



# TACOMA HOUSING AUTHORITY

## BOARD OF COMMISSIONERS MEETING MINUTES STUDY SESSION FRIDAY, NOVEMBER 30, 2018

The Commissioners of the Housing Authority of the City of Tacoma met in Study Session at 902 South L. Street, Tacoma, WA 98405 at 12:00 PM on Friday, November 30, 2018.

### 1. CALL TO ORDER

Commissioner Banks called the meeting of the Board of Commissioners of the Housing Authority of the City of Tacoma (THA) to order at 12:17 PM.

### 2. ROLL CALL

Upon roll call, those present and absent were as follows:

PRESENT	ABSENT
<b>Commissioners</b>	
	Chair Minh-Anh Hodge
Vice Chair Derek Young (participated by phone)	
Commissioner Arthur Banks (arrived late at 12:15 pm)	
	Commissioner Stanley Rumbaugh
Commissioner Shennetta Smith	
<b>Staff</b>	
Michael Mirra, Executive Director	
Sha Peterson, Executive Assistant	
April Black, Deputy Executive Director	
Ken Shalik, Finance Director	
Toby Kaheiki, Human Resources Director	
	Frankie Johnson, Property Management Director
	Kathy McCormick, Real Estate Development Director
Sandy Burgess, Administrative Services Director	
Julie LaRocque, Rental Assistance Director	
	Cacey Hanauer, Client Support and Empowerment Director

Commissioner Banks declared there was a quorum present @ 12:18 and proceeded.

### 3. 2019 Budget

Executive Director (ED) Mirra started the budget conversation by reviewing Tacoma Housing Authority's (THA) four budget principles that the Board has used for the past 15 years, and that have served THA well. The draft budget resolution that staff will describe conforms to these principles:

- budget to the worse of the plausible budgets pending in Congress;
- recurring income covers recurring expenses; THA does not use reserves for recurring expenses;
- THA uses reserves for nonrecurring expenditures that make THA money, save THA money or make THA more efficient or stronger;
- THA keeps reserve levels within the Board's designated ranges for each type of monies: not too much and not too little.

Generally, Congress usually misses its October 1<sup>st</sup> deadline for writing the next year's budget. This means that THA must write its budget without knowing what HUD funding it will get. That will likely happen again this year. This means THA will budget presuming upon flat funding for 2019, expecting the same as received in 2018. The House and the Senate both passed their versions of the budget which provides THA with modest increases (\$250,000-\$800,000). THA will not presume on those increases.

The proposed THA budget is balanced with a \$56K surplus. In a \$54M budget this is essentially a wash. ED Mirra noted that the effort to designate expenses and income as either recurring or nonrecurring can be a challenge of characterization. This requires judgment that our finance director makes. ED Mirra noted that the main characterization challenge arises with real estate development income. This income has been substantial over the past years. We expect it will continue in substantial levels. But whether we get it or not is a deal-by-deal uncertainty. For budget purposes, we account for that uncertainty by discounting the anticipated amount and regard only the discounted amount as recurring. In reply to Vice-Chair Young's question, ED Mirra reported that the discount was 80% leaving 20% as recurring income.

The budget's main proposed use of reserves is to build or buy more properties. One reason to do this is to make money. THA can make money on real estate in a number of ways. When it buys or builds, THA can receive money from rents, or from an increasing investment value. It can also earned a developer fee.

THA needs enough money in reserves but not too much. THA needs at least two months of operating funds in reserves. One type of reserve is Moving to Work (MTW) funds. Our proposed budget keeps this balance close to zero.

Director Shalik provided the board documents that show a high-level view of the budget, with some detail. He then led the board through those documents in some detail, answering board questions along the way.

Commissioner Smith asked if there is a set amount of reserves THA should or should not have. According to Director Shalik, a long time ago HUD used to ask housing authorities to maintain reserves enough to cover 6 months of operations. HUD has been reducing that recommended period and now does not provide much direction. He noted that the board's budget principle on reserves directs that THA's reserves be enough to carry the agency for 2 months.

Vice Chair Young asked how the percentage of cash flow to THA changed for properties over the past year or so. According to Director Shalik, it has almost doubled. THA used to get about \$500k a month and now gets \$900K a month. THA is finalizing rents for the Salishan and Hillside RAD conversion. A good amount of this income comes from THA's expenditure of its own MTW dollars into the portfolio. Doing this was an investor requirement of the RAD refinancing. The total amount of this annual MTW supplement will be about \$325K.

Director Shalik stated that the biggest challenge for the 2019 budget is the upward pressure on HAP payments resulting from Tacoma's climbing rental markets. At the same time, funds from HUD are not increasing to match this increase costs. For example, HUD calculates a 10% increase in Fair Market Rents for Tacoma. Yet HUD increased the funding by only 3.6% in 2018. Commissioner Banks asked if THA is turning away people that are qualified due to increased rents. While we do not have enough money to serve all who seek our help, Director Shalik noted that present HCV clients who are housed do not pay more as their calculation of rent stays the same. Some HOP tenants, who get a fixed subsidy, see an increased rent burden. Commissioner Banks asked if THA is doing anything for homeless families. ED Mirra recounted the main ways THA serves homeless households.

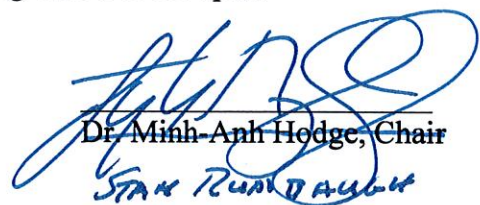
Vice Chair Young expressed that he is impressed with how the budget has come together and noted how the finance team has done a great job. Commissioner Banks likes the budget as well. He acknowledged that it took a lot of staff and that THA staff always go beyond the call of duty. Commissioner Smith is happy and proud to be part of an organization that cares for people. "The budget looks great!"

Staff will present the 2019 Budget at the board's December 12<sup>th</sup> meeting.

#### 4. ADJOURNMENT

There being no further business to conduct, the meeting ended at 1:04 pm.

**APPROVED AS CORRECT**  
**Adopted:** December 12, 2018

  
Dr. Minh-Anh Hodge, Chair  
STAN TUCKER, D. A. G. W. H.