

The BOARD of DIRECTORS
Of the
City of Douglas Community Housing Corporation
will meet

Thursday, January 3, 2019 at 9:30 a.m.

At the
Rancho La Perilla Apartments
Community Room
1201 E. Fairway Drive
Douglas AZ

PURSUANT TO THE AMERICANS WITH DISABILITIES ACT (ADA), THE CITY OF DOUGLAS DOES NOT, BY REASON OF A DISABILITY, EXCLUDE FROM PARTICIPATION IN OR DENY BENEFITS OF SERVICES, PROGRAMS OR ACTIVITIES OR DISCRIMINATE AGAINST ANY QUALIFIED PERSON WITH A DISABILITY. INQUIRIES REGARDING COMPLIANCE WITH ADA PROVISIONS, ACCESSIBILITY OR ACCOMMODATION CAN BE DIRECTED TO ALMA ANDRADE WITHIN 72 HOURS AT (520) 417-7302, FAX (520) 364-7507, 425 10TH STREET, DOUGLAS, ARIZONA 85607.

Agenda
Board of Directors Regular Meeting
City of Douglas Community Housing Corporation

Thursday, January 3, 2019 at 9:30 a.m.

Rancho La Perilla Apartments
Community Room
1201 E. Fairway Drive
Douglas, AZ 85607

1. Call to Order.
2. Roll Call.
3. Persons wishing to address the committee in writing or verbally on any item not on the agenda.
4. Discussion/Decision on Approval of Minutes for the October 4, 2018 Board Meeting.
5. Management Report and presentation of current Financial Reports for CHC and Facility.
6. Standing Report form management regarding ongoing marketing efforts and results for the CHC and Facility, to include possible Discussion/Decision on any related concept noted herein.
7. Presentation/Discussion/Information and possible Discussion/Decision/Direction regarding converting the current CHC facility to an Affordable Housing Program.
8. Scheduling and/or confirmation of next meeting date(s), and suggestions for future agenda items.
9. Adjournment

Posted at:
City Hall
Douglas Police Department
Douglas Library
<http://www.douglasaz.gov>
Tuesday, January 2, 2018 @ 9:25 a.m. by:

Alma Andrade
Deputy City Clerk

**MEETING MINUTES FOR THE BOARD OF DIRECTORS
CITY OF DOUGLAS COMMUNITY HOUSING CORPORATION**

Thursday, October 4, 2018 at 9:30 a.m.

Rancho La Perilla Apartments
Community Room
1201 E. Fairway Drive
Douglas, AZ 85607

1. Call to Order.

Rancho La Perilla Board members held their quarterly meeting on Thursday, October 4, 2018 in the community room at Rancho La Perilla Apartments, 1201 East Fairway Drive, and the meeting was called to order at 9:35 a.m.

2. Roll Call.

Board Members present were Vicky Merritt, Michael Gutierrez, and Arturo Escalante. Absent members was Felix Soto. FW management team members present were Frank Moro and Ana Salazar.

3. Persons wishing to address the committee in writing or verbally on any item not on the agenda.

(NONE)

4. Discussion/Decision on selection of prospective CHC Board members to recommend to Mayor and Council for possible appointment.

After a brief discussion the board will likely need more time to consider.

5. Discussion/Decision on Approval of Minutes for the July 19, 2018 Board Meeting.

Vicky Merritt made a motion to accept the minutes of the quarterly meeting held on July 19, 2018 CHC Board meeting as presented. The motion was seconded by Arturo Escalante, and after no discussion, the motion was approved unanimously.

6. Management Report and presentation of current Financial Reports for CHC and Facility.

Frank Moro began reporting calling the group's attention to a report with the October heading, and a separate report was referenced as being related to the current audit taking place. The second report was presented as a year to date noting that the fiscal year closes at the end of June, noting that it provides a 12 month trailing giving members a look at the trends occurring during the last 12 months.

On page 1 showing the January to October report (apparently not showing the October income thereby limiting the financial analytic metric value of the document). In comparison there are 2 other printouts with one showing figures for 12 month trailing financial reporting from November to October (not showing complete gross potential income) and one from September to October, 17. Looking on the NOI, on page 2 for that period the complex collected is \$314,705.

In October the operating income was reported as \$27,332 and this figure is normally around \$55K and is lesser because the expenses are not populated in the October version. There is also an

aging report and Frank continues to report that mainly the complex is all caught up on the aging report; along with obligations to the City that the CHC is getting caught up on, and went through some of the notable aging payables and Frank Moro noted that FW typically pays all expenses prior to collecting their management fee. The 12 month trailing shows that the net income and positive cash flow of \$33,617 and the replacement reserves (due to the refining these reserves theoretically function as a replacement fund for all personal property of the complex for the next 40 years) need to be contributed monthly at a tune of \$2,000 with mortgage insurance at \$1,618 and the current balance in the replacement reserves is roughly \$335,000-The report then turned to discussing a request to not fund the replacement reserves for 1 year since the balance is currently healthy and that apparently the source of the financial suggestion was the auditor. Occupancy is currently at 87.5% and facility would be breaking even at 92% per Frank Moro, and this is mainly attributable to the debt, mortgage insurance and real estate taxes. The deficit has caused the CHC over the years to borrow money from the City in the form of deficit loans and the CHC has been unable to start paying them back yet, as the capital expenditures total in excess of \$190K, with depreciation at about \$130K with the \$60K difference coming out of the replacement reserves account. A general cost of replacement discussion followed along with expenditure scenarios being discussed noting that \$60K per year would be a normal replacement cost with furniture expense of \$27K was for a seven year period and not reimbursable under the replacement reserve.

Turning to the audit being performed by Addington on a yearly basis, it was noted that it is HUD financing. Housing trust fund certificates are forgivable and the process may be coming up in a couple of years, as we are not paying on these but the forgivable portion once completed will be lowering the overall debt. A new audit standard requirement now entails the preparation and maintaining of a management plan as a function of a related IRS guideline (viable going concern analysis). The auditor has prepared a plan and has submitted it to FW for review to include a capital budget with a green line showing that we have a net cash flow of \$26,874 after we have made all the proposed capital expenditures, keeping in mind that on any given year we are spending \$24K and drawing down about \$69K. CHC is theoretically planning to appeal to HUD in order to pay down the note \$14K owed to the City and suspend (with HUD's approval) the replacement reserve contributions from November through June 2019 for a \$16K savings while channeling \$14.5K of that over to the City to credit the indebtedness, and request from HUD \$23,321 in replacement reserve funds from different years. One of the suggestions from the auditor that Frank Moro believes will not be approved by HUD is an advance of \$69K from the replacement reserve to pay for some scheduled capital expenses.

Frank Moro believes the majority of the auditor's requests would be allowed by HUD and pointed out that the replacement reserves are at a healthy level of around \$359,406 and explained that the auditor's plan helps manage the cash flow a bit better due to the fact higher amounts reflected on the balance sheet improve the cash flow numbers. Mike Gutierrez inquired about one of the recommendations that involved \$36K in escrow reserve funds, and an answer was not available prompting Mike Gutierrez to state that there may be more work required for Board to decide to proceed with auditor suggestions. Tami Moro then reported with an explanation using the financial reports noting that the \$36K funds represent prepaid tax and insurance on the facility and summarized the auditor's recommendation noting that it basically tells the Board to reduce the capital reserve replacement contribution as it is currently overfunded and auditor sees the need for the capital reserve replacement impounds to be reduced. The Board exhausted all possible explanations they had on hand and still could not pinpoint the \$36K inquiry but also the auditors are asking that Frank Moro sign off on the plan at or near this date. There is a consensus however, with the assistance of Tami Moro's explanation, that the \$36K represent excess funds not crucial to the day-to-day operations of the facility and this is why auditors suggest to get that money back to the property to utilize it as meaningful cash flow. Frank Moro will proceed to negotiate with the lender to carry out the auditor's suggested plan and Mike Gutierrez stated that the Board will rely of Frank Moro's judgment to proceed according to the auditor's suggestion. In closing this portion, and going back to the income statement, Mike Gutierrez noted that the facility is doing at least the same if not better than previous months.

7. Standing Report form management regarding ongoing marketing efforts and results for the CHC and Facility, to include possible Discussion/Decision on any related concept noted herein.

Traffic in the front office remains light yet steady and Ana Salazar reported that she is still working with the FB campaign and this continues to pay dividends. Ana reported on possibly signing up to work with the regionally serving Hispanic Chamber of Commerce as this was not being done before. The Chamber benefits were presented by Mr. Escalante and he also mentioned the web landing page and a general discussion on the pros and cons followed. Thereafter, Vicky Merritt made a motion to have the CHC join the Hispanic Chamber of Commerce, a regional organization and the motion was seconded by Mike Gutierrez and the motion passed with Arturo Escalante abstaining from vote due to a perceived conflict of interest due to his contractual ties to that entity.

Ana concluded by reporting that as a result of the FB campaign, the occupancy got up to 98% for a period of about 3 weeks.

8. Presentation/Discussion/Information and possible Discussion/Decision/Direction regarding converting the current CHC facility to an Affordable Housing Program.

Frank Moro reported that little progress is being made on the concept and gave some background information to the Board on the subject agenda concept, and how the plan is to make the facility available to about 80% of the public as part of the affordable housing program for those that qualify. The current discounts and move in specials were discussed and reported on the vacant units that currently are set aside for the income qualification program. The public purpose/benefit to the general population has to be reconfigured to meet the non-taxable status.

9. Scheduling and/or confirmation of next Meeting date(s), and suggestions for future agenda items.

The Board suggested the January 3, 2019 at 9:30 a.m., meeting date and time for the next regular CHC Board meeting.

10. Adjournment

Motion made by Vicky Merritt and seconded by Arturo Escalante to adjourn the meeting at 10:46 a.m., and motion was approved unanimously.

Prepared by:

Juan Pablo Flores
City Attorney