

**HAWAII PUBLIC HOUSING AUTHORITY
NOTICE OF MEETING
REGULAR BOARD OF DIRECTORS MEETING
1002 North School Street, Building E
Honolulu, Hawaii 96817**

**June 19, 2014
9:00 a.m.**

AGENDA

I. CALL TO ORDER/ROLL CALL

II. APPROVAL OF MINUTES

- A. Regular Meeting Minutes, May 15, 2014 (**Pages 1-11**)
- B. Executive Session Minutes, May 15, 2014 (not for public release)

III. PUBLIC TESTIMONY

Public testimony on any item relevant to this agenda shall be taken at this time. Pursuant to section 92-3, Hawaii Revised Statutes, and section 17-2000-18, Hawaii Administrative Rules, the Board may limit public testimony to three minutes.

IV. FOR ACTION

- A. Motion: To Adopt Resolution No. 66, Approving the Hawaii Public Housing Authority's Operating Budget for Fiscal Year 2014 – 2015 and to Authorize the Executive Director to Take All Actions Necessary to Implement and Submit Budget Certifications to the U.S. Department of Housing and Urban Development (HUD-Form 52574) (**Pages 12-19**)

V. REPORTS

- A. Executive Director's Report Highlights: (**Pages 20-46**)
 - Property Management and Maintenance Services Branch Occupancy and Rent Collection Status
 - Section 8 Lease up Status
 - Design and Construction Project Updates
 - Contracts Executed During April 2014

- B. Task Force Report: Report from the Finance Task Force as Requested in March 2014, including proposed operating budget for 2014 – 2015, program variances, possible deficit and proposed rent increase for State public housing, and budget approval and submission requirements

The Board may go into executive session pursuant to Hawaii Revised Statutes sections 92-4 and 92-5(a)(4) to consult with the Board's attorneys on questions and issues pertaining to the Board's powers, duties, privileges, immunities, and liabilities as related to personnel matters.

VI. FOR DISCUSSION/INFORMATION

- A. For Discussion: *Kolio, et al. v. State of Hawaii, Hawaii Public Housing Authority (Civil No. 11-1-0795-04) (Page 47)*

The Board may go into executive session pursuant to Hawaii Revised Statutes sections 92-4 and 92-5(a)(4) to consult with the Board's attorneys on questions and issues pertaining to the Board's powers, duties, privileges, immunities, and liabilities as related to *Kolio, et al. v. State of Hawaii, Hawaii Public Housing Authority; Civil No. 11-1-0795-04)*

- B. For Discussion: Mr. Wils Choy, KMH, LLP; Discussion on Financial and Single Audit of the Hawaii Public Housing Authority (**Page 48**)

If any person requires special needs (i.e., large print, taped materials, sign language interpreter, etc.) please call Ms. Taryn Chikamori at (808) 832-4690 by close of business two days prior to the meeting date. Meals will be served to the Board and support staff as an integral part of the meeting.

HAWAII PUBLIC HOUSING AUTHORITY
MINUTES OF THE REGULAR MEETING
HELD AT 1002 NORTH SCHOOL STREET, BUILDING E
HONOLULU, HAWAII 96817
ON THURSDAY, JUNE 19, 2014
IN THE COUNTY OF HONOLULU, STATE OF HAWAII

The Board of Directors of the Hawaii Public Housing Authority held a Regular Board Meeting at 1002 North School Street, on Thursday, June 19, 2014 at 9:15 a.m. Chairperson Gierlach called the meeting to order. Those present were as follows:

PRESENT: Director David Gierlach, Chairperson
Director Trevor Tokishi, Vice Chairperson
Director Jason Espero, Secretary
Director Gilbert De Motta
Director Debbie Shimizu
Designee Barbara Yamashita

Deputy Attorney General, Jennifer Sugita
Deputy Attorney General, John Gregor

EXCUSED: Director Myoung Oh
Director Sheri Tanaka

STAFF PRESENT: Barbara Arashiro, Executive Assistant
Chong Gu, Chief Financial Management Advisor
Becky Choi, State Housing Development Administrator
Kiriko Oishi, Chief Compliance Officer
Clarence Allen, Fiscal Officer
Joanna Renken, Acting Public Housing Supervisor VI
Renee Blondin-Nip, Hearing Officer
Stephanie Fo, Section 8 Branch Chief
Rochelle Akamine, Resident Services Program Specialist
Taryn Chikamori, Secretary to the Board

OTHERS PRESENT (and signing in as):
Wils Choy, KMH LLP
June Talia, Kuhio Park Terrace resident

Proceedings:

Chairperson Gierlach declared a quorum present.

Director Espero moved,

To Amend the Agenda to correct the reference to the date of the last Board meeting from “May 15, 2014” to “May 22, 2014”.

The motion was unanimously approved.

Public Testimony:

June Talia, Kuhio Park Terrace, stated that there has been a lot progress in improving public housing, but the Hawaii Public Housing Authority (HPHA) is still not where it should be. She stated that if the guard gates are removed at Kuhio Park Terrace for repaving the road, the traffic will increase. She suggested that the HPHA install parking meters on the street, if funds are needed to repave the street.

For Discussion:

Mr. Wils Choy, KMH, LLP; Discussion on Financial and Single Audit of the Hawaii Public Housing Authority

Wils Choy, KMH LLP (KMH), reported that KMH completed the single audit on the federal programs for fiscal year ending June 30, 2013. In December 2013, KMH issued an unqualified (clean) opinion the financial statements, and opinions on four major federal programs, of which three programs were unmodified and one was unqualified. The qualified opinion was for eligibility requirements. Mr. Choy further explained the differences between findings that are material weaknesses and significant deficiencies. He stated there has been a big improvement and the qualified opinion was issued for matters of non-compliance, and not material weaknesses.

Mr. Choy stated that in HPHA's 2012 audit there were 12 findings, 3 were financial and 9 were compliance; whereas, in the 2013 audit there were 6 findings, 2 were financial and 4 were compliance. He also reported that 15 funds were audited and HPHA reduced the number of proposed adjustments from over 100 adjusting journal entries in 2012, down to 24 adjusting journal entries for 2013.

Mr. Choy reported that KMH has been auditing the HPHA for the past 4-5 years and that HPHA's financials are amongst the most challenging. He complimented Executive Director Hakim Ouansafi and the staff for the great improvements over the last audit period.

Director Tokishi asked how many of the findings are the same as the previous year's and where are most of the findings. Mr. Choy responded that many of the finding are in reconciliation of the fixed assets, but noted that it is not as bad as previous years. He also noted that there are some limitations because of the software and the HPHA is trying to address those issues. The compliance findings were with the waitlist and are because of the large volume that is received. He confirmed that the waitlist is being processed correctly, but noted weaknesses in supervisory controls.

Director Tokishi asked if the report is in a workflow style. Mr. Choy responded that the report is in narrative form to make it easier to read.

Director Tokishi commented that the HPHA can make significant improvements with qualified staff. Mr. Choy agreed and stated that the auditors met with the HPHA staff and noted positive changes and reassignments.

Mr. Choy reported that the Office of the Auditor has been informed of the favorable audit and informed them that 2014 should be even better.

Financial Task Force Report

Director Tokishi reported that the Finance Task Force met for several hours and included Director Myoung Oh, Executive Assistant Barbara Arashiro, Mr. Clarence Allen, Mr. Chong Gu, and Executive Director Ouansafi (who participated via phone). Director Tokishi noted that the HPHA had some challenges issuing the proposed budget earlier because of software issues. He also noted that the budget took a lot of time to prepare and there were delays because of demands on staff time enrolled in the HUD training.

He stated that the Board task force reviewed the budget process and budget assumptions. He stated that they reviewed the current capital fund budget and reported that there is no risk of funds lapsing. He stated that there is \$60 million in State funds that are up against a tight deadline, but Executive Director Ouansafi was confident that no funds would lapse.

Director Tokishi noted that the Board is approving the budget on the Asset Management Project (AMP) level. He also requested that next year's budget review include past actual expenditures at the AMP level. He stated that the task force is comfortable with the operating budget and recommends the Board approve the 2014-2015 operating budget.

For Action:

Director De Motta moved,

To Adopt Resolution No. 66, Approving the Hawaii Public Housing Authority's Operating Budget for Fiscal Year 2014 – 2015 and to Authorize the Executive Director to Take All Actions Necessary to Implement and Submit Budget Certifications to the U.S. Department of Housing and Urban Development (HUD-Form 52574)

Director Shimizu asked what the legal expenses are for. Executive Assistant Arashiro clarified that the Department of the Attorney General's legal team includes Deputy Attorney Generals Jennifer Sugita, John Wong and Nalani Wilson-Ku. She clarified that most of the legal expenses are charged to the Central Office Cost Center. However, if an AMP can foresee legal costs, then those costs are included in the AMP's budget. Executive Assistant Arashiro further clarified that Supervising Deputy Attorney General Diane Taira and Deputy Attorney General John Cregor's services are not directly charged to the HPHA. Executive Assistant Arashiro noted that the legal expense for next year increased because of ongoing litigation and future mixed finance redevelopment.

Director Shimizu asked why some AMP's cash flow are high, and why are some low and asked if there should be a policy on cash flow. Director Tokishi stated that different options need to be looked at to increase cash flow including, but not limited to, increasing rent or receiving more funding from the State for the State public housing program.

Director Shimizu asked what happens if an AMP's cash flow falls short. Executive Assistant Arashiro responded that the HPHA will have to use capital fund operating income or excess maintenance reserves to cover cash flow shortages.

Executive Assistant Arashiro explained the different major programs on the budget worksheet and clarified that the funds are separated because many funds cannot be used to support other programs. For example, the Section 8 Housing Choice Voucher (HCV) Program budget for housing assistance payments (HAP) is presented separately from the Section 8 HCV administrative costs because HAP funds cannot be used for administrative expenses.

Director Yamashita asked what happens when units are taken out of inventory because of major repairs or redevelopment. Executive Assistant Arashiro responded that, if eligible, the HPHA submits a request to HUD to designate a unit in modernization thus making it eligible for continuing subsidy while under construction.

Director Espero asked what the AMP's need to do to end up on the breakeven level. Executive Assistant Arashiro handed out a dashboard for the AMP's on occupancy, rent collections and re-certifications. She described how an AMP manager needs to focus

on occupancy, rent collection and re-certifications which are all interrelated and can impact an AMP's cash flow. The dashboard is closely monitored by the Property Management and Maintenance Services Branch to determine problem areas at the AMPs.

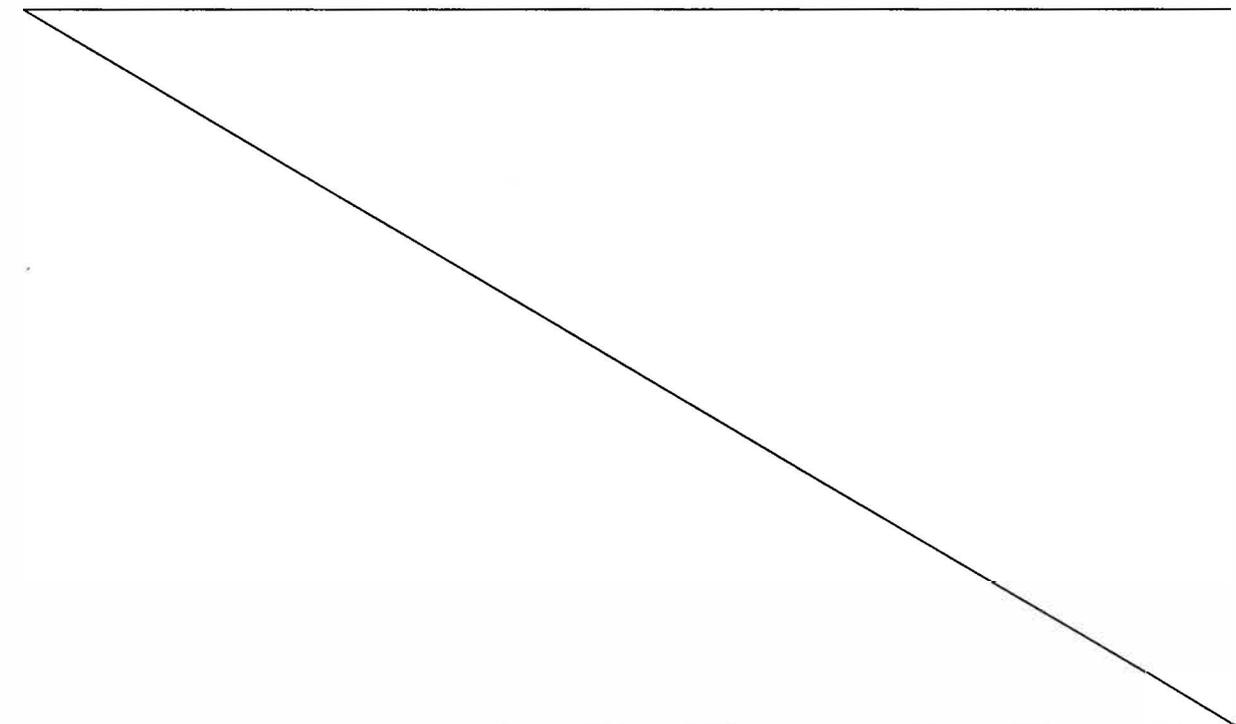
Director De Motta asked if Section 8 has felt the effects of the budget cuts. Executive Assistant Arashiro responded that participants have not felt the effects, but the HPHA is receiving less administrative costs and has vacant positions that are not being filled.

Director Shimizu asked what is the minimum Real Estate Assessment Center (REAC) inspection score. Executive Assistant Arashiro explained that in order to receive a passing score an AMP must achieve a minimum score of 60 percent. She also reported that because 4 scores improved so significantly, HUD questioned those scores and the HPHA had to provide supporting documentation of efforts made to support the improvement.

Director Shimizu asked why AMP 40's score is not improving. Executive Assistant Arashiro responded because of site deficiencies. The HPHA is in discussion on what to do with the guard gates and road repairs. However, no decision has been made yet on how to proceed. She stated that there are other issues, but the HPHA is hesitant to do extensive repairs because the redevelopment calls for demolition.

Director Espero asked what is being done about AMP 44's rent collection. Ms. Rene Blondin Nip, Hearing Officer, reported that AMP 44 has continuous eviction referrals.

The motion was unanimously approved.



Executive Director's Report:

- Executive Assistant Arashiro reported that the REAC scores are improving. She reported the HPHA hired Mr. Sam Liu, Property Management Specialist. Mr. Liu was a certified REAC inspector for 10 years. In preparation for the last inspection, Mr. Liu met with every AMP to review the property's maintenance issues and to discuss how to address them. Mr. Liu is continuing to meet with managers and the maintenance staff to make suggestions on how to improve the HPHA's scores. Mr. Liu also reviewed every REAC report to ensure the HPHA was not incorrectly penalized. If there were areas that he felt the HPHA was incorrectly penalized, letters were sent to HUD requesting database adjustments or technical reviews. The HPHA is waiting for HUD to issue Kauai's score and then the HPHA will have a better idea of the final score for 2013.
- Director Tokishi commented that he likes the new format of the financial report and explanation of variances. He stated that the variance for the maintenance expense was because the frontline service fees were booked, but the previous months shows that the administrative fees were under budget because the frontline service fees were not booked; he feels the frontline service fees may have been categorized wrong. Executive Assistant Arashiro agreed and responded that once the HPHA starts to do more trend analysis the variances will make more sense.

Approval of Minutes:

Director Espero moved,

To approve the Regular Meeting Minutes of May 22, 2014.

The minutes were unanimously approved.

Executive Session:

Director Espero moved at 10:00 a.m.,

To go into Executive Session pursuant to Hawaii Revised Statutes sections 92-4 and 92-5(a)(4) to consult with the Board's attorneys on questions and issues pertaining to the Board's powers, duties, privileges, immunities, and liabilities as related to:

- 1. Kolio, et al. v. State of Hawaii, Hawaii Public Housing Authority (Civil No. 11-1-0795-04); and;**
- 2. Executive Session Minutes of May 22, 2014**

The motions were unanimously approved.

The Board reconvened from Executive Session at 10:10 a.m.

Director Shimizu announced that the Governor signed Act 91 (SB 651) this week, and will likely sign HB 1539 sometime next week.

Adjournment:

There was no further business to discuss, Chairperson Gierlach asked for a motion to adjourn the Regular Meeting.

Director Tokishi moved,

To adjourn the Regular Hawaii Public Housing Authority Board meeting.
The motion was unanimously approved.

The meeting was adjourned at 10:12 a.m.

MINUTES CERTIFICATION

Minutes Prepared by:


Taryn T. Chikamori
Secretary to the Board

JUL 17 2014

Date

Approved by the Hawaii Public Housing Authority Board of Directors at their Regular Meeting on July 17, 2014: [] As Presented [] As Amended


Jason Espero
Director/Board Secretary

JUL 17 2014

Date