. The project was fully leased by August 31, 2019

Staff is currently working on the TCAC placed in service package, fulfilling the requirements of the 3rd investor capital contribution, and preparing for the permanent loan conversion. As of writing this report, staff expected receipt of the 2nd Capital Contribution from National Equity Fund on January 9th in the amount of $2,666,413, of which $200,000 is a developer fee payment to Island City Development. These funds will go towards paying the annual services agreement payment to the Housing Authority. The balance will go towards paying down the Operating Capital Loan made by the Housing Authority.

The final budget is summarized below from the draft cost certification. Once the investor and lender approve the draft cost certification and stabilized occupancy financial reports from the John Stewart Company, the project will be able to convert to permanent financing. This conversion is expected by January 31st. The property is 100% leased and being managed by The John Stewart Company.

FINANCIAL IMPACT

The draft final costs are summarized below from the draft cost certification.

	$ Actual
Land	3,465,099
Hard Costs	11,645,374
Soft Costs (A/E, legal, financing, studies, permits, developer fee, reserves)	4,514,379
Total	19,624,852

RECOMMENDATION

Accept the Monthly Development Report for Littlejohn Commons. This will be the final HCD report on this project.

Respectfully submitted,

Kathleen Mertz
Director of Housing and Community Development

Housing
Authority of the City of Alameda

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701 Atlantic Avenue • Alameda, California 94501-2161

To: Honorable Chair and Members of the Board of Commissioners

From: Kathleen Mertz, Director of Housing and Community Development

Date: January 16, 2019

Re: Accept the Monthly Development Report for Everett Commons

BACKGROUND

The Housing and Community Development Department provides monthly reports on projects under construction where either AHA or Island City Development (ICD) is acting as developer and provides performance guarantees.

The Everett Commons project includes the new construction of 20 units located at 2437 Eagle Ave. Construction funds were secured at the loans closed on June 29, 2017. ICD is the developer. JPMorgan Chase is the construction/permanent lender. Anne Philips Architecture is the architect of record. J.H. Fitzmaurice, Inc. is the General Contractor.

Bedroom Size	1	2	3	4	Total
# Units	4	11	5		**20**

Total Development Budget: $16.6 MM
Financing Sources: Low-Income Housing Tax Credits, HOME funds, AHA Loan, bank loan, Alameda County A1 bunds, Project Based Vouchers

DISCUSSION

Construction of the Project started on July 7, 2017. The project received Temporary Certificate of Occupancy on December 17, 2019 and was fully leased by December 31, 2019 thanks to the efforts of The John Stewart Company and the Housing Authority Housing Programs Department staff. A Grand Opening Celebration will be scheduled for either March or April.

The construction contract totals $11,972,940 including 15 approved contract change orders for a total of $416,673. Owner contingency funds are held separately from the contract and as change orders are approved, the original construction contract value will increase accordingly as shown in the table below.

Honorable Chair and
Members of the Board of Commissioners

January 16, 2019
Page 2

Contingency Utilization				
	Original Budget	Current Revisions	Previous Revisions	Current Budget
Construction Contract	11,556,266	108,807	416,673	12,081,746
Construction Contingency	577,813	-108,807	-416,673	52,333
Soft Cost Contingency	148,371	-9,060	-139,311	0

General Construction Contract Utilization				
Contract Total	Value of Work Completed	Retention Withheld	Payments to Date	Balance to Finish
12,081,746	11,837,968	$1,,183,797	10,654,171	243,778

FINANCIAL IMPACT

The overall budget disbursements are summarized below. The "$ Disbursed" column includes the current draw amount. The cost certification process is just now beginning with the auditor. Although the hard cost contingency was not fully utilized, there were soft cost overruns related to architecture/engineering, permit fees, financing fees, and legal fees. Any line item cost overruns will be either absorbed by other line items in the board approved master development budget or will come back to the board for approval once the draft cost certification is complete.

	$ Budget	$ Disbursed	% Disbursed	$ Balance
Land	34,900	15,833	45%	19,067
Hard Costs	12,134,079	10,654,171	88%	1,479,908
Soft Costs	4,440,826	2,425,738	55%	2,015,088
Total	16,609,805	13,095,742	79%	3,514,063

RECOMMENDATION

Accept the Monthly Development Report for Everett Commons.

Respectfully submitted,

Kathleen Mertz
Director of Housing and Community Development

Housing
Authority of the City of Alameda

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701 Atlantic Avenue • Alameda, California 94501-2161

To: Honorable Chair and Members of the Board of Commissioners

From: Danielle Thoe, Management Analyst

Date: January 16, 2019

Re: Accept the Monthly Development Report for Rosefield Village

BACKGROUND

Since early 2015 staff has been working to prepare a redevelopment plan for the buildings at Rosefield Village. It was initially expected that the site could be preserved through substantial rehabilitation but two separate structural reports indicated that the nine 1979 pre-fabricated buildings have reached the near-end of their useful life. Staff adjusted the project scope to include redevelopment of the property rather than rehabilitation of the existing buildings.

In October 2016, the Board authorized staff to proceed with a plan to construct approximately 60 new units to replace the 1979 buildings and approved the selection of Dahlin Group Architecture. In September 2017, the Planning Board approved the proposed site plan and encouraged staff to return for Design Review approval with increased density. On July 9, 2018 the project received unanimous design review approval from the Planning Board to build 78 new units. This approval required a zoning text amendment which was approved by City Council on September 18, 2018.

In December 2017, the Board approved a construction/permanent loan of $5.7 million of AHA funds to support the project, and amended that loan by $1.3 million in October 2018. In September 2018, AHA was awarded $1.67 million of A1 County Bond funds from the City base allocation. In October 2018, the Board authorized staff to submit funding applications for the redevelopment of Rosefield Village as well as to form the new Low Income Housing Tax Credit ownership entities for the project.

DISCUSSION

This project will be developed by Island City Development. The overall project scope includes both rehabilitation of existing structures and construction of a new building in the middle of the site where the existing 40 pre-fabricated buildings are located. The new building includes 78 units, onsite laundry, property management offices, social service coordination offices, community room, and central courtyard with play structures. The thirteen existing units, in six buildings, on the east and west sides of the new building will be renovated.

On December 5, 2018 staff attended the Design Development kickoff meeting, hosted by Dahlin Group Architects. This meeting begins the process of developing technical drawings for use to solicit a general contractor as well as to obtain City building permits.

Staff received a letter from Alameda County HCD of their plan to recommend the project for Measure A1 Bond funding approval by the Board of Supervisors at the January 29, 2019 BOS meeting. This funding award is expected to be $6.4 M. Staff are now preparing an application for Low Income Housing Tax Credits in advance of the March Round 1 deadline.

Staff continue to work with Paragon Partners, the chosen relocation consultant for the project, to finalize updates to the Relocation Plan and to notify residents appropriately. The draft Relocation Plan was distributed to residents in December and staff have scheduled the next tenant meeting for the evening of January 15, 2019. Paragon Partners will be present to discuss their role as relocation consultants and to begin to make connections with residents.

FINANCIAL IMPACT

The Board has previously authorized a $1 million loan to Island City Development for pre-development expenses. Predevelopment costs incurred include application fees, professional services for reports and studies, plus architecture and engineering fees.

The chart below summarizes expenses through October.

Rosefield Village		
Pre-development Loan from AHA	$	1,000,000
Usage through December 2018	$	470,794
Balance	$	545,766

As mentioned above, the Board has committed $7 million in AHA loan funds for construction and/or permanent financing.

RECOMMENDATION

Accept the Monthly Development Report for Rosefield Village.

Respectfully submitted,

Danielle Thoe

Danielle Thoe
Management Analyst

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To: Honorable Chair and Members of the Board of Commissioners

From: Danielle Thoe, Management Analyst

Date: January 16, 2019

Re: Accept the Monthly Development Report for North Housing

BACKGROUND

In 2012, the Navy approved the transfer of 13 acres of land to the Housing Authority at the former Coast Guard housing site known as North Housing. The approved public benefit conveyance is based on the proposal submitted by AHA, Alameda Point Collaborative (APC) and Building Futures with Women and Children (BFWC) to develop 90 units of permanent supportive housing. AHA, APC and BFWC signed a Memorandum of Understanding that outlines the roles and responsibilities of each party. This MOU states broadly that AHA is responsible to serve as "fiscal agent", to secure financing, to develop and then to manage the project, and to provide regular quarterly reports to the partners regarding project finances.

Habitat for Humanity has applied separately to HUD and the Navy to receive a two-acre parcel, adjacent and to the east, which is also a part of the North Housing area. The General Services Administration (GSA) sold the adjacent parcel to the west, through a public bid, to Carmel Partners. On July 2, 2018, the U.S. Navy and Carmel partners closed on the sale of the public bid parcel at North Housing. On March 30, 2018, the City signed a Memorandum of Understanding (MOU) with Carmel Partners about obligations for infrastructure improvements on the Housing Authority's public benefit conveyance.

On February 21, 2016, the Board authorized acceptance of the Quit Claim deed for conveyance of the property to the Housing Authority. On June 5, 2018, City Council approved the final reading of the resolution for transfer of the North Housing site to the Housing Authority. Final site conveyance from the Navy continues to be delayed but is anticipated in 2019.

In October 2018, the Board of Commissioners approved additional funding for the project, bringing the total pre-development and demolition budget to $3.7 million. This is memorialized as a predevelopment loan to ICD for the project.

DISCUSSION

Staff and the consultant team have developed preferred options for the Development Plan for the North Housing project. The series of four Community Meetings are complete, with an average total attendance of about 20 community members per meeting. Slides and notes from breakout group conversations at each meeting are available at www.northhousing.org. During the final two community meetings, staff heard thanks and recognition from the community for incorporating preferred design and scaling elements. Although community members retain concerns about the new development, most have voiced support of the process.

Progress by Carmel Partners also continues to move forward. Their demolition work at North Housing is nearing completion. The units have been demolished, and the foundations and debris are being removed from the site. The next step will be to begin installation of infrastructure that will be below the roadway and then road construction.

Staff continues to meet monthly with project partners APC and BFWC. During Community Meeting #4, these partners were critical to explaining the resident services and amenities component of affordable housing. Their presentations about the services and opportunities provided to the residents of permanent supportive housing built confidence in this housing type.

Additionally, staff has re-engaged Habitat for Humanity, who had representation at each of the four AHA Community Meetings, to discuss the shared borders at the northeastern corner of the North Housing site. AHA's current proposal includes a road and paseo that have a centerline on this shared border. During discussions with Habitat, their staff shared a conceptual site plan that does not require vehicular or emergency access along the proposed north-south road or the east-west paseo. Their design does not include sharing the road and paseo and would result in the shift of both to be completely on the AHA site. Staff and Habitat will continue discussions about the shared border and the City's requirements for fire access to all proposed buildings on the properties.

Staff have confirmed with City Planning staff and Urban Design Associates, the project master planning consultants, a common understanding of all requirements of a Development Plan application and are moving forward putting those pieces together. Staff is working with City Planning staff to determine the environmental review requirements during the Development Plan stage of the project. Utilizing a traditional CEQA process is one option and utilizing SB 35's streamlining process may be another option. Staff have issued an RFP seeking the advice of legal counsel to help make a final determination. Staff will work with City Planning to secure a date for a Public Hearing before the Planning Board, which is anticipated in spring 2019.

FINANCIAL IMPACT

In October 2017, the Board authorized a $300,000 loan to ICD for pre-development costs. In October 2018, the Board authorized an additional $900,000 loan to ICD to include the Development Plan and $2.5M in funding for the demolition of existing buildings on the

Housing Authority's portion of the North Housing parcel. In total, the predevelopment loan amounts to $3,700,000.

North Housing		
Pre-development Loan from AHA	$	3,700,000
Usage through December 2018	$	115,328
Balance	$	3,584,672

RECOMMENDATION

Accept the Monthly Development Report for North Housing.

Respectfully submitted,

Danielle M Thoe

Danielle Thoe
Management Analyst

Housing
Authority of the City of Alameda

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701 Atlantic Avenue • Alameda, California 94501-2161

To: Honorable Chair and Members of the Board of Commissioners

From: Kani Lin, Controller

Date: January 16, 2019

RE: Accept the Five Month Budget Variance Report through November 30, 2018

BACKGROUND

On June 20, 2018 the Board of Commissioners (BOC) approved a one-year operating budget for all programs covering the fiscal year July 1, 2018 through June 30, 2019. A one-year budget was approved in order to harmonize the two-year budget cycle with the City of Alameda's budget cycle. A one-year budget would set the AHA up for a new two-year budget for the period starting July 1, 2019 and ending June 30, 2021, which will need BOC approval. Since fee income from the Memoranda of Understanding (MOU) with the City of Alameda constitutes a portion of the AHA budget, this harmonization will allow for better planning and fewer mid-cycle changes.

It is also important to note, the financial reports include four properties that have transferred ownership effective May 1, 2018 to Alameda Affordable Housing Corporation (AAHC). These properties are Anne B. Diament, China Clipper Plaza, Stanford House, and Lincoln-Willow Apartments. The AAHC financial statements will also be presented at least annually for approval in a separate AAHC Board meeting, but are included in this report. All members of the Board of Commissioners also serve as the Board of Directors of AAHC.

This high-level, Budget Variance Report covers preliminary unaudited financial operating results compared to the 2018-19 budget. Although the year-end financial data is accrued, the month-to-month financials are on a cash basis. The numbers are subject to change based on the final audit report.

DISCUSSION

Overview

The financial reports are separate between 1) the AHA programs and 2) the AHA and AAHC properties. The Overview covers both financial reports added together and is followed by individual discussions. Year-to-date variances are as follows: revenue is under budget by $35,938 (0.19%), operating expenses are under budget by $1,668,264 (9%), and net income (before depreciation) is over budget by $1,632,327. See explanations below.

Following is a break-out of the programs operated by AHA and the properties owned by AHA and AAHC separately.

<u>Housing Program Department (HPD), Housing & Community Development (HCD), and Rent Program</u>

<u>Revenue</u>
Total revenue for these programs are lower than the year-to-date budget by $603,174 (4%).

Other income is $217,448 (24%) less than the year-to-date budgeted revenue. This includes a developer fee from Littlejohn Commons. The first of two payments was expected in July 2018 at construction close. Construction has been completed and the developer fee has been requested. However, the ICD and AHA budgets both envisioned receiving the developer fee earlier in the year, but completion of construction was delayed. The funds will stay in ICD to cover expenses. Staff will be coming back to the Board in 2019 with a revised AHA budget that shows these fees staying with ICD and not included on the AHA budget. Additionally, professional services revenue, which includes the Rent Program and HCD MOUs, is under budget by $356,721 mainly due to the Rent Program understaffing and less costs on salaries. Hiring for a Program Specialist is in progress.

Section 8 Administrative Fee income in HPD is under the year-to-date budget by $22,645 (3%). The factors that affect how much Administrative fee AHA receives are the proration percentage and the number of units leased. The number of units assisted dropped slightly due to the Agency being in Shortfall and unable to lease new units. Administrative Fees from HUD has for many years not fully funded the Housing Programs Department and the Section 8 program has been subsidized for many years by income from the properties. The budget did not anticipate the current level of proration from HUD to Administrative Fees of 77%.

<u>Expenses</u>
Total operating expenses are under the year-to-date budget by $224,974 (10%). This is mainly due to lower salary and benefit expenses. There are currently eleven budgeted but unfilled positions out of a total 54 FTEs budgeted. Many of these positions are in the Housing Programs, Rent Programs, and Housing and Community Development departments.

Net loss from operations (before depreciation) was a budgeted loss from operations of ($597,464). Actual net loss from operations (before depreciation) is ($428,971). This is $168,493 (28%) under budget.

Properties – AHA & AAHC

Revenue
Total revenue is higher than the year-to-date budget by $567,236 (12%).

The total tenant revenue is $169,069 (3%) higher than budget due to low vacancy rates in the very tight housing market in the Bay Area, especially for low-income tenants and Housing Choice Voucher (HCV) holders. This income includes tenant rent payments, maintenance charges, late fees, housing assistance payments, payments from the tax increment program (for IP), and commercial rents. See the Property Operations overview for details on vacancies and rent collection.

On August 31, 2018, $276,000 of Successor Housing Funds was used to purchase 1911 Mulberry Street Lot 16. This is the third of four Mulberry Homes.

Expenses
Total operating expenses are lower than the year-to-date budget by $896,598 (27%). This is due in part to the lower salary and benefit expenses for both property operations staff and maintenance staff, lower utility costs, and maintenance expense savings. Maintenance expenses tend to rise later in the year as the HQS inspections work progresses. Income and Expenses for the Rosefield Village property, managed by the John Stewart Company, is not included in the November financial data. This data will be included in the December 2018 report.

Net income from operations (before depreciation) is $2,811,904. This is $1,463,834 (108%) over the budgeted income.

Housing Assistance Payments (HAP) Pass-through
The Housing Assistance Payments (HAP) pass-through budget includes all the Housing Choice Voucher/Section 8, Shelter Plus and Bessie Coleman (SRO) programs. Year-to-date HAP received is $374,255 (3%) below the budget. HAP payments to landlords are $243, 223 (1.9%) less than the year-to-date budget. Port in HAP payments to landlords of $342,912 will be reimbursed by other Housing Authorities in the future, but are showing as a receivable currently. Staff is working closely with HUD to monitor the HAP revenue and expenditure, and the federal budget process to ensure a sufficient cash flow for the program.

In an effort to monitor housing assistance payments to AHA, Section 8, Finance and Property Operations staff meet monthly to ensure that payments to AHA for AHA-owned properties are made accurately and on time. Contract rents at the sites, except Independence Plaza, will move to the PBV payment standard in 2019.

Statement of Net Position
A summarized Statement of Net Position is included in the reporting. The Housing Authority has adequate cash resources for operations.

Honorable Chair and
Members of the Board of Commissioners

January 16, 2019
Page 4 of 4

OTHER ISSUES IMPACTING FINANCE DEPARTMENT

One approved Accounting Specialist position and the Finance Director position are vacant in accounting. A full-time salaried CPA level temporary staff person and one full-time administrative temporary employee are currently assisting in accounting. Nan McKay and Associates continues to provide consulting and training services, including assistance with HUD's monthly Voucher Management System (VMS) report and the annual Financial Data Schedule (FDS). The preliminary FDS was filed on time on August 31, 2018 and is with HUD for review.

The Littlejohn Commons Draft Cost Certification has been sent for investor review in December 2018.

The Everett Commons Draft Cost Certification was started in December 2018. It is expected that the audit will be submitted by March 2019 for ICD.

RECOMMENDATION

Accept the Five Month Budget Variance Report through November 30, 2018.

Respectfully submitted,

Kani Lin
Controller

Attachments:

- Statement of Net Positions for the Five Months Ended November 30, 2018
- Housing Program Department, Housing & Community Development, and Rent Program Budget Comparison for Five Months Ended November 30, 2018
- Properties – AHA & AAHC Budget Comparison for the Five Months Ended November 30, 2018

ALAMEDA HOUSING AUTHORITY (INCLUDING AAHC)
STATEMENT OF NET POSITIONS
For the Five Months Ended November 30, 2018

ASSETS	
CASH	
Cash - Unrestricted	4,289,461
Cash - FSS	115,811
Cash - Restricted	126,415
Cash - Tenant Security Deposits	529,490
TOTAL CASH	5,061,177
ACCOUNTS RECEIVABLE	
Accounts Receivable - PHA	10,727
Accounts Receivable - Government	280,506
Accounts Receivable - Other	415,532
Accounts Receivable - Owners	292,110
Accounts Receivable - Tenant	185,166
Accrued Interest Receivable	67,911
TOTAL ACCOUNTS RECEIVABLE	1,251,952
INVESTMENTS AND OTHER CURRENT NOTES	
Investments(LAIF)- Unrestricted	23,506,540
Mortgage Receivable	26,213,197
Mortgage Receivable-Jack Capon L. P.	148,007
Loan Receivable - ICD	12,810,000
Loan Receivable-RCD/Stargell/Tri Pointe	2,000,000
Loan Receivable - Section 8	650,000
TOTAL INVESTEMENTS AND OTHER CURRENT NOTES	65,327,744
PREPAID EXPENSES	
Prepaid Insurance - Liability	59,661
Inventories	9,810
Escrow and Reserves	1,045,348
TOTAL PREPAID EXPENSES	1,114,819
FIXED ASSETS	
Land and Buildings	54,077,790
Furniture and Equipment - Dwelling	388,190
Leasehold Improvements	11,598,331
Accumulated Deprecation	(26,706,083)
TOTAL FIXED ASSETS	39,358,228
TOTAL DEFERRED OUTFLOW	3,452,913
TOTAL ASSETS	115,566,833

ALAMEDA HOUSING AUTHORITY (INCLUDING AAHC)
STATEMENT OF NET POSITIONS
For the Five Months Ended November 30, 2018

LIABILITIES AND EQUITY	
ACCOUNTS PAYABLE	
Accounts Payable	481,430
Accrued Compensated Absences	145,099
TOTAL ACCOUNT PAYABLE	626,529
TOTAL SECURITY DEPOSITS HELD	502,916
OTHER LIABILITIES	
Prepay Tenant Rent	103,548
Unearned Revenue	138,626
Prepaid Ground Lease Rent	3,410,000
Mortgage Loan Payable	25,347,497
Interest Payable - City of Alameda Loan	985,176
$3.6M Housing Authority Loan Payable	13,125,000
Loans Payable	1,662,400
OPEB & Pension Liability	1,491,043
TOTAL OTHER LIABILITIES	46,263,289
TOTAL LIABILITIES	47,392,735
TOTAL DEFERRED INFLOW	1,236,535
EQUITY	
Net Investment in Capital Assets	8,382,627
Unrestricted	57,950,654
Net Restricted Assets	604,283
TOTAL EQUITY	66,937,564
TOTAL LIABILITIES AND EQUITY	115,566,833

ALAMEDA HOUSING AUTHORITY
HOUSING PROGRAM DEPARTMENT, HOUSING & COMMUNITY DEVELOPMENT, AND RENT PROGRAM
BUDGET COMPARISON
For the Five Months Ended November 30, 2018

1/8/2019 3:48 PM

	MTD Actual	MTD Budget	Variance	% Var	PTD Actual	PTD Budget	Variance	% Var
REVENUE								
Shelter Plus Care Revenue	28,651	31,215	2,564	8.00	144,606	156,076	(11,471)	7.34
TOTAL OTHER INCOME	60,295	187,363	(127,068)	68.00	719,365	936,813	(217,448)	-23.87
HUD GRANT								
HUD Operating Grants	2,536,124	2,540,153	(4,029)	-0.16	12,366,034	12,700,766	(334,732)	-2.64
Administrative Fees from HUD	138,371	135,142	3,229	2.39	653,063	675,708	(22,645)	-3.35
PORT-In Administrative Fees	2,482	-	2,482	N/A	11,863	-	11,863	N/A
Administrative Fees Paid (PORT-Outs)	5,312	-	(5,312)	N/A	(28,741)	-	(28,741)	N/A
TOTAL HUD GRANT	2,671,666	2,675,295	(3,629)	-0.14	13,002,219	13,376,474	(374,255)	-2.80
TOTAL REVENUE	2,760,612	2,893,873	(128,132)	-4.42	13,866,190	14,469,364	(603,174)	-4.01
EXPENSES								
ADMINISTRATIVE								
Administrative Salaries	297,414	264,170	(33,244)	-12.58	1,058,970	1,320,850	261,880	19.83
Temporary Help - Administrative	9,962	8,382	(1,580)	-18.85	54,614	41,912	(12,703)	-30.31
Auditing Fees	-	929	929	100.00	775	4,647	3,872	83.32
Admin Employee Benefits - Medical/Dental	39,591	50,264	10,673	21.23	199,943	251,319	51,376	20.44
Admin Employee Benefits - PERS/PARS	25,491	19,978	(5,513)	-27.60	93,182	99,891	6,709	6.72
Admin Employee Benefits - FICA	4,280	3,238	(1,043)	-32.21	15,806	16,188	382	2.36
Admin Employee Benefits - SUI	94	472	378	80.00	841	2,360	1,518	64.35
Admin Employee Benefits - Life/LTD	1,946	1,669	(277)	-16.58	7,674	8,347	673	8.06
Admin Employee Benefit - WC	465	1,458	993	68.11	7,289	7,288	(1)	-0.02
Office Supplies/Equipment	3,354	3,746	392	10.46	7,278	18,728	11,450	61.14
Dues & Subscriptions Publications	174	-	(174)	N/A	816	-	(816)	N/A
Postage	51	3,581	3,530	98.59	1,866	17,904	16,038	89.58
Telephone	1,555	2,500	945	37.79	8,200	12,500	4,300	34.40
Bank Charges and Check Supplies	(66)	1,118	1,184	105.92	878	5,590	4,712	84.30
Stationery Envelopes and Business Cards	116	-	(116)	N/A	153	-	(153)	N/A
Forms and Copies/Printing	203	-	(203)	N/A	7,194	-	(7,194)	N/A
Classified Ads and Public Notices/outreach material	7,890	2,126	(5,764)	-271.13	18,053	10,630	(7,423)	-69.83
Legal Expense	(896)	6,087	6,982	114.72	21,770	30,433	8,663	28.46
Payroll charge	460	199	(261)	-131.00	1,809	996	(814)	-81.73
Office Rent	6,598	10,184	3,586	35.21	28,099	50,922	22,822	44.82
Organization Cost	20	-	(20)	N/A	2,542	-	(2,542)	N/A
Training/Conferences and Travel	2,343	7,915	5,572	70.40	14,003	39,576	25,572	64.62
Membership Dues and Fees	-	355	355	100.00	844	1,775	931	52.47
Contracts - Accounting Services	-	-	-	N/A	1,212	-	(1,212)	N/A
Contracts - Administrative Services/Consultant	5,426	19,242	13,816	71.80	39,212	96,210	56,998	59.24
Contracts - Application Service Provider - Yardi	-	6,744	6,744	100.00	16,678	33,720	17,042	50.54
Contracts - Computer/Telephone Maintenance/Email	8,195	6,353	(1,842)	-28.99	14,962	31,766	16,804	52.90
Contracts - Housing Program Services	432	-	(432)	N/A	864	-	(864)	N/A
Contracts - Human Resource Services	5,096	3,419	(1,676)	-49.03	5,717	17,096	11,379	66.56
Contracts - Housing Inspection Services	1,866	3,546	1,680	47.38	17,445	17,730	284	1.60
Contracts - Office Machine Maintenance	51	-	(51)	N/A	611	-	(611)	N/A
Contracts - Office Machine Lease	253	853	600	70.29	2,680	4,265	1,584	37.15
Contracts - Web Hosting/Maintenance/Web Ads	275	960	685	71.37	1,285	4,800	3,515	73.23
TOTAL ADMINISTRATIVE	422,640	429,488	6,849	1.59	1,653,267	2,147,441	494,173	23.01
TOTAL TENANT SERVICES EMPLOYEE BENEFITS AND INSURANCE	97	-	(97)	N/A	326	-	(326)	N/A
TOTAL TENANT SERVICES	-	100	100	100.00	11,794	500	(11,294)	-2,258.73
TOTAL UTILITIES	201	1,280	1,079	84.33	3,956	6,399	2,443	38.18
TOTAL MAINTENANCE	94	4,872	4,778	98.08	14,366	24,360	9,994	41.03
TOTAL INSURANCE EXPENSES	1,856	3,018	1,162	38.49	9,105	15,088	5,983	40.00
TOTAL OPERATING EXPENSES	424,886	438,757	13,871	3.16	1,692,813	2,193,787	224,974	10.26
TOTAL MOD REHAB AND SPC EXPENSES	(53,612)	-	53,612	N/A	(264,806)	-	264,806	N/A
EXTRAORDINARY EXPENSES								
Pre-development Cost	-	8,333	8,333	100.00	3,003	41,667	38,664	92.79
Other Expense	-	-	-	N/A	276,000	-	(276,000)	N/A
TOTAL EXTRAORDINARY EXPENSES	-	8,333	8,333	100.00	279,003	41,667	(237,336)	92.79
TOTAL HOUSING ASSISTANCE PAYMENTS (VOUCHER)	2,518,352	2,566,275	47,923	1.87	12,588,151	12,831,374	243,223	1.90
TOTAL EXPENSES	2,889,626	3,013,365	123,739	4.11	14,295,160	15,066,827	(771,667)	3.28
NET INCOME FROM OPERATIONS	(129,014)	(119,493)	9,521	7.96	(428,971)	(597,464)	168,493	28.2
Depreciation Expense	7,520	-	(7,520)	N/A	34,440	-	(34,440)	N/A
NET INCOME	(136,534)	(119,493)	(17,042)	14.4	(463,411)	(597,464)	134,053	

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ALAMEDA HOUSING AUTHORITY
PROPERTIES - AHA & AAHC
BUDGET COMPARISON
For the Five Months Ended November 30, 2018

	MTD Actual	MTD Budget	Variance	% Var	PTD Actual	PTD Budget	Variance	% Var
REVENUE								
TOTAL TENANT REVENUE	971,556	933,829	37,727	4.04	4,838,169	4,669,143	169,026	3.62
TOTAL OTHER INCOME	28,614	8,474	20,140	237.67	440,581	42,370	398,211	939.84
TOTAL REVENUE	1,000,170	942,303	57,867	6.14	5,278,749	4,711,513	567,236	12.04
EXPENSES								
ADMINISTRATIVE								
Administrative Salaries	95,402	102,310	6,908	6.75	330,462	511,549	181,088	35.40
Temporary Help - Administrative	7,451	12,171	4,720	38.78	43,173	60,854	17,681	29.05
Auditing Fees	-	2,833	2,833	100.00	4,225	14,167	9,942	70.18
Admin Employee Benefits - Medical/Dental	12,841	20,844	8,003	38.39	67,877	104,220	36,343	34.87
Admin Employee Benefits - PERS/PARS	7,951	11,476	3,525	30.72	29,874	57,380	27,506	47.94
Admin Employee Benefits - FICA	1,373	2,121	748	35.25	5,567	10,605	5,038	47.51
Admin Employee Benefits - SUI	30	166	136	81.98	327	828	501	60.52
Admin Employee Benefits - EAP	-	-	-	N/A	1	-	(1)	N/A
Admin Employee Benefits - Life/LTD	247	815	568	69.72	2,204	4,074	1,871	45.91
Admin Employee Benefit - WC	579	512	(67)	-13.11	1,976	2,558	583	22.77
Office Supplies/Equipment	4,318	2,213	(2,105)	-95.14	10,494	11,064	570	5.15
Dues & Subscriptions Publications	(169)	-	169	N/A	707	-	(707)	N/A
Postage	32	1,036	1,005	96.93	2,394	5,182	2,788	53.80
Telephone	1,768	2,469	702	28.41	12,516	12,346	(170)	-1.38
Bank Charges and Check Supplies	46	1,462	1,416	96.84	9,588	7,311	(2,277)	-31.15
Classified Ads and Public Notices/outreach material	127	361	234	64.79	796	1,803	1,007	55.86
Legal Expense	(6,419)	12,797	19,215	150.16	34,838	63,983	29,146	45.55
Payroll charge	250	387	137	35.45	1,175	1,935	760	39.29
Survey/Title Fee	-	-	-	N/A	1,889	-	(1,889)	N/A
Administrative Support	-	37	37	100.00	-	185	185	100.00
Training/Conferences and Travel	1,696	5,420	3,724	68.71	6,903	27,098	20,195	74.53
Membership Dues and Fees	-	704	704	100.00	1,343	3,518	2,176	61.84
Taxes & Government Fees	-	-	-	N/A	300	-	(300)	N/A
Collection Loss	(60)	-	60	N/A	(355)	-	355	N/A
Contracts - Accounting Services	-	-	-	N/A	1,770	-	(1,770)	N/A
Contracts - Administrative Services/Consultant	337	7,875	7,538	95.72	64,726	39,377	(25,350)	-64.38
Contracts - Application Service Provider - Yardi	-	5,836	5,836	100.00	24,357	29,180	4,823	16.53
Contracts - Computer/Telephone Maintenance/Email	11,368	3,980	(7,388)	-185.62	20,201	19,901	(301)	-1.51
Contracts - Human Resource Services	7,442	5,000	(2,442)	-48.83	7,841	25,000	17,159	68.63
Contracts - Housing Inspection Services	-	1,034	1,034	100.00	4,304	5,171	867	16.76
Contracts - Office Machine Maintenance	74	-	(74)	N/A	877	-	(877)	N/A
Contracts - Office Machine Lease	370	716	346	48.29	4,083	3,578	(505)	-14.12
Contracts - Web Hosting/Maintenance/Web Ads	435	1,091	657	60.16	3,666	5,457	1,791	32.82
Association Dues	3,310	2,535	(775)	-30.58	17,092	12,676	(4,416)	-34.84
TOTAL ADMINISTRATIVE	150,799	208,200	57,401	27.57	717,189	1,040,999	323,810	31.11
TENANT/SOCIAL SERVICES/POLICE								
Tenant Services - Salaries	13,462	15,267	1,806	11.83	63,408	76,337	12,928	16.94
Police Services	17,003	16,491	(512)	-3.10	86,774	82,453	(4,321)	-5.24
TOTAL TENANT/SOCIAL SERVICES/POLICE	30,464	31,758	1,294	4.07	150,182	158,790	8,608	5.42
RELOCATION								
Tenant-Relocation Costs	295	643	348	54.15	9,419	3,217	(6,202)	-192.79
TOTAL RELOCATION	295	643	348	54.15	9,419	3,217	(6,202)	-192.79
TOTAL TENANT SERVICES EMPLOYEE BENEFITS AND INSURANCE	3,760	6,200	2,440	39.35	21,381	30,999	9,618	31.03
TENANT SERVICES								
Tenant Service Activities - Contracts and O/S Services	18,089	26,797	8,709	32.50	80,393	133,987	53,593	40.00
Tenant/Social Services - Resident Participation	334	-	(334)	N/A	1,023	-	(1,023)	N/A
TOTAL TENANT SERVICES	18,423	26,797	8,374	31.25	81,417	133,987	52,570	39.24
UTILITIES								
Water	17,649	20,432	2,783	13.62	99,716	102,161	2,445	2.39
Electricity	5,153	10,659	5,506	51.65	41,137	53,294	12,157	22.81
Gas	4,512	3,868	(644)	-16.65	19,167	19,341	174	0.90
Sewer	21,822	26,726	4,905	18.35	109,681	133,632	23,952	17.92
Garbage	36,146	39,353	3,207	8.15	146,231	196,765	50,534	25.68
TOTAL UTILITIES	85,282	101,039	15,756	15.59	415,932	505,194	89,261	17.67
MAINTENANCE								
MAINTENANCE SALARIES								
Maintenance - Salaries	56,912	56,458	(454)	-0.80	229,487	282,292	52,805	18.71
TOTAL MAINTENANCE SALARIES	56,912	56,458	(454)	-0.80	229,487	282,292	52,805	18.71
MAINTENANCE MATERIALS								
Maintenance Materials	4,322	19,356	15,033	77.67	18,062	96,780	78,718	81.34
Vehicle - gasoline	541	-	(541)	N/A	2,366	-	(2,366)	N/A
Janitorials Supplies	-	-	-	N/A	805	-	(805)	N/A
TOTAL MAINTENANCE MATERIALS	4,863	19,356	14,493	74.87	21,233	96,780	75,547	78.06

ALAMEDA HOUSING AUTHORITY
PROPERTIES - AHA & AAHC
BUDGET COMPARISON
For the Five Months Ended November 30, 2018

	MTD Actual	MTD Budget	Variance	% Var	PTD Actual	PTD Budget	Variance	% Var
MAINTENANCE CONTRACTS								
Maintenance Contracts - Unit Turnaround	500	24,910	24,410	97.99	16,248	124,548	108,300	86.95
Maintenance Contracts - Cycle Painting	-	2,668	2,668	100.00	12,625	13,340	715	5.36
Maintenance Contracts - Floor Covering	-	6,039	6,039	100.00	1,730	30,193	28,463	94.27
Maintenance Contracts - Services	3,890	12,793	8,903	69.59	34,339	63,963	29,624	46.31
Maintenance Contracts - Painting	447	1,486	1,039	69.93	10,197	7,429	(2,768)	-37.25
Maintenance Contracts - Plumbing	-	2,503	2,503	100.00	2,288	12,513	10,225	81.72
Maintenance Contracts - Landscape, Pool, Pond Maintenance	-	11,182	11,182	100.00	39,534	55,909	16,375	29.29
Maintenance Contracts - HVAC Maintenance	-	2,405	2,405	100.00	1,366	12,026	10,659	88.64
Maintenance Contracts - Elevator Maintenance	2,589	3,199	609	19.04	16,459	15,993	(466)	-2.91
Maintenance Contracts - Extermination	-	3,940	3,940	100.00	236	19,698	19,462	98.80
Maintenance Contracts - Electrical Maintenance	2,547	1,935	(612)	-31.63	2,547	9,676	7,129	73.67
Maintenance Contracts - Security and Nurse Call Systems	-	2,180	2,180	100.00	7,027	10,901	3,874	35.54
Maintenance Contracts - Tree Trimming Services	-	460	460	100.00	-	2,299	2,299	100.00
Maintenance Contracts - Gutter Cleaning Services	-	935	935	100.00	-	4,673	4,673	100.00
Maintenance Contracts - Flooring Replmt/Cleaning Srvc	3,393	687	(2,705)	-393.58	8,333	3,437	(4,896)	-142.46
Maintenance Contracts - Other	200	575	375	65.21	2,190	2,874	684	23.81
Maintenance Contracts - Vehicle Maintenance	14	416	402	96.59	2,232	2,080	(152)	-7.29
Maintenance Contracts - Janitorial	-	9,094	9,094	100.00	26,243	45,468	19,224	42.28
TOTAL MAINTENANCE CONTRACTS	13,580	87,404	73,824	84.46	183,593	437,020	253,426	57.99
MAINTENANCE EMPLOYEE BENEFITS								
Maint Employee Benefits - Medical/Dental	10,460	15,775	5,315	33.69	58,491	78,873	20,381	25.84
Maint Employee Benefits - PERS/PARS	5,487	7,098	1,611	22.69	22,004	35,490	13,485	38.00
Maint Employee Benefits - FICA	839	867	28	3.21	3,032	4,333	1,301	30.03
Maint Employee Benefits - SUI	18	48	30	63.20	158	240	82	34.16
Maint Employee Benefits - Life/LTD	53	517	464	89.72	1,673	2,586	912	35.28
Maint Employee Benefits - Uniforms/Shoes	-	353	353	100.00	1,360	1,763	403	22.87
Maint Employee Benefit - WC	2,589	2,534	(55)	-2.16	10,688	12,671	1,983	15.65
TOTAL MAINTENANCE EMPLOYEE BENEFITS	19,446	27,191	7,746	28.49	97,407	135,955	38,548	28.35
TOTAL MAINTENANCE	94,801	190,409	95,608	50.21	531,720	952,046	420,326	44.15
GENERAL EXPENSES								
Interest Expense	89,901	93,927	4,027	4.29	451,848	469,636	17,788	3.79
Mortgage Financial Service Charge	5,185	-	(5,185)	N/A	25,517	-	(25,517)	N/A
Other Expense	66	-	(66)	N/A	(391)	-	391	N/A
Insurance - Liability	1,987	4,100	2,113	51.53	10,403	20,499	10,096	49.25
Insurance - Property	10,299	8,749	(1,550)	-17.72	47,168	43,745	(3,423)	-7.82
Insurance - Vehicle	825	866	41	4.74	4,127	4,332	205	4.74
Insurance - Other	467	-	(467)	N/A	934	-	(934)	N/A
TOTAL GENERAL EXPENSES	108,730	107,642	(1,088)	-1.01	539,605	538,212	(1,393)	-0.26
TOTAL EXPENSES	492,555	672,689	180,134	26.78	2,466,846	3,363,443	896,598	26.66
NET INCOME FROM OPERATIONS	507,615	269,614	(238,001)	-0.88	2,811,904	1,348,070	1,463,834	108
Depreciation Expense	117,206		117,206	N/A	582,849		(582,849)	N/A
NET INCOME	390,409	269,614	120,795	44.80	2,229,054	1,348,070	880,984	65.00

Housing
Authority of the City of Alameda

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701 Atlantic Avenue • Alameda, California 94501-2161

To: Honorable Chair and Members of the Board of Commissioners

From: Vanessa M. Cooper, Executive Director

Date: January 16, 2019

Re: Accept the Annual Review of the Investment Policy

BACKGROUND

In February 1996 the Housing Commission adopted by resolution a revised Investment Policy for the investment of program funds provided by the U. S. Department of Housing and Urban Development (HUD) and to allow for less restrictive investment of non-HUD program funds.

Both State law and HUD require housing authorities to adopt and comply with sound cash management and investment policies and procedures. Additionally, State law requires that all local government agencies review their investment policy at a public meeting of their governing boards once each year.

DISCUSSION

California Government Code Section 53646 requires that the Housing Authority Finance Director file an annual investment policy with the Board of Commissioners. It also requires that the Finance Director file a quarterly report with the Board of Commissioners on the status of all investments, including compliance with the adopted investment policy and a certificate that the expenditure requirements for the next six months can be met.

California Government Code Section 53600.3 provides that each person or governing body investing public funds is a Trustee and, therefore, is a fiduciary subject to the Prudent Investor Standard. It further provides that the primary objectives when investing public funds are the safety of principal, preservation of liquidity and the return of an acceptable yield, in that order. The bill also prohibits the use of specific investment vehicles and limits the use of others, including reverse repurchase agreements.

HUD also mandates that housing authorities establish cash management procedures and comply with requirements governing the type of instruments in which they may invest.

The types of investments permitted under the State and Federal legislation are not different from the types of investments currently held by the Housing Authority. Our current investments are with LAIF and CAMP as previously approved by the Board.

The attached redline version has been reviewed by AHA's General Counsel. There is only one very minor change this year.

FISCAL IMPACT

Does not apply.

RECOMMENDATION

Accept the Annual Review of the Investment Policy.

Respectfully submitted,

Vanessa Cooper

Vanessa M. Cooper
Executive Director

Attachment

- 2019 Investment Policy with Redline

INVESTMENT POLICY
Updated January 2019

SCOPE:

This Investment Policy (the "Policy") applies to all liquid assets of the Housing Authority of the City of Alameda (the "Housing Authority" or the "Authority"). These funds are accounted for in the Consolidated Annual Financial Statements, which includes the Housing Choice Voucher program and SRO Program.

PRUDENCE:

The standard of prudence to be used by investment officials shall be the "prudent investor" standard (California Government Code 53600.3) and shall be applied in the context of managing an overall portfolio. When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, persons acting on behalf of the Housing Authority shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency.

Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

OBJECTIVE:

When investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public funds, the primary objectives, in priority order, of the investment activities, shall be:

1. **Safety.** Safety of principal is the foremost objective of the investment program. Housing Authority investments will be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

2. **Liquidity.** The investment portfolio will remain sufficiently liquid to enable the Housing Authority to meet all operating requirements which might be reasonably anticipated and shall always have the ability to convert sufficient securities in the portfolio to cash to meet contingency needs. A portion of the portfolio may be placed in money market mutual funds or LAIF which offer same-day liquidity for short-term funds.

3. **Return on Investments.** The investment portfolio will be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and the cash flow characteristics of the portfolio. (California Government Code 53600.5)

INVESTMENT POLICY

DELEGATION OF AUTHORITY:

Authority to manage the investment program is derived from Section 401(E) of the HUD/PHA Annual Contributions Contract and California Government Code Sections 53601, et seq. Management responsibility for the investment program is hereby delegated to the Executive Director, who shall establish written procedures for the operation of the investment program consistent with this Investment Policy.

Procedures should include references to safekeeping, Public Securities Administration repurchase agreements, wire transfer agreements, collateral/depository agreements, banking services contracts, as appropriate. Such procedures will include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this Policy and the procedures established by the Executive Director.

The Executive Director is responsible for all transactions undertaken and will establish a system of controls to regulate the activities of subordinate officials. The Executive Director is a trustee and a fiduciary subject to the prudent investor standard. (California Government Code 53600.3)

The Executive Director may delegate day-to-day investment decision making and execution authority to an investment advisor, subject to Board selection and approval of that advisor and written agreement with the advisor. The Authority must be able to revoke the investment advisor's authority at all times and without notice. Eligible investment advisors must be registered with the Securities and Exchange Commission (SEC) under the Investment Advisors Act of 1940. The advisor will follow the Policy and such other written instructions as are provided by the Authority.

ETHICS AND CONFLICTS OF INTEREST:

All participants in the investment process shall act as custodians of the public trust. Investment officials shall recognize that the investment portfolio is subject to public review and evaluation. The overall program shall be designed and managed with a degree of professionalism that is worthy of the public trust.

Officers and employees involved in the investment process will refrain from personal business activity that could conflict with the proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

AUTHORIZED FINANCIAL INSTITUTIONS AND DEALERS:

The Executive Director will select financial institutions on the basis of credit worthiness, financial strength, experience and minimal capitalization, that are authorized to provide

INVESTMENT POLICY

investment services. No public deposit shall be made except in a qualified public depository as established by State laws.

For brokers/dealers of government securities and other investments, the Executive Director will select only broker/dealers who are licensed and in good standing with the California Department of Securities, the Securities and Exchange Commission, the National Association of Securities Dealers or other applicable self-regulatory organizations.

Before engaging in investment transactions with a broker/dealer, the Executive Director will have received from said firm a signed Certification Form. This form will attest that the individual responsible for the Housing Authority's account with that firm has reviewed the Authority's Investment Policy and that the firm understands the policy and intends to present investment recommendations and transactions to the Housing Authority that are appropriate under the terms and conditions of the Investment Policy.

If the Housing Authority Board has appointed an investment advisor, the investment advisor may use its own list of authorized broker/dealers to conduct transactions on behalf of the Housing Authority. Eligible brokers/dealers must be registered with the Securities and Exchange Commission (SEC). The brokers/dealers will follow the Policy and such other written instructions as are provided by the Authority or Advisor.

AUTHORIZED AND SUITABLE INVESTMENTS:

1. The Housing Authority is empowered by HUD Notice PIH 96-33 (reinstated by PIH 2002-13) to invest HUD funds in the following:

   a. United States Treasury Bills, Notes and Bonds;

   b. Obligations issued by Agencies or Instrumentalities of the U. S. Government;

   c. State or Municipal Depository Funds, such as the Local Agency Investment Fund (LAIF) or California Asset Management Program CAMP) or pooled cash investment funds managed by County treasuries;

   d. Insured Demand and Savings Deposits, provided that deposits in excess of the insured amounts must be 100 percent collateralized by securities listed in "a" and "b" above;

   e. Insured Money Market Deposit Accounts, provided that deposits in excess of the insured amount must be 100 percent collateralized by securities listed in "a" and "b" above;

   f. Insured Super NOW Accounts, provided that deposits in excess of the insured amount must be 100 percent collateralized by securities listed in "a" and "b" above;

INVESTMENT POLICY

g. Certificates of Deposit (CDs) issued by federally- or state-chartered banks or associations. Not more than 30 percent of surplus funds can be invested in CDs;

h. Repurchase/Reverse Repurchase Agreements of any securities authorized by this Section. Securities purchased under these agreements will be no more than 102 percent of market value; (See special limits in HUD Notice 96-33 and CGC 53601.0.)

i. Sweep Accounts that are 100 percent collateralized by securities listed in "a" and "b" above;

j. Shares of beneficial interest issued by diversified management companies investing in the securities and obligations authorized by this Section (i.e., Money Market Mutual Funds) Such Funds must carry the highest rating of at least two (2) national rating agencies. Not more than 20 percent of surplus funds can be invested in Money Market Mutual Funds;

k. Funds held under the terms of a Trust Indenture or other contract or agreement, including the HUD/PHA Annual Contributions Contract, may be invested according to the provisions of those indentures or contracts;

l. Principal only STRIPS; and

m. Any other investment security authorized under the provisions of HUD Notice PIH 96-33.

2. The Housing Authority is empowered by California Government Code (CGC) Sections 5922and 53601 et seq. to invest non-HUD funds in the following investment instruments authorized for California local agencies under the provisions of California Government Code Sections 5922. and 53601:

   a. Bonds issued by the City of Alameda;

   b. United States Treasury Bills, Notes and Bonds;

   c. Registered state warrants or treasury notes or bonds issued by the State of California;

   d. Bonds, notes, warrants or other evidence of debt issued by a local agency within the State of California;

   e. The California Local Agency Investment Fund ("LAIF") and other pooled investment funds sponsored by the State of California, County Treasuries, and other local agencies or Joint Powers Authorities;

INVESTMENT POLICY

f. Obligations issued by Agencies or Instrumentalities of the U. S. Government;

g. Bankers Acceptances with a term not to exceed 180 days. Not more than 40 percent of surplus funds can be invested in Bankers Acceptances and no more than 30 percent of surplus funds can be invested in the bankers acceptances of any single commercial bank;

h. Commercial Paper of "prime" quality of the highest ranking or of the highest letter and number rating as provided for by a nationally recognized statistical rating organization (NRSRO) with a term not to exceed 180 days. Commercial paper cannot exceed 10 percent of total surplus funds, provided, that if the average maturity of all Commercial paper does not exceed 31 days, up to 25 percent of surplus funds can be invested in Prime Commercial paper. Additionally, the Housing Authority may purchase no more than 10 percent of the outstanding commercial paper of any single issuer. ;

i. Negotiable Certificates of Deposit issued by a nationally or state-chartered bank, a savings association or a federal association (as defined by Section 5102 of the California Financial Code), a state or federal credit union, or by a federally licensed or state-licensed branch of a foreign bank. Negotiable Certificates of Deposit shall be rated in a rating category of "A" or its equivalent or better by an NRSRO. Not more than 30 percent of surplus funds can be invested in Negotiable Certificates of Deposit;

j. Repurchase/Reverse Repurchase Agreements of any securities authorized by this Section. Securities purchased under these agreements will be no less than 102 percent of market value. Reverse repos cannot constitute more than 20 percent of the Authority's portfolio. Reverse repos are also limited to 92 days unless the minimum spread between the rate on investment and cost of funds is guaranteed in writing. (See special limits in CGC 53601.)

k. Medium-term Notes, not to exceed five (5) years of corporations organized and operating within the United States which are rated in a rating category of "A" or its equivalent or better by an NRSRO. Not more than 30 percent of surplus funds can be invested in Medium-term Notes.;

l. Shares of beneficial interest issued by diversified management companies investing in the securities and obligations authorized by this Section (i.e., Money Market Mutual Funds). Such Funds must carry the highest rating of at least two national rating agencies. Not more than 15 percent of surplus funds can be invested in Money Market Mutual Funds. In addition, no more than 10 percent of the Authority's portfolio may be invested in any single mutual fund.

m. Funds held under the terms of a Trust Indenture or other contract or agreement may be invested according to the provisions of those indentures or agreements;

INVESTMENT POLICY

n. Collateralized bank deposits with a perfected security interest in accordance with the Uniform Commercial Code (UCC) or applicable federal security regulations;

o. Any mortgage pass-through security, collateralized mortgage obligation, mortgaged backed or other pay-through bond, equipment lease-backed certificate, consumer receivable pass-through certificate or consumer receivable backed bond of a maximum maturity of five (5) years. Securities in this category shall be issued by an issuer rated in a rating category of "A" or its equivalent or better for the issuer's debt as provided by an NRSRO and rated in a rating category of "AA" or its equivalent or better by an NRSRO. No more than 20 percent of surplus funds can be invested in this category of securities; and

p. United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank, with a maximum remaining maturity of five years or less, and eligible for purchase and sale within the United States. Investments under this subdivision shall be rated in a rating category of "AA" or its equivalent or better by an NRSRO and no more than 30 percent of surplus funds can be invested in this category of securities.

The Authority will limit investments in any one non-government issuer, except investment pools and money market funds, to no more than 5% regardless of security type.

The Board of Commissioners may, at times, further reduce the selection of types of investment to be used by the Advisor or Executive Director by a formal vote.

Where this Policy specifies a percentage limitation for a particular security type, that percentage is applicable only on the date of purchase. Due to fluctuations in the aggregate surplus funds balance, maximum percentages for a particular issuer or investment type may be exceeded at a point in time subsequent to the purchase of a particular issuer or investment type. Securities need not be liquidated to realign the portfolio; however, consideration should be given to this matter when future purchases are made to ensure that appropriate diversification is maintained.

Credit criteria listed in this Policy refers to the credit rating at the time the security is purchased. The Authority may from time to time be invested in a security whose rating is subsequently downgraded. In the event a rating drops below the minimum allowed by this Policy, the Executive Director will review and recommend an appropriate plan of action to the Board no less frequently than quarterly. If the Authority has an Investment Advisor, the Investment Advisor will notify the Executive Director and recommend a plan of action.

INVESTMENT POLICY

3. Also, see CGC 53601 and Attachment A to HUD Notice 96-33, "HUD Approved Investment Instruments," for a detailed summary of the limitations and special conditions that apply to each of the above listed investment securities. CGC 53601 and Attachment A are attached and included by reference in this Investment Policy.

4., the Housing Authority will not invest any funds covered by this Investment Policy in inverse floaters, range notes, interest-only strips derived from mortgage pools or any investment that may result in a zero interest accrual if held to maturity.

COLLATERALIZATION:

1. The percentage of collateralization on repurchase agreements will conform to the amount required under CGC 53601 (i)(2).

SAFEKEEPING AND CUSTODY:

1. All security transactions entered into by the Housing Authority will be conducted on delivery-versus-payment (DVP) basis.

2. All securities purchased or acquired will be delivered to the Board of Commissioner of the Authority by book entry, physical delivery, or by third-party custodial agreement. (CGC 53601)

DIVERSIFICATION:

It is the policy of the Housing Authority to diversify its investment portfolio. The Authority will diversify its investments by security type and, within each type, by institution. Assets will be diversified to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer or a specific class of securities. Diversification strategies will be determined and revised periodically. In establishing specific diversification strategies, the following guidelines will apply:

1. Portfolio maturities will be matched against projected liabilities to avoid an over concentration in a specific series of maturities.

2. Maturities selected will provide for stability and liquidity.

3. Disbursement and payroll dates will be covered by the scheduled maturity of specific investments, marketable U. S. Treasury Bills or Notes or other cash equivalent instruments, such as money market mutual funds.

MAXIMUM MATURITIES:

To the extent possible, the Housing Authority will attempt to match its investments with anticipated cash flow requirements. Where there is no anticipated cash flow requirement on an investment, no investment shall be made in any security, which at the time of the investment, has a term remaining to maturity in excess of five years, unless the Board has granted express authority to make that investment no less than three months prior to the investment [CGC 53601

INTERNAL CONTROL:

The Housing Authority shall establish an annual process of independent review by an external auditor. This review will provide internal control by assuring compliance with policies and procedures.

PERFORMANCE STANDARDS:

The investment portfolio shall be designed with the objective of obtaining a rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow needs.

REPORTING:

The Executive Director shall submit to each member of the Board of Commissioners a quarterly investment report. The report will include:

1. A complete description of the portfolio, the type of investments, the issuers, maturity dates, par values and the current market values of each component of the portfolio, including funds managed by third party contractors.

2. The source of the portfolio valuation. In the case of funds invested in the LAIF, FDIC Insured accounts or county investment pools, current statements from those institutions will satisfy the above reporting requirements. The report will also include a certification that:
   a. All investment actions executed since the last report have been made in full compliance with the Investment Policy; and

   b. The Housing Authority will meet its expenditure obligations for the next six months. [CGC 53646(b)]

3. The Executive Director will maintain a complete and timely record of all investment transactions.

Housing
Authority of the City of Alameda

PHONE (510) 747-4300
FAX (510) 522-7848
TDD (510) 522-8467

701 Atlantic Avenue • Alameda, California 94501-2161

To: Honorable Chair and Members of the Board of Commissioners

From: Lisa Fitts, Management Analyst

Date: January 16, 2019

Re: Approve A Short-term Internship Program to Provide Research and Analysis Support for Housing Authority Projects and Programs and Offer Professional Development Opportunities to Undergraduate and Graduate Students

BACKGROUND

For the past four years, the Board has approved a summer internship program that provided professional development opportunities to undergraduate and graduate students. The internship was advertised at local colleges and universities, and many qualified applications were received. In 2015 and 2017, two students were selected. In 2016, three students were selected. In 2018, HCD selected two interns -- one summer intern as well as a year-round intern through the Non-Profit Housing Association of Northern California (NPH). The interns have worked on multiple research projects, made presentations to the Board, provided staffing at the Reading Room, helped to expand the Family Self-Sufficiency program and assisted with a wide range of other tasks for various departments. In 2017, the Housing Authority received a NAHRO Agency Award of Merit in Housing and Community Development for this summer internship program.

Based on this success, and the ongoing need for short-term qualified help, staff requests Board approval to renew the program. All interns have been paid an hourly salary though a temporary staffing service.

DISCUSSION

It is proposed to continue the program in 2019 and to engage up to four interns for up to 16 weeks beginning in spring 2019. Based on student schedules, it is expected that there may be staggered start and end dates. Staff will again advertise the internship opportunities at Bay Area colleges including the College of Alameda, University of California at Berkeley, CSU East Bay and San Francisco State University.

The interns will work on special research and other projects and may provide support to the Housing Programs, Property Management, Rent Program, Housing and Community Development and Administrative Departments. Several of our interns from prior years have gone on to other opportunities in affordable housing, economic development or community service.

FINANCIAL IMPACT

In 2017 and 2018 the estimated total cost and budget for interns was $25,000 per year. For 2019, staff estimates total program cost will not exceed $30,000. Current staffing vacancies in the departments leave unexpended funds available to meet the cost of the intern program.

RECOMMENDATION

Approve a short-term Internship Program to provide research and analysis support for Housing Authority projects and programs and offer professional development opportunities to undergraduate and graduate students.

Respectfully submitted,

Lisa Fitts
Management Analyst

Housing
Authority of the City of Alameda

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701 Atlantic Avenue • Alameda, California 94501-2161

To: Honorable Chair and Members of the Board of Commissioners

From: Vanessa Cooper, Executive Director

Date: January 16, 2019

Re: Approve the Executive Director or Designee to Negotiate and Execute All Steps Necessary to Secure the Assignment of the Audit Contract with Rubino & Company, Chartered to Citrin Cooperman & Company, LLP for the 2017 - 2018 Audit

BACKGROUND

At the April 18, 2018 Board of Commissioners meeting the Board approved a contract with Rubino & Company, Chartered for auditing services. This contract is a three-year contract with the option to extend on a yearly basis for two additional years, for a total maximum term of five years. The cost of the contract is set out below.

Year 1: $30,400
Year 2: $31,300
Year 3: $32,400

This contract was awarded following a Request for Proposal (RFP) process that included interviews of five firms. The panel included one Board member, AHA senior staff, and representatives from the Finance Departments of the City of Alameda and the Oakland Housing Authority. Rubino & Company was selected based on their experience working with housing authorities in California and across the country, their ability to identify and correct compliance issues and help prepare responses to HUD-related issues alleviating compliance concerns. Rubino & Company showed it is well-versed in annual REAC submission requirements, the nuances of HUD accounting rules, HUD reporting and compliance requirements and familiarity with additional requirements under OMB. They demonstrated a strong understanding of the risks and reporting complexities in the public sector and maintained knowledge of the Governmental Accounting Standards Board (GASB) and Government Auditing Standings for use in auditing governmental entities.

In August and October of 2018 the Rubino audit team, lead by Mike Stephens (partner and shareholder) and Ben Karlin conducted their field work. The audit is about 60% completed and must completed and submitted to HUD no later than March 31, 2019. Similarly, the auditor must review and adopt the Financial Data Schedule (FDS) for the Housing Choice Voucher program by the same date.

DISCUSSION

In mid December 2018, Mr. Mike Stephens informed the AHA Executive Director that he, and some of his team, had left Rubino & Company and joined Citrin Cooperman & Company, LLP. Mr. Stephens requested that AHA consider assigning the consultant services agreement to Citrin Cooperman & Company, LLP. A flyer outlining Citrin Cooperman's experience is attached.

The Executive Director was contacted shortly afterwards by Mr. Patrick Curtis, a partner at Rubino & Company, who provided an overview of their practice. Rubino & Company is in the process of rebuilding its PHA and LIHTC practice and have secured a number of new or future hires over the past few weeks who could do this work.

The priority for AHA is to complete the previously started audit by March 31, 2019 in order to ensure compliance with our funding sources. Failure to do so may create a funding at risk.

Due to the pressing deadlines, the familiarity of Mike Stephens and Ben Karlin with our agency and due to experience that Mike Stephens brings to Citrin Cooperman, we recommend an assignment of the contract to Citrin Cooperman for 2017-18 audit. In addition, staff and our consultants have spent considerable time on this first year audit providing standing documents and organizational background. This assignment should minimize the amount of extra work needed to complete the audit.

The audit has been on hold since mid-December and as a result, would restart January 17, 2019. The final report would be presented at the February or March 2019 Board meeting. Staff would restart the RFP process for the 2018 - 2019 audits and future audits no later than March 31, 2019. Rubino & Company has also agreed they will transition all audit documents to Citrin Cooperman.

However, because there is a potential procurement risk in any of the options available, staff proposes that for the 2018 - 2019 audit, the contract be rebid publicly. All parties will be eligible to apply and General Counsel has reviewed the termination and assignment documents.

FINANCIAL IMPACT

AHA has already paid Rubino & Company a total of $26,600 of the first year cost of $30,400 of the contract. The remaining cost is not expected to exceed the contract amount for the rest of the first year, unless there is out of scope work required. Rebidding the contract is expected to cost no more than $5000 in advertising, legal, printing and staff/consultant time.

RECOMMENDATION

Approve the Executive Director or Designee to Negotiate and Execute All Steps Necessary to Secure the Assignment of the Audit Contract with Rubino & Company, Chartered to Citrin Cooperman & Company, LLP for the 2017 - 2018 Audit

Respectfully submitted,

Vanessa Cooper

Vanessa M. Cooper
Executive Director

Attachments:

- 2018 General Firm Placemat – Intro to Citrin Cooperman
- Draft Novation Agreement

CITRIN COOPERMAN

FIRM FACTS

23 RANK
Citrin Cooperman is ranked the nation's 23rd largest accounting firm.

900 EMPLOYEES
More than **900** partners and staff

25+ LANGUAGES
Our employees speak more than **25** languages

11 LOCATIONS
UNITED STATES
Bethesda, MD
Braintree, MA
Livingston, NJ
Melville, NY
New York, NY
Norwalk, CT
Philadelphia, PA
Providence, RI
White Plains, NY
Woburn, MA
CITRIN COOPERMAN INTERNATIONAL
Ahmedabad, India

5 ACCOLADES
Best Accounting Firms to Work For
Accounting Today
Best Places to Work in CT
Hartford Business Journal
Best Places to Work in NYC
Crain's New York Business
Best Places to Work in PA
Central Penn Business Journal
Best Places to Work in NJ
NJBIZ

Our relationship with Moore Stephens International

- Citrin Cooperman is an independent member firm of Moore Stephens North America ("MSNA"). MSNA is a national association consisting of more than 50 independent accounting and consulting firms throughout the U.S., Canada, Mexico, and the Caribbean.
- MSNA affords us the ability to connect with knowledgeable professionals in over 100 countries, through MSNA's membership with Moore Stephens International.
- Moore Stephens International is one of the world's major accounting and consulting networks with 307 independent firms and 667 offices in 105 countries.
- Moore Stephens member firms across the globe share common values: integrity, personal service, quality, knowledge, and a global view.

MOORE STEPHENS

Our daily mission is to enhance the businesses and personal lives of our clients through our expert advice and enthusiasm for building long-standing relationships.

Joel Cooperman

CITRINCOOPERMAN.COM

INTRO TO CITRIN COOPERMAN

WHO WE ARE

Citrin Cooperman is among the leading, nationally recognized accounting, audit, tax, and business advisory firms – currently ranked in the top 25 firms in the United States. The firm was founded in 1979 by Joel Cooperman and Niles Citrin and today is the 23rd largest accounting and consulting firm in the United States and 4th largest in the Mid-Atlantic region. Joel Cooperman is Citrin Cooperman's chief executive officer. The firm has an Executive Committee that works closely with Joel in respect to the firm's strategy and governance. In addition, each of the firm's offices has an office managing partner who reports to Joel and is responsible for the operations in each of the firm's locations.

For over 35 years, we have worked with our clients to provide strategic advice for key life-cycle moments, actively bringing our best-in-class resources so you can ***focus on what counts.*** Whether you are an entrepreneur, a middle-market company, or a global publicly-traded conglomerate, we provide access to top-tier professionals who strive to understand a company's differentiators and goals, specializing in going beyond the core compliance functions to provide valuable insight on key business decisions. Around the corner or across the globe, we can provide new perspectives on strategies that will help you achieve your short- and long-term goals. Our daily mission is to enhance the businesses and personal lives of our clients through our technical and industry depth and our enthusiasm for building long-standing relationships. Finding innovative solutions is what drives our professionals and helps our clients succeed.

FIRM SERVICE OFFERINGS

At Citrin Cooperman, we offer a wide range of audit, tax, and advisory services to meet the business and personal needs of our clients.

ASSURANCE

- Audit and Attest
  - Agreed-Upon Procedures
  - Employee Benefit Plan Audit
  - Financial Statement Audit
  - Public Company Audit Services
  - Reviews and Compilations
  - Royalty Audit, Compliance, and Consulting
- Accounting Advisory Services
  - Business Combinations
  - Going Public Readiness
  - Lease Accounting
  - Revenue Recognition

TAX

- Commercial Tax Services
  - Federal Tax Policy
  - IRS Representation and Tax Controversies
  - Mergers and Acquisitions Tax
  - Not-for-Profit Tax
  - Tax Accounting and Provisions
  - Tax Compliance
  - Tax Research and Planning
- International Tax Services
  - Transfer Pricing
- State and Local Tax (SALT)
- Private Client Services
  - High Net Worth Individuals
  - Offshore Voluntary Disclosure
  - Tax Compliance
  - Trust and Estate Services

ADVISORY

- Business Consulting
  - Business Management and Family Office
  - Office of the CFO
  - Outsourced Solutions
  - Strategy and Business Transformation
- Technology and Risk Advisory Consulting (TRAC)
  - Cybersecurity
  - IT Business Advisory Services
  - Outsourced IT and Management Services
  - Risk Advisory
- Transaction Specialty Solutions
  - Litigation and Dispute Advisory Services
  - Transaction Advisory Services
  - Valuation Advisory Services
- Wealth Management and Investment Advisory Services

WHAT MAKES US DIFFERENT?

- **More partner face-time gives you a greater return on investment:** Citrin Cooperman provides greater partner interaction with clients. This means our clients will get more one-on-one time with our partners and faster responses to critical issues that impact your operations.
- **Impeccable client service:** Caring about our clients begins with caring about our people. We know that successful engagements begin with happy professionals. Satisfied people tend to stay put, providing our clients with engagement team continuity. Citrin Cooperman does everything possible to ensure that our colleagues are inspired, stimulated, and empowered to reach their potential. We value our people and they value their work.

  Speed and agility to make decisions and resolve issues: Citrin Cooperman is structured to react quickly to clients' needs and issues. We are empowered to make decisions locally, rather than moving issues up through a complex chain of command.
- **Practical, scalable, actionable advice:** Many large firms offer over-engineered solutions and advice that is theoretical, but not necessarily practical or easy to implement. We know that the biggest ideas are not necessarily the best ideas. We focus solely on what needs to be done – and know how to do it in practical ways that are relevant to client needs.
- **Customized solutions for your unique needs:** Unlike some firms that take a one-size-fits-all approach to serving their clients, Citrin Cooperman offers solutions tailored to each client's specific needs and issues. We address your unique needs without conducting steps and initiatives that are irrelevant to your environment.

INDUSTRIES WE SERVE

UNDERSTANDING OUR CLIENT'S BUSINESS IS JUST THE BEGINNING.

Citrin Cooperman has deep industry knowledge to understand the unique challenges and issues facing management and stakeholders operating in that space. We have dedicated teams for a broad range of industries. Our industry practices include:

- Architecture and Engineering
- Automotive Dealerships
- Cannabis Advisory Services
- Construction
- Entertainment, Music, and Sports
- Financial Services
  - Broker-Dealers
  - Hedge Funds
- Franchising
- Government Contracting
- Health Care
- Law Firms
- Manufacturing and Distribution
- Maritime, Shipping, and Logistics
- Not-For-Profit
- Private Equity and Capital Markets
- Real Estate
- Restaurants and Hospitality
- Staffing
- Technology and Life Sciences
  - Cryptocurrency, Tokens, and Blockchain

NOVATION AGREEMENT

This is an agreement to modify Contract # __________ (the "Contract") between [Government Entity] and Rubino & Company, Chartered ("Transferor"), a Maryland Corporation located at 6903 Rockledge Drive, Suite 1200, Bethesda, MD 20817. The parties to this agreement are [Government Entity], the Transferor and Citrin Cooperman & Company, LLP ("Transferee"), a New York Corporation located at 2 Bethesda Metro Center, Bethesda, MD 20814. This agreement is incorporated into and becomes part of the Contract.

WHEREAS [Government Entity], represented by various Contracting Officers of the [Name of any Agency], has entered into a contract with Transferors, namely ________ (the "Contract") wherein Transferor agreed to provide the following accounting services _____;

WHEREAS J. Michael Stephens was responsible for the performance of the Contract ceased working for the Transferor;

WHEREAS J. Michael Stephens now works for and is a partner at Citrin Cooperman & Company, LLP;

WHEREAS the Transferor wishes to transfer the Contract to the Transferee;

WHEREAS the Transferee is in a position to fully perform all obligations that may exist under the Contract;

WHEREAS it is consistent with the [Government Entity]'s interest to recognize the Transferee as the successor party to the Contract.

In consideration of these facts, the Parties agree that:

1. Transferor hereby transfers to Transferee, and Transferee hereby accepts and assumes all of Transferor's rights and obligations under the Contract. Without limiting the foregoing, this transfer includes all ongoing service obligations in connection with Transferor's past performance or Transferee's future performance of the Contract. [Government Entity] hereby consents to this Novation.
2. Transferee agrees to be bound by and to perform the Contract in accordance with the conditions contained in the Contract.
3. The Transferee by this Novation Agreement becomes entitled to all rights, titles, and interests of the Transferor in and to the Contract as if the Transferee were the original party to the Contract.
4. Any arrangements which Transferor and Transferee may make or which they have already made in regard to rights between themselves are separate from this Novation Agreement and shall not affect [Government Entity]'s right hereunder to treat the Transferee as holding all rights and obligations of Transferor.
5. Transferor and Transferee represent and warrant to [Government Entity] that any communications from [Government Entity] related to the Contract can be made to Transferee at the office address shown herein for Transferee. Transferor and Transferee represent and warrant that they have made or shall make arrangements to ensure that any orders, payments or other communications from [Government Entity] are promptly returned to the sender or forwarded to Transferee in the event they are addressed or sent to Transferor.
6. Except for the responsibilities of Transferor described in this Novation Agreement, [Government Entity] releases Transferor from any further obligation to [Government

Entity] under the Contract, and [Government Entity] agrees that it shall look only to the Transferee for further performance under the Contract.

7. The Contract shall remain in full force and effect, expect as modified by this Novation Agreement.

____
Government Entity
By: ____________________
Title: ______________________________

Transferor:

____
Rubino & Company, Chartered
By: ____________________
Title: ____________________

Transferee:

____
____
Citrin Cooperman & Company, LLP
By: ____________________
Title: ______________________________

Housing
Authority of the City of Alameda

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701 Atlantic Avenue • Alameda, California 94501-2161

To: Honorable Chair and Members of the Board of Commissioners

From: Vanessa Cooper, Executive Director

Date: December 5, 2018

Re: Accept Presentation of Agency Pension Liabilities and Provide Direction to Staff on the Establishment of a Trust for Pension Liabilities in Order to Return with a Prefunding Request in Early 2019

BACKGROUND

The Housing Authority provides two pension plans to its employers through CalPERS. As with other state and local agencies, accounting changes in recent years have required the AHA to present the full unfunded liability of the pension plans. The Board requested a discussion of possibilities to pay down the unfunded liability.

DISCUSSION

AHA's Pension and Post-Employment Benefit (OPEB) consultants Nicolay Consulting Group will provide an overview presentation of the agency's two CalPERs pension plans.

This session is an opportunity for the Board to understand the retirement plans, the AHA's outstanding pension liability, and to provide direction to staff on the possible options for pre-funding the agency's liability.

In 2017, AHA established a trust for the outstanding OPEB liabilities. A similar solution is proposed here and is being used by a number of other CalPERS agencies including Housing Authorities.

It is particularly important that the Board understand the assumptions in the potential prefunding scenarios including phase in periods, discount rates, initial seed amount, estimated rate of return etc.

If there is interest by the Board in prefunding, staff will return to the Board in early 2019 with 3-4 scenarios and a request for funds to establish the trust.

It is important to note that the CalPERS valuation is over a year old which is normal. However, Nicolay Consulting Group and staff are working on establishing updated census to provide updated numbers in early 2019.

Board members are asked to indicate what additional information may be needed to make a decision on the prefunding options.

It is important to note that any trust requires ongoing management and monitoring. Staff propose that a standing Board committee be established to monitor the pension and OPEB trusts once established. This committee would be subject to Brown Act requirements and would meet at least annually. Assigned AHA staff would be the Finance Director (currently vacant), the Controller, and the Executive Director.

FISCAL IMPACT

No financial decision is requested for this meeting. The cost of this work with Nicolay Consulting Group to provide the information to the Board and do the analysis is approximately $10,000 and there are sufficient funds in the current budget for this cost.

However, in the future fiscal impacts, if agreed by the Board at a future meeting, could include a prepayment of $1 million from reserves. This would be a one-time unbudgeted item and will require Board approval at a future meeting. The amount may change depending actuarial assessments and Board direction.

RECOMMENDATION

Accept presentation of agency pension liabilities and provide direction to staff on the establishment of a trust for pension liabilities in order to return with a prefunding request in early 2019.

Respectfully submitted,

Vanessa Cooper

Vanessa Cooper
Executive Director

CalPERS Miscellaneous Plan

Housing Authority of the City of Alameda (AHA)

Pension Stabilization
Strategy Study

December 5, 2018

Presented by:
Nicolay Consulting Group

Purpose

- The purpose of this presentation is to present alternative funding strategies for the CalPERS Miscellaneous Plan {a Cost Sharing Multiple-Employer Defined Benefit Plan of the Housing Authority of the City of Alameda (AHA)} to mitigate the increasing volatility in the annual required contributions.

Note: This is separate from the Other Post Employment Benefit Plan (OPEB) liability. Nicolay will provide an update on the OPEB trust & liability in early 2019.

Table of Contents

Will return in January or February for funding decisions.

1

Overview of AHA’s CalPERS Misc. Pension Plan

What is a Pension Plan?

- **Pension Plan** is an exchange between the employer and employee where the employee agrees to work for the employer, and the employer agrees to provide the employee a "benefit" at retirement.

- There are two main categories of pension benefits
  - Defined Contribution:
    - Employer contributes a certain amount of money to the employee's **retirement account** each year.
    - For example: matching and/or profit sharing contributions.
  - Defined Benefit:
    - The employee earns a "portion" of monthly **retirement benefit** per year predetermined by a formula.
    - For example, a monthly payment equals to x% of his/her compensation payable when an employees attained a certain age.

- The CalPERS Misc. Pension Plan is a **Defined Benefit type plan**.
  - The terms of the Plan are set by the State and cannot be changed.

Who is eligible?

- Public Employees' Pension Reform Act (PEPRA) in 2013, AHA has two pension plans:

  1) Miscellaneous Plan of the Housing Authority of the City of Alameda (Classic)
     - Employees (participants) hired or a member elsewhere before 1/1/2013.
  2) PEPRA Miscellaneous Plan of the Housing Authority of the City of Alameda (PEPRA)
     - Employees (participants) hired after 1/1/2013.

- Both plans are funded both by the employer and employee. However, PEPRA law requires PEPRA participants to accept more responsibility in funding their pension (at least 50% of the normal cost rate).

- The "Miscellaneous Plan" is a risk sharing pooled plan within CalPERS for small to medium size agencies (2,356 agencies, 100K participants).

The CalPERS Misc. Plan	June 30, 2017($B)
Present Value of Benefits	$19.0
Entry Age Accrued Liability	$15.9
Market Value of Assets	12.2
Unfunded Accrued Liability	$3.7

AHA's Eligibility Requirements & Benefit Formulas

- Retirement benefit is based on number of *years of service at eligible agencies*, *benefit factor(*which is a percentage based on retirement age), and *final compensation*, which is the highest average 12 month annual compensation throughout the participant's career.

- Two groups of members

Classifications	Date of Hire or Membership
Classic	Prior to January 1, 2013
PEPRA	On/after January 1, 2013

- A Classic CalPERS members become eligible upon attainment of age 50 (PEPRA, age 52) and at least 5 years of credited service (total service across all CalPERS employers, and with certain other retirement systems with which CalPERS has reciprocity agreements).

AHA's Eligibility Requirements & Benefit Formulas

- Classis Members Sample Benefit Factor* percentages are shown:

Retirement Age	2% per eligible year at 55
50	1.426%
55	2.000%
60	2.262%
63 & up	2.418%

- PEPRA Members Sample Benefit Factor* percentages are shown:

Retirement Age	2% per eligible year at 62
52	1.000%
55	1.300%
60	1.800%
65	2.300%

***Final average compensation period is one-year for Classic and three-year for PEPRA participants**

AHA's Eligibility Requirements & Benefit Formulas

- AHA's Misc. Plan Participants as of June 30, 2017:

Members	Classic	PEPRA
Actives	30	16
Transferred	30	2
Separated	10	7
Retired	13	0
Total	83	25

2

Overview of Funding Policy

What is the Funding Policy?

- **Funding Policy** describes how to finance the retirement benefits already accrued to date and benefits going to be accrued in the future.
- AHA has the statutory requirement to pay the minimum contribution annually required by the CalPERS system, which consist of:
  - Normal Cost, plus
  - Amortization of the Unfunded Accrued Liability (UAL).
- Accrued Liability is the hypothetical amount of plan asset needed at the time of measurement based on a pre-determined trajectory to achieve full-funding using actuarial assumptions.
- Unfunded Accrued Liability is the portion of Accrued Liability NOT YET covered by assets.
- Who contributes:
  - Employees are responsible for paying a portion of the Normal Cost.
  - Employers are responsible for paying the remaining portion of the Normal Cost and amortization of the Unfunded Accrued Liability.

What is the current funding status of the AHA CalPERS Misc. Plan?

The Latest CalPERS Valuation Results (as of June 30, 2017)

	June 30, 2017 (in millions)
Entry Age Normal Accrued Liability(EANAL)*	$15.7
Plan's Market Value of Assets(MVA)	13.6
Unfunded Accrued Liability (UAL)	$ 2.0
Funded Ratio (MVA/EANAL) %	87%

- Present Value of Future Benefits as of June 30, 2017 is $18.8M (published by CalPERS).
- Assumptions & Methods are prescribed by the CalPERS Board of Administration according provisions set forth in the California Public Employees' Retirement Law.
- * Did not reflect any anticipated changes in discount rate after June 30, 2017. Discount rate is scheduled to change to 7.00% as of June 30, 2018.

Page 4 of the CalPERS 6/30/2017 Actuarial Valuation Report

		Fiscal Year 2018-19		Fiscal Year 2019-20
Estimated Employer Contributions Based on Projected Payroll				
Plan's Estimated Employer Normal Cost	$	330,200	$	299,782
Plan's Payment on Amortization Bases[4]		85,024		124,549
% of Projected Payroll (illustrative only)		2.614%		4.515%
Estimated Total Employer Contribution	$	415,224	$	424,331
% of Projected Payroll (illustrative only)		12.766%		15.383%

AHA's 2019-20 Estimated Employer Contributions:

424,331 (2019-2020 MRC) = 299,782 (Employer's NC) **+ 124,549 (Amortization of UAL)**

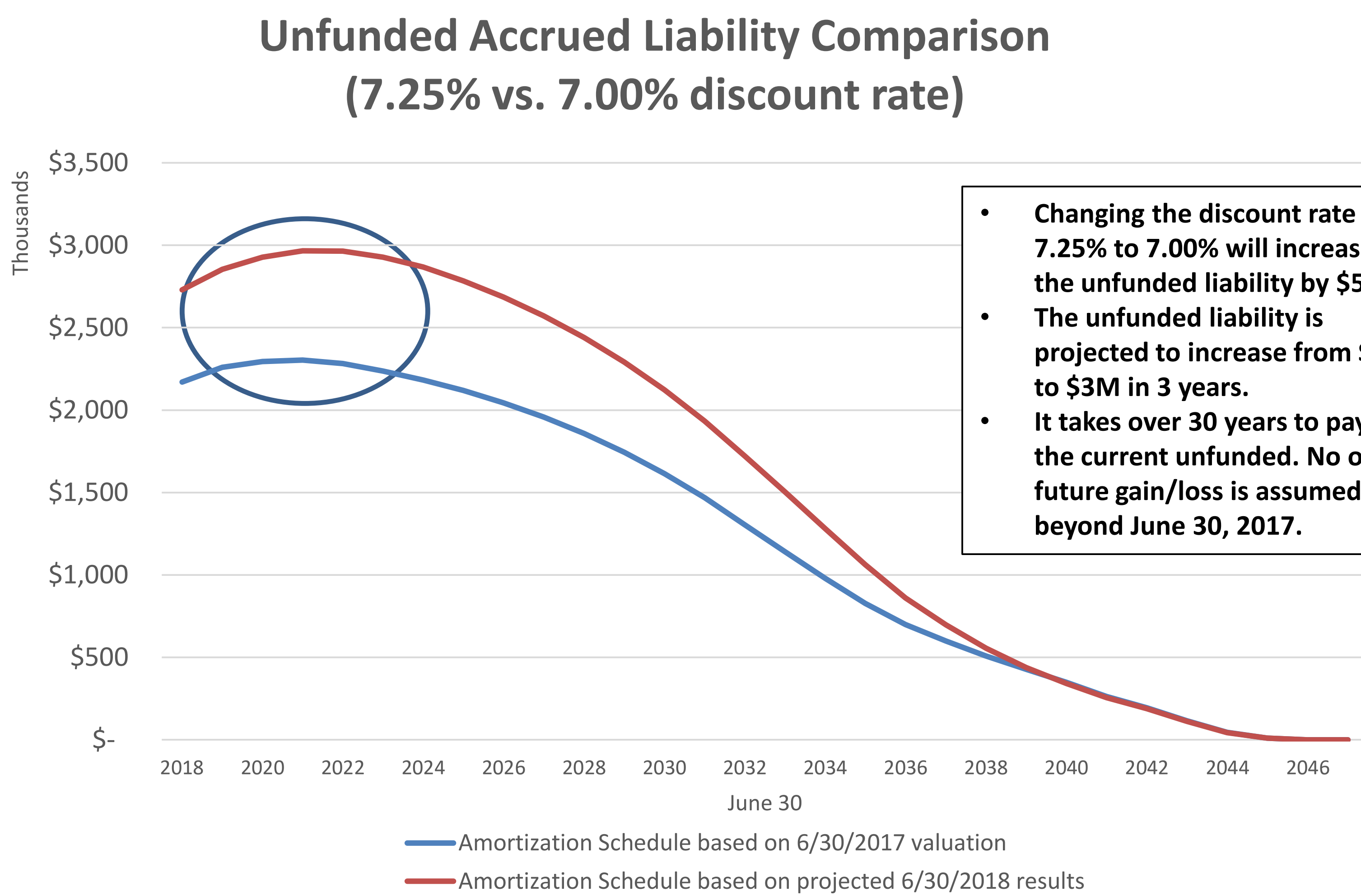
- Normal Cost is relatively stable each year. However, the amortization of Unfunded Accrued Liability is increasingly volatile over the years due to changes in assumptions to value liabilities and unexpected investment losses.

Anticipated Discount Rate Change In Next Year's Valuation

CalPERS Assumptions	Rate
Payroll Increase (CalPERS Rate)	2.875%
Discount Rate June 30, 2017(Current)	7.250%
Discount Rate June 30, 2018 (on/after*)	**7.000%**

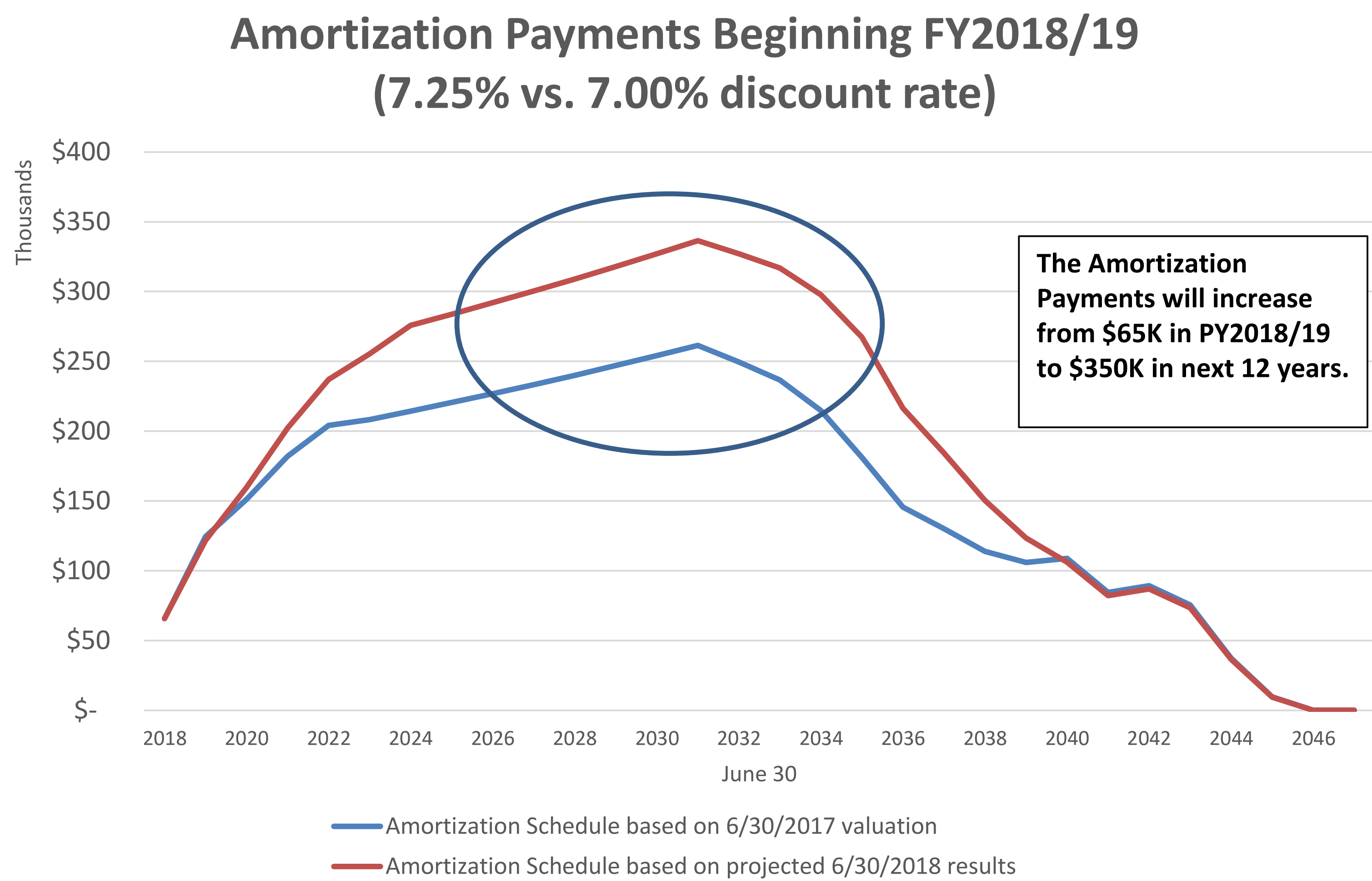
*There is no guarantee the discount rate will not change in the future

Anticipated Increase in Accrued Liability In Next Year's Valuation



- **Changing the discount rate from 7.25% to 7.00% will increase the unfunded liability by $560K.**
- **The unfunded liability is projected to increase from $2M to $3M in 3 years.**
- **It takes over 30 years to payoff the current unfunded. No other future gain/loss is assumed beyond June 30, 2017.**

Anticipated Increase in Annual Payments towards UAL



What you need to know
- CalPERS Current Funding Policy

- Current Funding Policy: Minimum Required Contribution by CalPERS
  - Initial Unfunded Actuarial Accrued Liability(UAL) is amortized over 20 years from 2013.
  - Subsequent unexpected changes in liabilities due to experience gain/loss are "Phase-In" over 30 years (2-year delay with 5-year "Phase-in" method)
  - Changes in actuarial assumptions are amortized over 20 years. (also, "Phase-In" method)
- 2-years delay with 5-year "Phase-In" period
  - For the first two years, the amortization amount is zero.
  - After the two-year waiting period, amortization payments are "Phase-In" over five years, by a factor of 20%, 40%, 60%, 80%, and 100% of the annual payment.
  - Unfunded liability will increase with interest when less than 100% of the annual payments are not paid.

Comparison of CalPERS' 5 Year "Phase-In" Methodology

- For example, on 6/30/2018 valuation, the discount rate would change from 7.25% to 7.00%, which will cause the unfunded liability to increase by approximately $560,000 in next valuation.

Example of CalPERS Amortization "Phase-In" Methodology							
Additional Unfunded Amount	$560,251						
Percentage Amortized	0%	0%	20%	40%	80%	100%	100%
$Amort. Payment	$0	0	11,835	24,351	37,576	51,542	66,280
Year	1	2	3	4	5	6	7
Ending Unfunded	$560,251	599,469	641,432	674,089	696,087	705,944	**702,044**

Example of Amortization Without "Phase-In" Methodology							
Additional Unfunded Amount	$560,251						
Percentage Amortized	100%	100%	100%	100%	100%	100%	100%
$Amort. Payment	$39,626	39,626	40,765	41,937	43,143	44,383	45,660
Year	1	2	3	4	5	6	7
Ending Unfunded	$560,251	558,479	556,583	553,376	548,732	542,515	**534,581**

$167K higher in UAL with "Phase-In"

Paying off the Unfunded Accrued Liability using Authority Controlled Pension Trust

Advantages of Pre-funding through Authority-Controlled Trust

- The Authority can access trust's assets at any time, as long as it is used to meet the plan's benefit obligations.
- Trust balance can also be used for CalPERS required contributions. This could mitigate the volatility in CalPERS Employer contributions.
- Trust balance can be used to offset CalPERS Total Pension Liability under GASB68.
- Excess assets can pay for Normal Costs after the unfunded is zero.
- Section 115 Trust could have lower administrative & investment expenses compared to CalPERS.
- Similar to the CBERT account opened in 2016 for the OPEB Plan.
- Signals to plan participants a commitment from AHA to ensure retirement benefits security.
- Other HAs or Cities that adopted a Pension Stabilization Trust recently:
  - Housing Authority of the County of Butte
  - City of Pleasanton, Camarillo, Pasadena, Glendale, Manhattan Beach, Rolling Hills and Palo Alto etc.
  - Please refer to Appendix for more agencies.

State of California Pension Stabilization Plan

- State of California owes CalPERS $59 billion in Unfunded Pension Liabilities.
- State's annual contributions to CalPERS are on track to increase from $5.8B to $11.2B by 2031-32.
- Department of Finance analysis estimates that Pension Stabilization Plan will reduce State's pension contributions by more than $11B over 20 years.
- California State Treasure John Chiang:
  - "it is fiscally responsible to reallocate reasonable amount of the Surplus Money Investment Fund money that is earning a low rate of return*, to pay down a debt that is costing the state 7% in interest."
  - *2-Year Treasury Constant Maturity Rate is currently at 2.81%

Potential Disadvantages of Pre-funding through AHA-Controlled Trust

- AHA has fiduciary responsibility on Trust's assets.
- Market volatility has a more direct impact to the Authority's financials.
- If trust earns less than CalPERS, the Authority will have to make additional contributions.
- Trust will incur investment expenses compared to CalPERS, which has minimal expenses.
- Opportunity costs of Authority's capital (i.e. reserves are depleted)
- CalPERS' contribution requirement would not take Trust's assets into account.
- Requires active management by AHA.
  - Increased reporting.
  - Requires pension expertise.

Section 3

Study Results for AHA

Comparison of CalPERS "Phase-In" vs. "True Cost" (reflecting future discount rate changes)

Fiscal Year Beginning	CalPERS Min. Contribution With Phase-In (Current)	CalPERS Min. Contribution Without Phase-In (True Cost)
2018	409,000	538,000
2019	476,000	551,000
2020	524,000	566,000
2021	577,000	581,000
2022	622,000	596,000
2023	650,000	612,000
2024	681,000	628,000
2025	699,000	644,000
2026	718,000	661,000
2027	737,000	679,000
.	.	.
.	.	.
.	.	.
2044	686,000	764,000
2045	675,000	635,000
2046	682,000	787,000
2047	699,000	699,000
2048	716,000	716,000

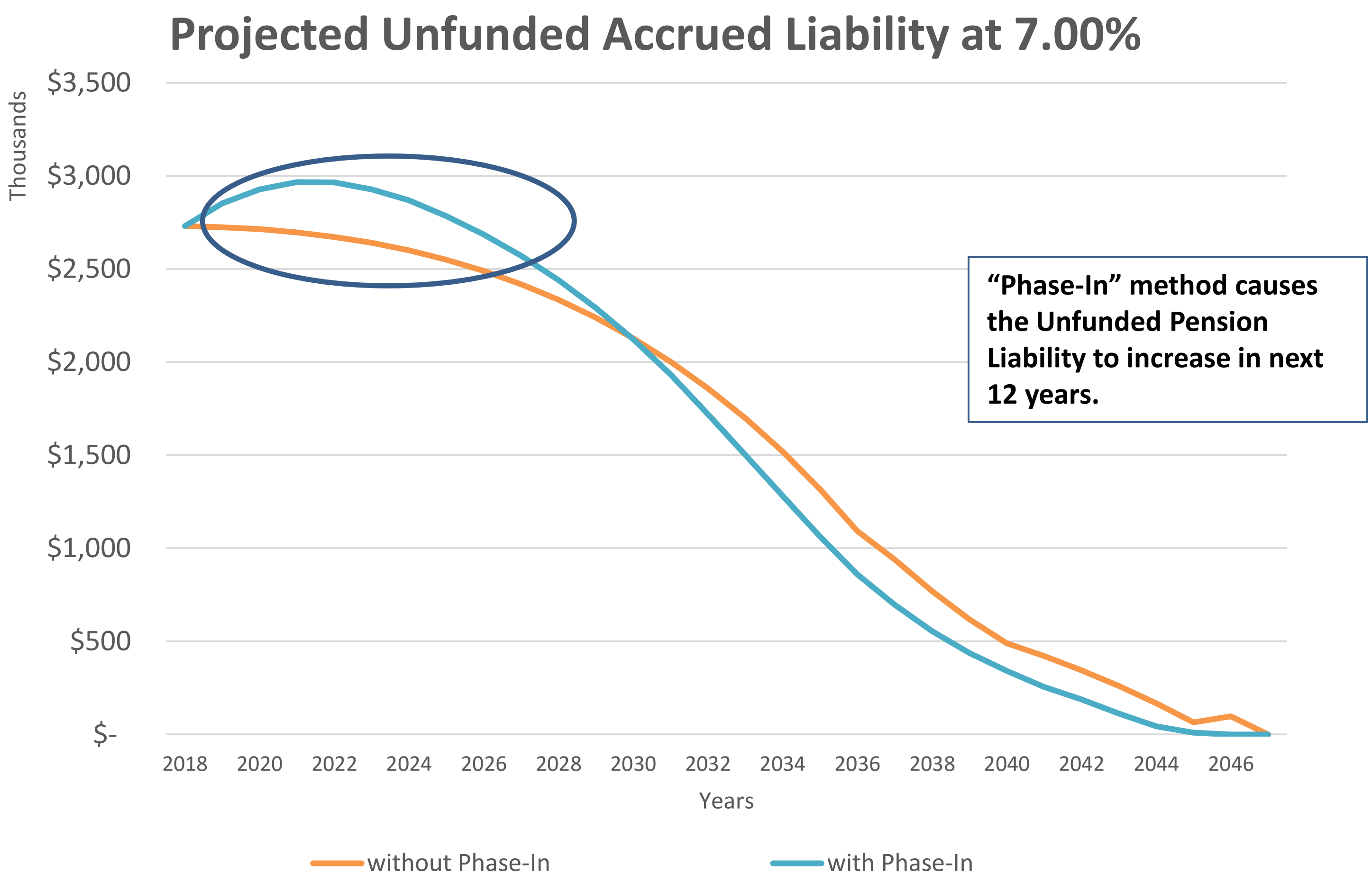
Key Observations

- The Board needs to understand the "true cost" of the plan.
- Any delay in amortization payments will increase the UPL over time. Hence higher total $contribution.
- Delaying UPL payment will add costs and volatility to the total contribution under CalPERS "Phase-In" methodology.
- Pre-funding to reduce the total $costs.

Assumptions

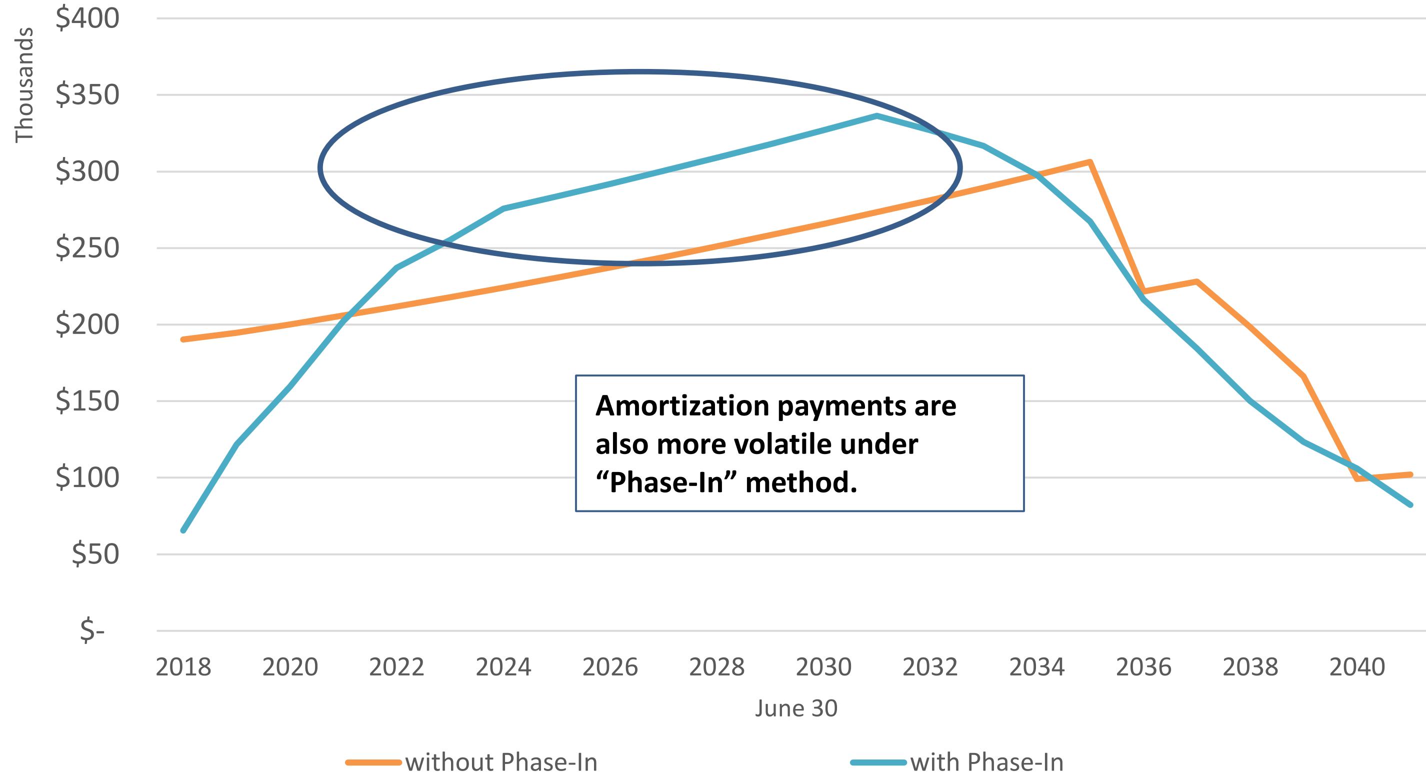
- Minimum contributions include payment to unfunded accrued liability, plus normal costs (assumed to increase 2.5%).
- Projected contributions determined by CalPERS with "Phase-In" methodology.
- Minimum contributions without "Phase-In" column represent the "true cost" of the plan.
- Discount rate of 7.25% for June30 2017, and 7.00% for June 30, 2018 and thereafter.
- Does not take into account discount rate may decrease further.

CalPERS' "Phase-In" vs. "Not Phase-In"



CalPERS' "Phase-In" or "Not Phase-In"

Amortization Payments Beginning FY2018/19



Section 4

Determining Alternative Funding

Trust Pre-Funding Projection Assumption

- The assumption used to calculate the alternate funding period projections are the same as the assumption used on slide 15.
- Assumed an initial $1,000,000 Seed Contribution to the Trust by AHA. Trust account is used to pay CalPERS required contributions.
- Additional Contributions are “accumulated”, with excess contributions accruing expected long term investment return of 6.00% (7.00% for comparison).
- Contributions are calculated so the “Accumulated” trust balance will be equal to the UAL at the end of amortization period.
- Subsequent contributions are assumed to increase 2.50% a year (assumes a stable % payroll costs).

Pension Stabilization Projections under Trust Option

On the next 4 slides we project AHA's Annual Pension Contributions under 4 scenarios:

$1.0M initial Trust Fund Balance, **6.00%** Trust Fund Rate of Return:

Scenario 1. **10-year** amortization

Scenario 2. **20-year** amortization

$1.5M initial Trust Fund Balance, **6.00%** Trust Fund Rate of Return:

Scenario 3. **10-year** amortization

$1.0M initial Trust Fund Balance, 7**.00%** Trust Fund Rate of Return:

Scenario 4. **10-year** amortization

Scenario 1 – Initial Trust Fund of $1.0M, 6.00% ROR 10-year amortization

Fiscal Year Beginning	Annual Contrib. To Trust*	CalPERS Payment From Trust	Trust Fund EOY	Trust Fund + CalPERS (Unfunded)
2018	$ 578,028	$ 409,211	$ 1,233,808	$ 1,619,642
2019	592,479	475,846	1,427,917	1,499,316
2020	607,291	523,799	1,599,553	1,367,424
2021	622,473	576,873	1,742,475	1,222,920
2022	638,035	622,034	1,863,497	1,064,233
2023	653,986	650,278	1,979,124	889,480
2024	670,336	681,238	2,086,646	697,388
2025	687,094	699,339	2,199,238	486,103
2026	704,271	717,924	2,317,136	254,163
2027	721,878	737,004	2,440,591	0

Plan is fully funded

*Payroll is assumed to increase 2.50% per year

Scenario 2 – Initial Trust Fund of $1.0M, 6.00% ROR 20-year amortization

Fiscal Year Beginning	Annual Contribution To Trust*	CalPERS Payment From Trust	Trust Fund EOY	Trust Fund + CalPERS (Unfunded)
2018	$ 486,781	$ 409,211	$ 1,139,864	$ 1,713,586
2019	498,951	475,846	1,232,043	1,695,190
2020	511,425	523,799	1,293,226	1,673,751
2021	524,210	576,873	1,316,600	1,648,794
2022	537,316	622,034	1,308,373	1,619,356
2023	550,748	650,278	1,284,403	1,584,200
2024	564,517	681,238	1,241,296	1,542,739
2025	578,630	699,339	1,191,496	1,493,845
2026	593,096	717,924	1,134,468	1,436,831
2027	607,923	737,004	1,069,639	1,370,952
2028	623,121	756,594	996,399	1,295,403
2029	638,699	776,708	914,095	1,209,312
2030	654,667	797,358	822,031	1,111,741
2031	671,033	818,561	719,464	1,001,672
2032	687,809	820,611	625,904	877,425
2033	705,005	822,109	542,892	737,945
2034	722,630	814,628	480,748	581,863
2035	740,695	795,960	452,694	407,751
2036	759,213	756,285	482,870	213,918
2037	778,193	736,400	554,871	0

*Payroll is assumed to increase 2.50% per year

Plan is fully funded

Scenario 3 – Initial Trust Fund of $1.5M, 6.00% ROR 10-year amortization

Fiscal Year Beginning	Annual Contribution To Trust*	CalPERS Payment From Trust	Trust Fund EOY	Trust Fund + CalPERS (Unfunded)
2018	$ 518,431	$ 409,211	$ 1,702,449	$ 1,151,001
2019	531,392	475,846	1,861,784	1,065,450
2020	544,677	523,799	1,994,987	971,991
2021	558,294	576,873	2,095,558	869,837
2022	572,251	622,034	2,170,036	757,693
2023	586,557	650,278	2,234,634	633,970
2024	601,221	681,238	2,286,329	497,705
2025	616,252	699,339	2,337,966	347,376
2026	631,658	717,924	2,389,428	181,872
2027	647,450	737,004	2,440,591	0

Plan is fully funded

***Payroll is assumed to increase 2.50% per year**

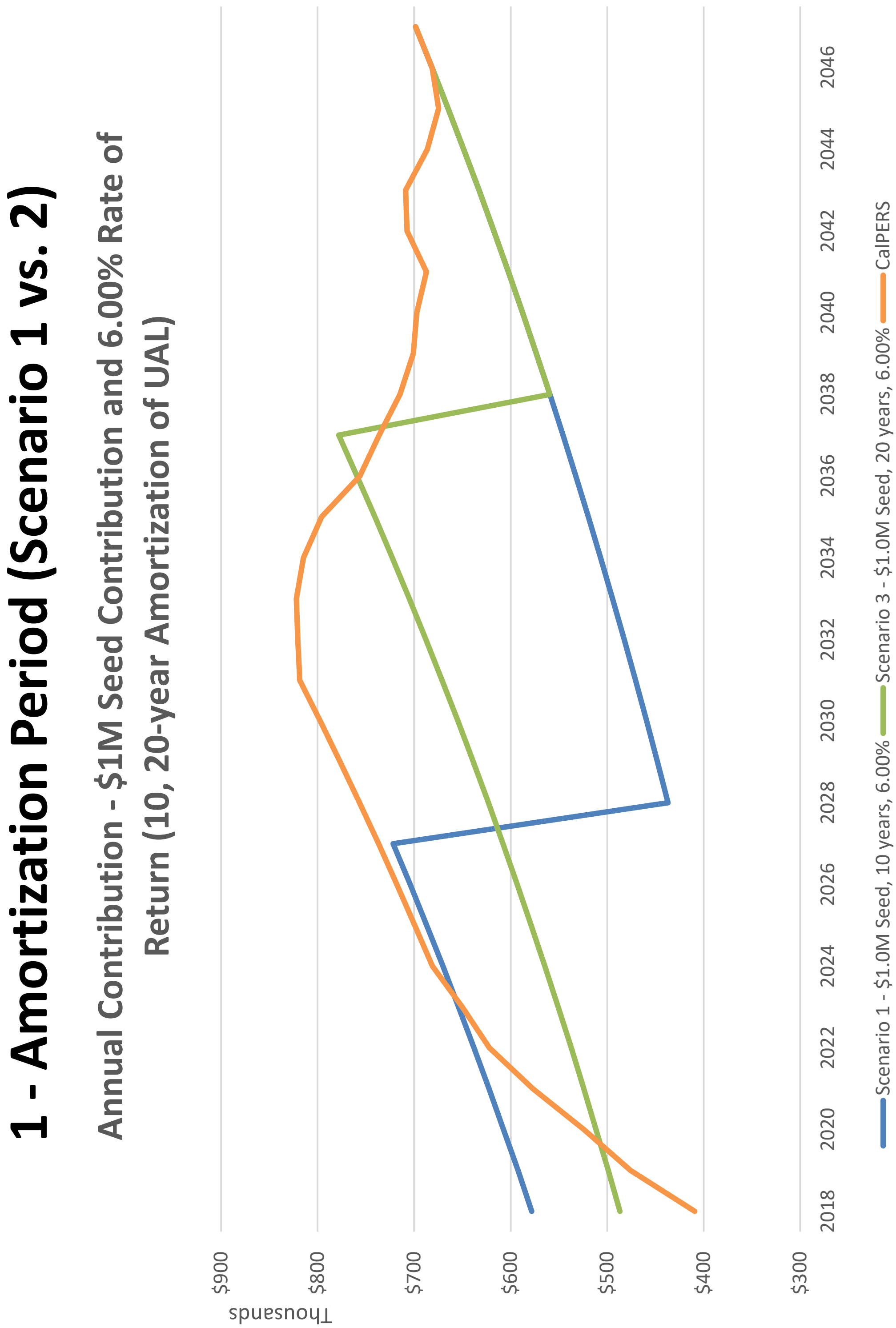
Scenario 4 – Initial Trust Fund of $1.0M, 7.00% ROR
10-year amortization

Fiscal Year Beginning	Annual Contribution To Trust*	CalPERS Payment From Trust	Trust Fund EOY	Trust Fund + CalPERS (Unfunded)
2018	$ 563,242	$ 409,211	$ 1,229,331	$ 1,624,119
2019	577,323	475,846	1,420,352	1,506,882
2020	591,756	523,799	1,590,072	1,376,906
2021	606,550	576,873	1,732,074	1,233,320
2022	621,713	622,034	1,852,988	1,074,742
2023	637,256	650,278	1,969,227	899,377
2024	653,188	681,238	2,078,057	705,978
2025	669,517	699,339	2,192,673	492,669
2026	686,255	717,924	2,313,402	257,898
2027	703,411	737,004	2,440,591	0

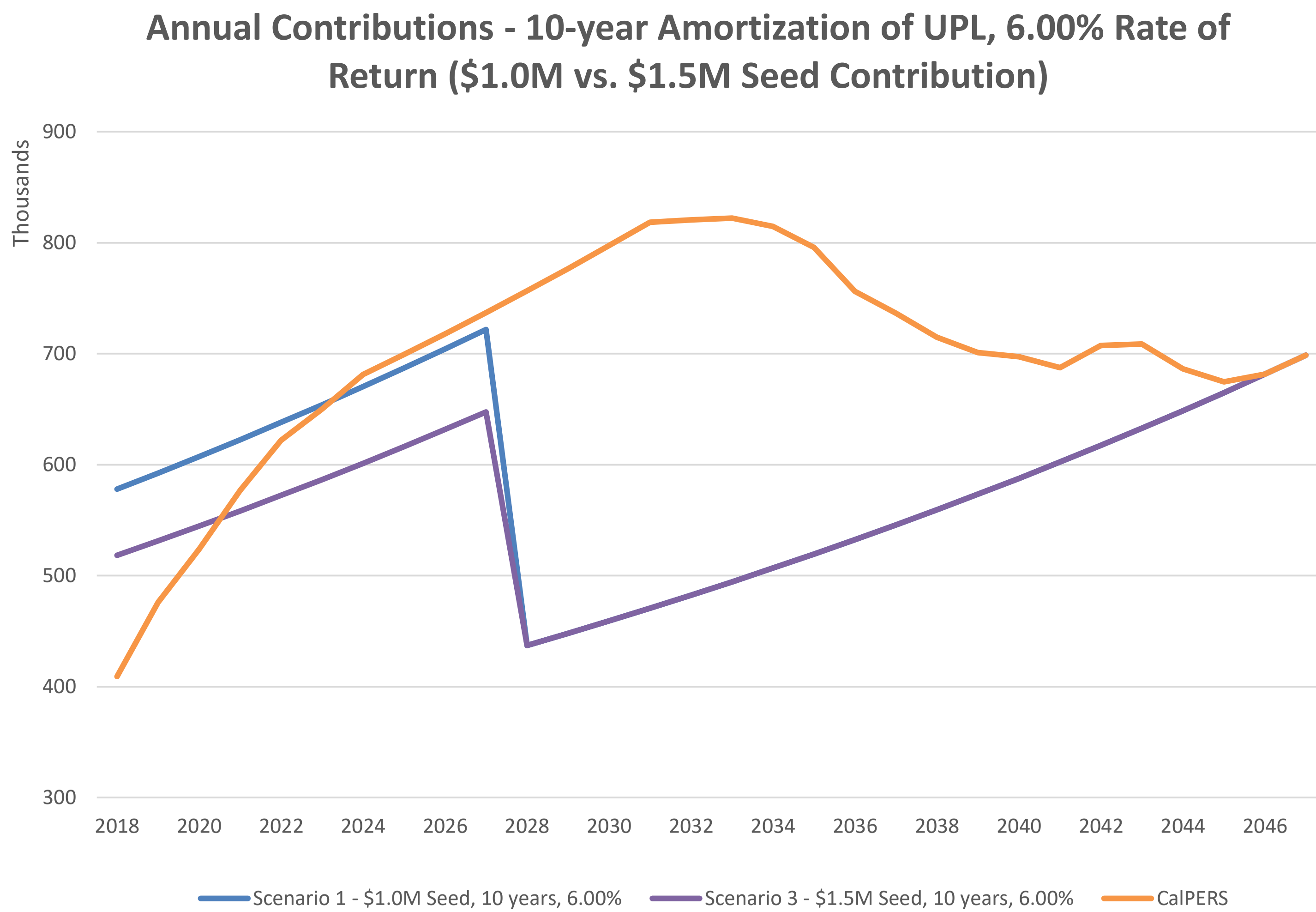
Plan is fully funded

***Payroll is assumed to increase 2.50% per year**

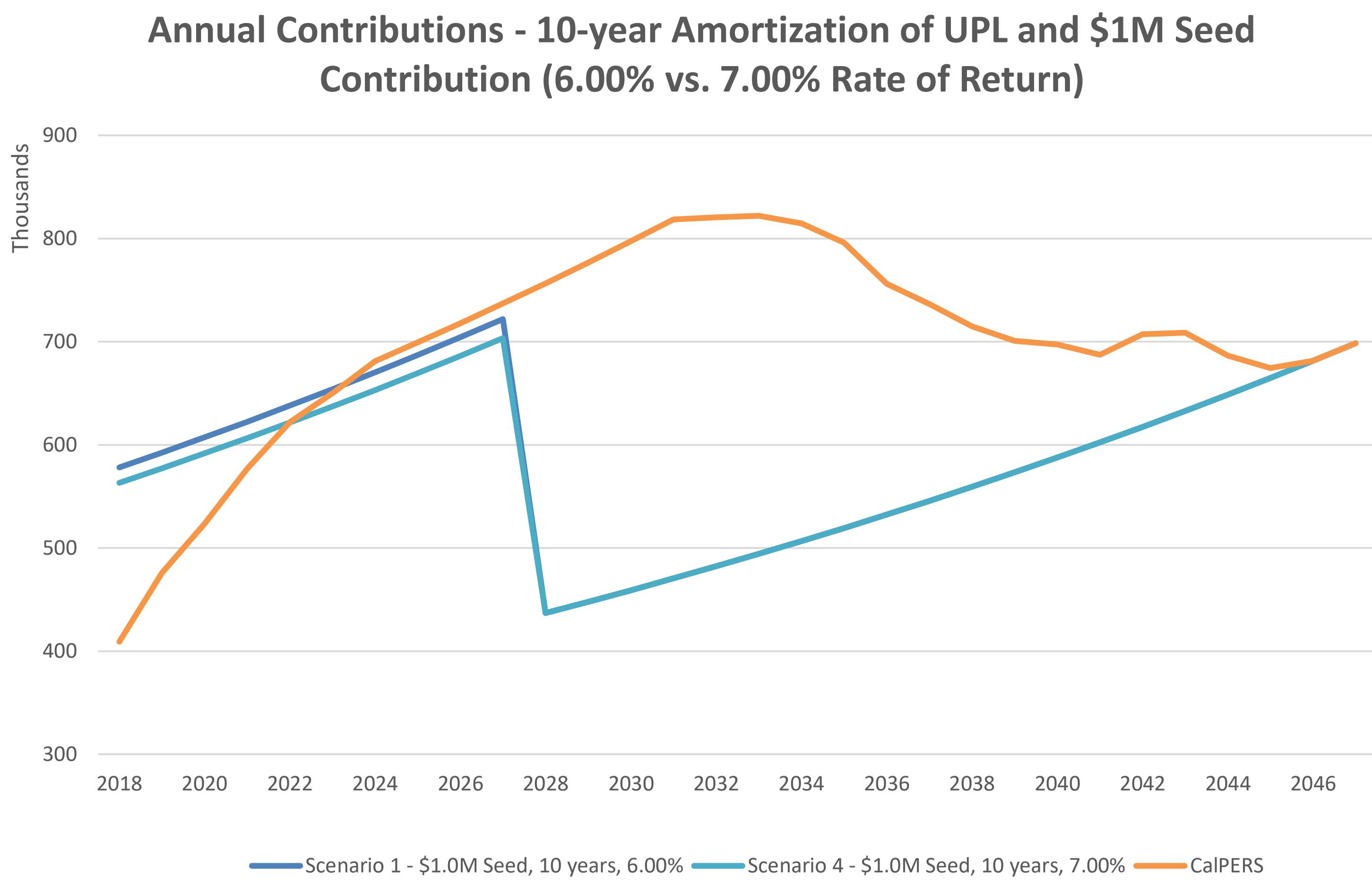
The "Four Unknowns"


1 - Amortization Period (Scenario 1 vs. 2)
Annual Contribution - $1M Seed Contribution and 6.00% Rate of Return (10, 20-year Amortization of UAL)
Thousands
$900
$800
$700
$600
$500
$400
$300
2018
2020
2022
2024
2026
2028
2030
2032
2034
2036
2038
2040
2042
2044
2046
Scenario 1 - $1.0M Seed, 10 years, 6.00%
Scenario 3 - $1.0M Seed, 20 years, 6.00%
CalPERS

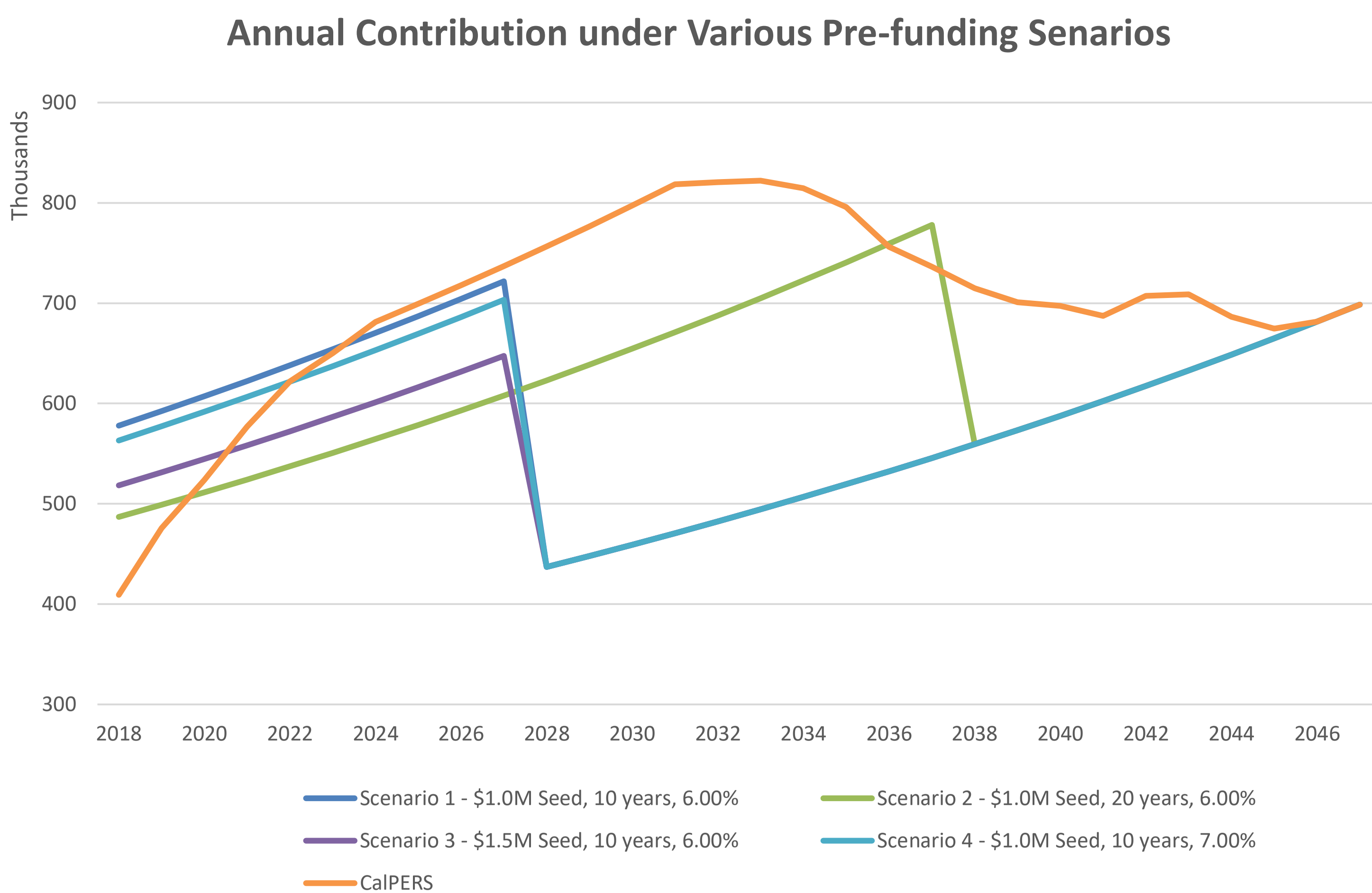
2 - Initial Seed Contribution (Scenario 1 vs.3)



3 - Rate of Return on Trust Fund (Scenario 1, 4)



4 - Annual Running Cost



Summary of Total Contribution
FYE 2019-2049 (30 years)

	CalPERS	Scenario 1	Scenario 2	Scenario 3	Scenario 4
Expected ROR	7.00%	6.00%	6.00%	6.00%	7.00%
Initial Seed Cont.	N/A	$1.0M	$1.0M	$1.5M	$1.0M
Amortization Years	20-30 years	10 years	20 years	10 years	10 years
Initial Flat Contribution Include Normal Costs	$409,000	$578,000	$487,000	$518,000	$563,000
Total Contribution (Seed + sum of Annual Conts.)	$20.9M	$18.6M	$19.7M	$18.4M	$18.4M
Savings (compared to CalPERS)		$2.3M	$1.2M	$2.5M	$2.5M

- Assumed initial contribution increases 2.50% per year in each future years.
- Savings is the difference between CalPERS total contributions and Scenarios' total contributions plus initial funding amount.
- A 1.00% increase in rate of return will increase the savings by $0.2M
- In PY2017/18, CalPERS reported a rate of return on assets of 8.60%.

QUESTIONS/ COMMENTS

42

Appendix

Latest Development in CalPERS Funding Policy

Current Amortization Method

Circular Letter: 200-027-18
April 26, 2018

The following table summarizes key features of the current policy.

Source of UAL

Driver	(Gain)/Loss Investment	(Gain)/Loss Non-investment	Assumption/ Method Change	Benefit Change	Golden Handshake
Amortization Period	30 Years	30 Years	20 Years	20 Years	5 Years
Escalation Rate*	Payroll (3%)	3%	3%	3%	3%
Ramp Up	5	5	5	0	0
Ramp Down	5	5	5	0	0

* Reducing to 2.875% for the 6/30/2017 valuations and 2.75% for the 6/30/2018 valuations.

Effective 6/30/2019 New Amortization Method

Circular Letter: 200-027-18
April 26, 2018

Source

Driver	(Gain)/Loss Investment	(Gain)/Loss Non-investment	Assumption/ Method Change	Benefit Change	Golden Handshake
Amortization Period	20 Years	20 Years	20 Years	20 Years	5 Years
Escalation Rate	0%	0%	0%	0%	0%
Ramp Up	5	0	0	0	0
Ramp Down	0	0	0	0	0

The policy allows existing amortization bases to remain unchanged to minimize budgeting disruptions. The June 30, 2019 implementation date means that the first contribution year that state employers will see any impact is fiscal year 2020-21.

Summary:
1) Shortening of Amortization Period
2) Replace Ramp Up & Down with level amortization

More information can be found here:
https://www.calpers.ca.gov/docs/circular-letters/2018/200-027-18.pdf

OPEB/PENSION CLIENT LIST

UPDATED: FEBRUARY 2018

CITIES & TOWNS

Alameda
Alhambra
Atherton
Bakersfield
Bell Gardens
Beverly Hills
Brea*
Brisbane
Burlingame*
Camarillo
Capitola*
Chino Hills
Colma
Commerce
Coronado
Covina
Crescent City
Cupertino
Cypress*
Daly City
Duarte
Dublin
El Centro*
El Segundo*
Elk Grove
Fountain Valley
Fullerton
Galt
Glendale
Half Moon Bay
Healdsburg*
Hercules
Hermosa Beach
Huntington Beach
La Mesa*
La Verne
Lake Forest
Lakewood
Livermore
Lodi
Los Altos Hills*
Los Gatos
Mammoth Lakes
Manhattan Beach
Morgan Hill
Napa
National City
Norwalk
Novato
Oakley
Oroville
Palo Alto
Pasadena
Pico Rivera
Port Hueneme
Rancho Cucamonga*
Redding
Redwood City
Rialto
Richmond
Rohnert Park
Rolling Hills
Rosemead
San Leandro
San Ramon
Santa Ana
Santa Clara
Santa Clarita
Sausalito
Solana Beach
Stanton
Stockton
Temple City
Tiburon
Tustin
Union City
Upland
Vallejo
Villa Park
West Covina
West Sacramento
Westminster*
Woodland
Yountville
Yuba City
Yucca Valley

COUNTIES

Amador
Contra Costa
Humboldt
Imperial
Inyo
Kern
Kings
Merced
Mono
Nevada
Placer
Plumas
Riverside
San Benito
Shasta
Siskiyou
Solano
Sonoma
Sutter
Trinity
Yolo

Bolded agencies have adopted PRSP

* PRSP only

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