

**BOARD OF COMMISSIONERS
WASHINGTON COUNTY COMMUNITY DEVELOPMENT AGENCY
WASHINGTON COUNTY, MINNESOTA**

The Finance Committee Meeting was held Tuesday, July 31, 2018 at the Washington County Community Development Agency, 7645 Currell Blvd., Woodbury, MN 55125. Staff present: Barbara Dacy, Executive Director; Melissa Taphorn, Deputy Director; Aaron Christianson, Director of Finance, Elena Shulman, Project Manager and Leni Healy, Administrative Assistant.

Meeting called to order at 3:14 pm.

ROLL CALL

Commissioners Widen and Belisle were present. Commissioner Zeller was absent.

Also present were David Mol, Partner, Redpath and Company and Kyle Didier, President, Shelter Corporation.

DISCUSSION

D-1 Redpath and Company 2018 Audit Process

Mr. Christianson indicated that this meeting would be the last part of the 2017 audit and the first part of the 2018 audit process. He indicated that the purpose of the meeting is to provide feedback to Redpath and Company. He stated that Redpath and Company did meet all the criteria and County and Government Finance Officers Association (GFOA) reporting deadlines were met. He indicated that Redpath and Company provided another excellent year of audit services.

Mr. Christianson introduced David Mol of Redpath and Company who reviewed the scope of the 2017 audit and new accounting standards for the 2018 audit. Mr. Mol explained that the audit completed by Redpath and Company covered the Agency and Briar Pond. He further explained that The Glen at Valley Creek, The Groves Apartments and Piccadilly Square are audited by the Mahoney, Ulbrich, Christiansen & Russ firm which specializes in tax credit projects.

Commissioner Belisle asked why a separate audit for Briar Pond was necessary. Mr. Mol responded that Housing and Urban Development (HUD) funding requires a separate audit which includes financial and compliance components and is due during a different time frame. Commissioner Belisle asked if the Agency didn't have the financing through HUD, would a separate audit still be necessary. Mr. Mol indicated that a separate audit would not be necessary and would be part of the Agency audit. Commissioner Belisle asked what the extra cost was to have a separate audit. Mr. Mol estimated the cost to be between \$12,000 to \$14,000. Commissioner Belisle asked at what rate is HUD financing assessed. Mr. Christianson responded that the rate was 3.78 percent on \$9.3 million.

Mr. Mol reviewed the scope for the proposed 2018 audit. Commissioner Belisle asked if balance sheets were the primary source for the audits. Mr. Mol indicated that balance sheets were a large part of the work as well as asset review, cash and investments and financing for properties. Commissioner Belisle asked about risk of assuming debt such as a lien. Mr. Christianson indicated that if the Agency didn't pay a vendor, the vendor could potentially issue a lien against the Agency. Mr. Christianson also explained that more emphasis is placed on control testing than in the past. Mr. Mol indicated that government accounting standard uses more modified accrual/cash basis accounting which means spending more time on detail testing on transactions such as disbursements and payroll. Mr. Christianson added that more time is spent interviewing staff and key personnel concerning suspicious activities.

Mr. Mol reviewed the new accounting standards for future.

Commissioner Widen asked about any corrective actions that need to be addressed. Mr. Mol indicated

that it isn't uncommon to come across a suggested journal entry but if it is not of a material nature it is not required to be explicitly communicated. He said such suggestions are discussed with Mr. Christianson and his staff. Mr. Mol further indicated that the industry has focused much more on fraud in the workplace in recent years, so auditors are digging more deeply into controls to prevent or detect an error or fraud. Commissioner Belisle asked if the audit staff provided suggestions on different ways of doing things. Mr. Mol indicated that such conversations do happen on an ongoing basis and they may make an extra effort to write such recommendations down for the Commissioners' comfort level. Commissioner Belisle indicated that would be a good practice so the Commissioners are more aware and know the Agency is getting value from the audit process.

Commissioner Widen thanked Mr. Christianson and his staff for doing a good job.

Commissioner Belisle asked about risk assigned for the Red Rock project. Mr. Christianson said Red Rock is listed at a valuation on the balance sheet, however it is unique in that it is part of the tax increment financing (TIF) so the Agency will get paid back so there is no expectation of a loss at this point.

Mr. Christianson indicated that the next step would be to put a resolution which would authorize the Executive Director to sign the 2018 engagement letter with Redpath on the consent agenda for the next regular Board meeting.

D-2 Shelter Corporation Tenant Satisfaction Survey Results

Ms. Shulman indicated that a tenant satisfaction survey has been conducted every other year since 2010. She said that the survey instrument was modified slightly from previous years and asked fewer questions. Commissioner Belisle asked if the response was higher because the survey was shorter. Ms. Shulman said that the response rate was slightly lower (37 percent previously; 35 percent currently). Ms. Taphorn added that in previous years, there was an opportunity to win a gift card which was not offered in this latest survey. Commissioner Widen asked if the survey should be put online. Ms. Shulman indicated that it was a consideration, however seniors respond at a much higher rate with paper surveys and there was a fear that the online format would not be appealing to today's seniors and could affect the overall response rate.

Ms. Shulman said the survey measured maintenance, management and ownership. She reported that senior properties responded higher (62 percent) than family properties (21 percent.) She pointed out that the satisfaction trends matrix indicates a slight drop in satisfaction with the quality of maintenance, quality of management and likeliness to recommend the rental community where they live. She said several respondents commented that some residents were still smoking in the buildings and on the property even though there is a no smoking policy.

Commissioner Belisle asked when the No Smoking policy was established. Mr. Christianson responded that the policy was implemented in 2016. Ms. Shulman indicated that this was the first survey since that policy was established. Commissioner Belisle asked if there were problems with establishing the policy. Mr. Christianson said that there were concerns from tenants on both sides of the issue. He said non-smokers were upset that policy is not 100 percent enforced and smokers are upset that their right to smoke has been taken away. Commissioner Belisle asked if smoking was allowed on the Agency's property. Mr. Christianson said that smoking was not allowed on the property. Commissioner Belisle asked if someone could just step outside to smoke. Mr. Christianson responded that they could not, however several staff members have indicated that the policy should be reviewed to determine what works and what does not. Ms. Taphorn further explained that the policy was established in June of 2016 but was implemented as tenants' leases came up for renewal, so it took another year for the policy to be completely implemented. Commissioner Belisle asked if people were "written up" for lease violations when caught smoking. Mr. Christianson responded that there were violations noted however, it is hard to prove when someone was smoking in the unit.

Commissioner Widen suggested that the 65 percent who didn't respond to the survey were probably very satisfied. Mr. Christianson responded that there is a likelihood that the majority of non-respondents are somewhat satisfied and were not motivated to complete the survey. He indicated that the statistician said

that even though the response were not all-encompassing, this activity is a good chance to review what the Agency and property management are doing.

Commissioner Belisle asked if there was a policy that repairs must be done in a certain timeframe. Mr. Christianson responded that the property management company, Shelter Corporation, does have policies in which emergency repairs are to be done immediately and other issues will be addressed within 48 hours.

Ms. Shulman said the tenants were asked about their sense of safety, pride in their community, reason for choosing their apartment and capital improvements. She said that 61 percent reported that improvements enhanced their satisfaction of their community. She indicated that the top two reasons they chose their current residence was affordability and location.

Ms. Shulman indicated that a property-by-property report had been compiled and given to Shelter Corporation.

Mr. Christianson stated that the Agency had asked Shelter Corporation to address the survey responses. He indicated that Shelter Corporation did provide a detailed response which also outlined their policies and procedures for each issue. Mr. Christianson stated that Shelter Corporation does take all complaints seriously and are willing to discuss how to improve their policies and procedures. He indicated that the survey was a good tool to generate conversations about tenant satisfaction and the other services that Shelter provides.

Mr. Christianson explained that in 2017, ten tenant complaints were logged with the Agency compared to the 12,000 unit months of affordable housing provided annually. Commissioner Belisle asked if Shelter also keeps track of tenant complaints that they receive. Ms. Dacy indicated that the Agency does have a procedure in which the complainant submits the issue in writing. She said that the complaint is forwarded to the property manager who must respond in writing within 14 days. Commissioner Belisle wondered if Shelter Corporation maintained a listing of complaints and resolutions for issues that did not come to the Agency. Kyle Didier from Shelter Corporation indicated that Shelter does track the complaints it receives and will provide a report of the type of complaint, its resolution and how long it took to resolve.

Commissioner Widen asked about the legal costs involved with a complaint. Mr. Christianson indicated that on occasion, an attorney's letter is needed to explain legal issues to tenants. He further explained that there are sometimes court costs concerning termination of a tenant's benefits and evictions. He stated that sometimes a "slip and fall" issue may involve insurance claims and legal representation.

D-3 Shelter Corporation 2017 Performance Evaluation

Mr. Christianson provided details concerning Shelter's financial performance, physical condition, responsiveness and ability to resolve complaints, audit preparation and Public Housing Assessment scores (PHAS). He indicated that the PHAS which measures management and physical inspections categorizes the Agency as a high performer. He reviewed the Real Estate Assessment Center (REAC) scores, which were also very good.

Mr. Christianson explained that there are ongoing monthly meetings with Shelter; half of the meetings are on-site. He said that these meetings have been very helpful, and they are pleased with the cleanliness and maintenance. He indicated that the communication is ongoing.

In summary, Mr. Christianson reviewed that Shelter has a high occupancy rate, exceeds revenue expectations, limits expenses, is responsive to tenant and Agency needs and maintains the properties in good condition.

D-4 Shelter Corporation Continuing Service Contract

Mr. Christianson stated that the original contract with Shelter ran from January 2015 through December 2017 allowing for two additional one-year extensions. He said that Agency exercised the first of the options to extend the contract through 2018. He is recommending exercising the extension for 2019. Commissioner Belisle asked if the extension recommendation would be on the consent agenda for August. Mr. Christianson indicated that it could be with the committee's approval. Commissioners Belisle

and Widen indicated their approval.

Mr. Christianson indicated that there is a policy that allows service contracts to be extended beyond the end date without seeking a Request for Proposal (RFP). He indicated that four attributes needed to be present: overall performance by current service provider, changes in lead personnel, volume and nature of business and disruption would have on the business community and evaluation of current contract costs. He indicated that criteria to extend Shelter's contract beyond 2019 have been met and an extension should be considered.

Mr. Christianson said that during the monthly meetings, conversations concerning efficiencies and operations have been discussed. He stated that part of the reason he would recommend two additional one-year extensions is to have the opportunity to implement some of the efficiencies discussed.

Mr. Christianson explained that Shelter uses YARDI software, the Housing Assistance Department uses Lindsey software and the Finance Department uses a separate accounting software. He said that currently Shelter sends information to Finance to enter into its accounting system; Housing sends information to Finance which needs to be entered into the accounting system. He indicated that YARDI is the premier system which, if Financed transitioned to, could be the umbrella to handle the current elements of each division. He said that the net cost to transition would be minimal.

Mr. Christianson explained that the YARDI system plus DOMO (a data warehouse) would increase efficiencies within the accounting system allowing for paperless accounts payable, electronic invoice approval, elimination of work duplication, elimination of data entry error, consolidation of programs and strengthened internal controls. He said that there would be access to real time business data and offer predictive analytics such as marketing, renting and staffing of properties. Commissioner Widen asked about cost savings for personnel. Mr. Christianson responded that efficiencies in data entry alone would save approximately 200 hours a year. He said that part of the reason the Accounts Payable Clerk position was offered as a part time position was because of anticipated data entry efficiencies. Commissioner Belisle indicated that he is in favor of routine consideration of efficiencies and seeking out better practices. Kyle Didier from Shelter Corporation illustrated several scenarios of time saving data access benefits to an integrated system. Commissioner Widen asked for confirmation that the Agency and Shelter would remain separate entities. Mr. Christianson indicated that he also had such concerns but is certain that a separation of the businesses would remain.

Mr. Christianson would like to have a resolution to add two more one-year extensions to the contract with a new end date of December 31, 2021 at the August or September Board meeting.

Commissioners Belisle and Widen indicated support.

ADJOURN

Commissioner Widen moved to adjourn, seconded by Commissioner Belisle. Motion carried 2-0.

Meeting ended at 4:38 p.m.

/S/John Belisle

Chair/Vice Chair Commissioner