

**HOUSING AUTHORITY OF
ST. MARY'S COUNTY, MARYLAND
BOARD OF COMMISSIONERS MEETING**
Meeting held November 9, 2011

MINUTES

Present: Robert Gant, Jr., Chair, Commissioner
Jan Barnes, Co-Vice Chair, Commissioner
Joan Gelrud, Co-Vice Chair, Commissioner
Stephanie Proctor, Commissioner
Andrew Kozak, Commissioner
Agnes Butler, Commissioner
Lisa Brown, Murphy & Murphy
Dennis L. Nicholson, Secretary
Crystal Wojciechowski, Recorder
Patricia Stebbing, Recorder

Call To Order:

The meeting was called to order by Dennis Nicholson at 5:36 p.m.

Consideration of Minutes

Minutes from previous Housing Authority Board meeting on October 12, 2011 were reviewed and discussed. Motion to approve minutes by R. Gant, and seconded by J. Barnes. All in favor. Motion carried. Minutes approved.

Cash Flow Forecast

The cost analysis was requested by the Housing Authority Board as a step to prepare for privatization. The purpose of the cash flow analysis is to determine what burdens will be placed on the Housing Authority with privatization due to the challenge of upfront, immediate expenses. As HASMC's finances, since its creation in 1971, has been a reimbursable model, the privatization transition in the next twelve months will be a challenge. This cash flow analysis will help HASMC prepare for upcoming challenges.

HASMC has asked Murray, Wamsley & Schrader, LLC to create a forecasted schedule of cash receipts and disbursements for fiscal year 2012. This document is in working form and is currently a draft. A formal report and cost analysis will be created after review and discussion and will be forwarded to John Savich.

A meeting is scheduled for Friday, November 18 at 2 PM Sue Sabo and John Savich to go over and discuss this cash flow forecast. Sue Sabo has requested this forecast before the November 18th meeting with edits and updates to expenses discussed. Sue has been in contact with Dennis

regarding a specific agenda for this meeting. Dennis emphasized that he would like for the meeting to be an informal discussion about the draft forecast.

Now that this financial information is available, what is the immediate cash impact of privatization on the Housing Authority? It appears that the Housing Authority will have cash shortfalls due to the result of losing the economy to scale and the County's reimbursable support. When the Housing Authority takes this information to the Board of County Commissioners, what will be asked of the County? A cash advance or line of credit are options to consider. The meeting on November 18th is the first of at least two meetings and will focus on the sharing of information and place questions on the table for discussion; a concept discussion versus a heavy detail discussion.

New Board Members

Three Commissioners' terms will be ending in June 2012. The Housing Authority has requested a selection of new Commissioners' to take place earlier than usual, as the selection is important considering the upcoming privatization. The BOCC has approved an earlier selection and the Housing Authority is to provide them with recommendations so that they can approve new Commissioners in March 2012. This will allow an overlap of new and retiring Commissioners so as to allow for a smooth transition. Suggestions for new members have included an employee of St. Mary's College, social workers from the Department of Social Services and other individuals from the community or from the financial arena. At this time the Housing Authority has not reached out to anyone and this is still in the discussion phase.

Resolution 2011-08

Resolution 2011-08 PHA Board Resolution Approving PHA FY 2012 Operating Budget is a request to the Department of Housing & Urban Development to approve HASMC's operating budget for Public Housing in FY 2012. This resolution authorizes R. Gant and D. Nicholson to sign and execute the operating budget. The operating budget is only an estimate based on what we currently know at this time. It satisfies HUD requirements, but is only an estimate. The Senate Budget Committee's decision will determine HASMC's actual Public Housing funding.

Motion to authorize the approval of Resolution 2011-08 by J. Barnes. Seconded by A. Butler. All in favor. Motion carried.

Murphy & Murphy – FY 2010 Independent Auditor's Report

Lisa Brown from Murphy & Murphy attended the board meeting to report to the Housing Commissioners and answer questions related to the FY 2010 Audit. HASMC has no control deficiencies. This is determined and tested by research cash disbursements, journal entries, walkthroughs of procedures and general observation of processes. As a whole, net assets increased for 2010 due to additional non-HUD grants and other revenues. Some clarification needs to be made related to "other revenue." This one-time revenue is related to the sale of Indian Bridge Apartments. The revenue was immediately utilized to pay off the remaining loan to Maryland Bank and Trust. HASMC sold the buildings, but still retains ownership of the land. According to Lisa Brown, HASMC will not see revenue of this size again. Ultimately, this is not revenue, it is only money paid back to us for money spent upfront in the purchase and rehabilitation of Indian Bridge. As HASMC deferred any developer's fees, Indian Bridge could

potentially generate some income to HASMC in the future, spread out over twenty (20) years. This will become clearer in April 2012 after determining what the net operating costs were for Indian Bridge in 2011. The assumption that HASMC is flush with revenue is misleading.

Lisa Brown recommended that HASMC consider completing their audits earlier in the year. If, in 2012, the audit becomes finalized by the end of the summer, rather than the end of the year, makes the audit more meaningful. Then audit can then be presented earlier and changes can be made if necessary. D. Nicholson stated that this is an option that the Board can discuss.

New Business

St. Mary's County is now defined as a difficult development area by the federal government due to high construction costs. This means that St. Mary's County receives a 30% increase of tax credits on federal loans. Crossroads Apartments in Lexington Park has offered to sell the development to HASMC so that it remains affordable housing. Osprey has also approached HASMC and there have been discussions related to the sale of Greenview Village Apartments, the Gateway's and Crossroads Apartments as one package deal purchased by one umbrella entity that could result in a fixed-rate long term loan product resulting in lower payments. Currently, HASMC has a variable loan product mortgage on Greenview and the Gateway's. Purchasing Crossroads would bring twenty-two (22) new units into a large pool of affordable rental housing. This topic is being explored. No decisions have been made.

The previously scheduled December 14, 2011 meeting will be cancelled due to the meeting with Sue Sabo and John Savich on November 18, 2011 and the Christmas Party scheduled for December 17, 2011. The next scheduled meeting will take place on January 11, 2012.

Motion to adjourn

Motion to adjourn by J. Gelrud, seconded by J. Barnes. All in favor. Motion carried.
Quorum Broken - Meeting adjourned at approximately 8:15 p.m.

SUBMITTED:

ACCEPTED BY:

Dennis L. Nicholson, Secretary

Robert Gant Jr., Chair

Revised 3/12/2012 with edits proposed during January 11, 2012 Housing Authority Board Meeting.