MINUTES OF THE REGULAR MEETING
OF THE HAWAII PUBLIC HOUSING AUTHORITY
HELD AT 4398 A PUA LOKE STREET
LIHUE, KAUAI, HAWAII 96766
ON THURSDAY, SEPTEMBER 21, 2006,
IN THE CITY AND COUNTY OF KAUAI, STATE OF HAWAII

The Board of Directors of the Hawaii Public Housing Authority met for their Regular Meeting at 4398 A Pua Loke Street, on Thursday, September 21, 2006 at 9:05 a.m.

CALL TO ORDER/ ROLL CALL

The meeting was called to order by the Vice-Chairman Travis Thompson and, on roll call, those present and absent were as follows:

PRESENT: Director Travis O. Thompson, Vice-Chairman
Director Eric Beaver
Director Clarissa Hosino
Director Carol Ignacio
Director Charles Ridings
Director Linda Smith
Director Matilda Yoshioka
Designee Henry Oliva

Patti Y. Miyamoto, Interim Executive Director

EXCUSED: Director Charles A. Sted

STAFF PRESENT: Deputy Attorney General, Margaret Leong
Pamela Dodson, Executive Assistant
Michael Hee, Contracts Administration Section Chief
Sandra Kido, Public Housing Supervisor, MU 8
Dionicia Piiohia, Clerk Typist/OED

OTHERS: William Barton, Recorder

QUORUM

Vice Chairman Thompson declared a quorum present.

APPROVAL OF MINUTES REGULAR MEETING 8/17/2006

Director Smith moved, seconded by Director Yoshioka

> That the minutes of the Regular Meeting held on August 17, 2006 be approved as circulated.

Director Ridings requested that staff review the minutes to provide a more concise summary.

EXECUTIVE SESSION

Director Ridings moved, seconded by Director Hosino

> That the Board move into Executive Session pursuant to HRS Chapter 92, Section 5(a)(4) to consult Boards Attorney on the minutes at 9:10 a.m.

The motion was unanimously carried.

* * * * * * *

RECONVENED

The Vice-Chair reconvened the meeting at 9:26 a.m.

The Vice-Chairman called for a motion to defer approval oft he minutes of August 17, 2006 It was moved, seconded and unanimously carried. The Vice-Chairman requested that the staff provide a concise summary of the minutes.

The Vice-Chairman asked staff to introduce themselves to the Board members.

Director Smith moved, seconded by Director Beaver

APPROVAL OF THE OPERATING BUDGET FOR CALENDAR YEAR 2007 FOR THE FEDERAL LOW RENT PROGRAM

> Approval of the operating budget for calendar year 2007 for the Federal Low Rent Program.

Ms. Patti Miyamoto presented and read the For Action. The U.S. Department of Housing and Urban Development (HUD) changed the format in calculating the operating subsidy. The inflation factors are included and we have to fill out certain fields.

The Vice-Chairman complimented Ms. Miyamoto for her the work done. And asked about the fiscal year versus the calendar year. Ms. Miyamoto explained that expenses and income over the fiscal year were broken down to a monthly amount and calculated for a calendar year budget.

Director Smith clarified that we have 65 projects with 5,363 individual housing units that cost approximately $35.3 million to manage and operate. Including the utilities, minor repairs and maintenance, organizations to manage the project, and any overhead or essential staff that helps with that management, with this formula, we are going to get the $17.1 million along with the rent amount of $15.1 million. Because that doesn't add up to $35.2 million, we will run a deficit of about $3.4 million. That will draw down against the reserves of $10.9 million in our bank account to approximately $7.5 million. HUD has a threshold below which we begin to again become a troubled agency.

Ms. Miyamoto said that it would not make it a troubled agency. But it would definitely reduce our score for the financial indicator. HUD will refuse to give us a dollar amount for the threshold. Ms. Miyamoto believes it is between $6 and $7 million. That's why with this biennium budget, we requested to convert our administrative type positions. Also, to request general funds for support offices to convert it from federal funds to general funds, we have also asked to increase our baseline for maintenance and repair for the State projects from $.5 to $1 million, plus money to replace old appliances, and various Capital Improvement Program (CIP) requests.

Designee Oliva added that the ~~$35.7~~ million is a one-time appropriation. It was requested that he share with the Board the whole budget and that it be listed on the agenda for the next meeting.

$3.75 (Corrected 10/19/06)

The Vice-Chairman requested a report for the past three or four years as to what the balance of reserves has been starting at about $18 million. Ms. Miyamoto said that she will provide that information to the Board.

Director Ridings asked the cause for the increase in "administrative salaries" from last year to this year and what is comprised in "other income, other administrative expenses, and other utilities expenses".

Ms. Miyamoto explained that in the past we were able to charge off to other funds that moved to the Hawaii Housing Finance Development Corporation (HHFDC) side. Now we have to absorb that primarily between Federal low rent, Section 8, and State programs. Ms. Miyamoto would get back to the Board on the other details.

Director Ridings is concerned that the interest on the general fund investments are low and for the investments be looked at.

Ms. Miyamoto explained that the federal money is held outside the State treasury, and that there are restrictions. The accountants are doing the investments and we hope the Financial Chief Officer we hire would do the analysis on investments.

The Vice-Chairman requested that Ms. Miyamoto retrieve from the minutes

additional information that has been requested and provide it to the Board.

The Directors did not feel comfortable in voting for a budget with Director's questions pending and that it is difficult to vote for a budget that has over a $3 million deficit.

Director Ridings also requested more information on the "Labor", how that is different than the ordinary maintenance and operations labor of $3 million. Also the high cost salaries that we're paying to the maintenance versus administrative, technical, or non-technical as to why it's higher.

The Vice-Chairman commented that the finance committee should have reviewed the budget with Ms. Miyamoto before presenting it to the Board.

Director Ridings questioned the process of ordering a large amount of appliances and if the price includes extended warranties, because instead of having to depend on our maintenance people, a phone call to the vendor will come and fix it.

The Vice-Chairman commented that the process that the agency went through is to come up with specification, and then go out for bid. Apparently the warranty could have been included was not included.

Director Ridings commented that with all due respect, he wants the record to reflect that it's a dumb bid. Because it doesn't make sense of ordering a refrigerator to somebody specked out and when the appliance is broken we have to pay a lot of money or bring somebody out there and he suggested going back to square one.

Ms. Miyamoto added that the contract ends June 30, 2007 and that's the basis that was used to include as far as our expenses and number of appliances.

The process of a Request for Proposal (RFP) was explained to the Directors. And that staff needs to start reviewing the contracts, look at the language that's been contained and not just do it the same way that it's been done.

The Vice-Chairman asked when the operating budget to HUD is due. Ms. Miyamoto said that it needs to be submitted prior to July 1, 2007. However, the operating subsidy is due the end of this month. Because the operating budget certification and the resolution can go in at a later date, we have submitted it in the past together because it reflects our operating subsidy. If the operating budget is approved today and it goes to HUD, we can always amend it.

Director Yoshioka asked are you going to go to the Legislature to ask for the $3.4 million deficit. Ms. Miyamoto said that the request is being made and that it is not incorporated in here because we don't have the money. Director Smith said that we will go to the Legislature and request State money to help run the federal public housing project. The third option is HUD wants the agency to look at our assets, the properties we own and see if in some way to turn around our income stream to be self-sustainable.

Director Smith commented that at the national level expects public housing agencies to sell off their property but in Hawaii, we have not done that yet.

Director Beaver asked who owns the HUD housing. Director Smith explained that they were built using federal funds. The federal government gives us money to operate them on a yearly basis and the Agency holds the title to them, the State of Hawaii.

Director Ridings said that the operating budget was developed with certain assumptions such as rent collection that would remain the same. Director Ridings asked what is the rent collection percentage assumption.

Ms. Miyamoto said that the April 2006 numbers show a 97 percent collection rate. She explained that if we fill more vacant units, it generates more income, but it is not incorporated into the budget. The assumption is that the rent amount is the

same that we collected for the approximately 600 unoccupied units with the average rent of $212.00.

Director Beaver asked if HUD assumes that because it's a benefit for your state, the State needs to participate, and HUD is only going to fund a certain percentage of the overall project cost.

Ms. Miyamoto said that the subsidy amount that we get has never been enough to really sustain the projects, and that's why HUD is pushing for asset management. HUD wants agencies to look at their assets and come up with ideas on how to balance the budget. They want to mirror the multi-family program. The argument that advocates for public housing have is funding is not enough to sustain the properties.

Director Ignacio explained to Director Beaver that the tenant rents are either a flat rate or thirty percent of their income. If they are not working and they are on general assistance, thirty percent is what tenants pay.

The Vice-Chairman added that the properties we have average 40 years old and we have not received or there's nothing being generated to do the maintenance. Assets are deteriorating so we concluded we must go to the Legislature to balance the equation.

Director Ridings asked if the rent is inclusive of the electrical cost for that unit. Ms. Miyamoto explained that we have a combination, in some projects the tenants pay the utilities and they get an allowance. In other projects where they are not individually metered, we pay the utilities. Staff is working on an RFP for an energy contract which will assess all the projects and do an energy assessment to see where our cost savings can be.

Director Ridings asked if there is an option for inclusive pricing with electricity and if there is a way to split the cost to the tenants. Mr. Hee explained that under the federal low rent housing formula, rents include electricity. But you can have your buildings metered separately. However, you have to provide tenants with a utility allowance. The water case is one of those issues, so we have to calculate what the average usage would be and we would have to update that annually. HUD has allowed us to go for energy contracting or come up with energy savings. We can freeze our baseline on utilities and use the difference of what we save in the future to fund the upgrades, such as converting all our projects to fluorescents. The appliance contract we have went to Energy Star who has energy saving appliances. Other issues are the hot water heaters, we can go solar, but you have to include the cost of electricity and/or gas in your rent.

Director Ridings commented that before we go to the Legislature, we need to know what our costs are. We should be looking at initiatives we can show saying these are the things that we are looking at that could reduce in some of our areas, but in the meantime we need some help from the Legislature

Director Smith agreed with Director Ridings suggestions and if there is an RFP in this area that the Board can comment on. There are companies willing to come in at no cost and change out all of your systems, and you share in the savings between that company and the entity. We need to think creatively and it's encouraging to hear of ways of which we have no out-of-pocket expense but reap some benefits. Mr. Hee added that we are working with the Department of Business, Economic Development and Tourism who has provided us a lot of input.

The Vice-Chairman called for the vote on the motion.

The motion was unanimously carried.

RESOLUTION NO. 004

HAWAII PUBLIC HOUSING AUTHORITY
STATE OF HAWAII

RESOLUTION APPROVING THE OPERATING BUDGET FOR THE CALENDAR YEAR 2007 FOR THE FEDERAL LOW RENT PROGRAM

WHEREAS, the Board of Directors of the Hawaii Public Housing Authority in compliance with the U.S. Department of Housing and Urban Development (HUD) annually request a Performance Funding System (PFS) operating subsidy to cover the difference between an allowable level of expenses and available income,

WHEREAS, THE PFS operating subsidy becomes a part of the operating budget to be used to determine the bottom line, and

WHEREAS, HUD's Final Rule published in the Federal Register On October 24, 2005 (70 FR 61355) requires PHAs to submit a board resolution certifying to the PHA's Board of Director's review of the operating budget.

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors of the Hawaii Public Housing Authority hereby approve the Operating Budget for Calendar Year 2007 for the Federal Low Rent Program.

The UNDERSIGNED, hereby certifies that the foregoing Resolution was duly adopted by the Directors of the Hawaii Public Housing Authority on September 21, 2006.

Charles A. Sted, Chairperson

ADOPTED BY
SEP 2 1 2006
The Board of Directors

ADOPTION OF AMENDMENTS TO AND COMPILATION OF CHAPTER 17-2028 "FEDERALLY-ASSISTED HOUSING PROJECTS", HAWAII ADMINISTRATIVE RULES

Director Ridings moved, seconded by Designee Oliva

> That the adoption of amendments to and compilation of Chapter 17-2028 Federally-Assisted Housing Projects, Hawaii Administrative Rules, be approved by the HPHA Board of Directors.

Ms. Miyamoto presented the For Action. She explained that the actual program changes include amending our preferences. It is a long process to work out the wait list. The three preferences for public housing, federal public housing, include victims of domestic violence, displacement by government action, or homeless persons who are participating in or graduated from a homeless program and who are in compliance with the social service plan. The second change is the applicants are given one offer not three, unless they turn it down for a good reason. The third one is to allow for special reexaminations of family income at any time necessary until the next annual recertification or reexamination. And number four is minimum rent changed from $50 to zero.

Director Hosino would like to amend the motion and for staff to make a change under Section 17-2028-39, second line the "one offer" to "two offer". Director Ridings seconded the motion.

Ms. Dodson for clarification explained the application process and how this would work, and mentioned that transfers take precedence over new placements.

After further discussion, the Vice-Chairman said that there is a motion for the amendment to the motion.

The motion was unanimously opposed.

Director Yoshioka asked if the changes subject to Chapter 91 go to public hearing? Deputy Attorney General Margaret Leong said yes and that it is presented to the Board first and there may be changes.

Director Yoshioka asked the rationale of the minimum rents going from fifty to zero, and whether this change is reflected in the budget.

Ms. Miyamoto explained that it is reflected in the budget and that it was put into the PHA plan that was approved by HUD, but changes weren't made to the administrative rules. In consultation with the Attorney General's (AG) office, since there was no negative impact on the tenant we implemented the change.

Mr. Hee added that although the minimum rent is $50, they can still apply for hardship rent which could be zero. Director Ridings added that zero rent, they also get a check for electricity to pay from us, so we're paying a double hit.

Director Smith said for clarification purposes, this change is to make sure that our administrative rules are consistent with the public housing plan that we submitted to the HUD office, and right now we have a discrepancy.

The Vice-Chairman noted that the attached information in the back of the For Action is calculations for domestic hot water heaters and appliance usage, and is incorporated as part of the administrative rules.

Director Ignacio noticed some pages of the HRS are missing some subchapters.

Deputy Attorney General Leong advised the Board that on the record, we can either do a motion to defer until the next Board meeting, or withdraw the motion.

Director Beaver moved, seconded by Designee Oliva

> That the For Action be deferred and be put on the Agenda for the next HPHA Board meeting.

The motion was unanimously carried.

The Vice-Chairman declared a recess at 11:09 a.m.

RECESS

The Vice-Chairman called the meeting back to order at 11:23 a.m. He outlined the Agenda as to what will be next. Status of the Executive Director, For Information on the homeless programs and then a report of the Executive Director. Then we'll do the HHA Wilikina Apartments Project Agenda. Ms. Dodson mentioned the tour of the projects.

RECONVENED

Designee Oliva provided a brief status on the Executive Director search that we've completed all the reference checks. One candidate withdrew his name from being considered and we have three left. Today we will do an interview here on Kauai after the meeting, and then early next week we have scheduled two other interviews for the remaining candidates. Directors Ignacio, Beaver and Oliva will be doing the interviews. He asked if anyone would like to join Director Beavers and himself on the next scheduled interviews on Tuesday because Director Ignacio will not be available.

STATUS OF THE EXECUTIVE DIRECTOR SEARCH

Designee Oliva said he received information that HUD will participate in the Executive Director's selection. It would be a courtesy of running it by them with regard to participants and the person we select.

The Vice-Chairman asked how is the process made in selecting the Executive Director. The work at the task force is presented to the Board. The Executive Director and Executive Assistant are appointed by the Board. Director Smith mentioned that the Governor was informed at the time the Board made a selection, but will clarify with the Governor. She wanted clarification if HUD has veto power over our selection. Ms. Miyamoto clarified that they said they have to approve it.

Director Smith suggested that the candidate names be presented to HUD before we bring it to the Board.

Ms. Dodson presented the For Information on the Homeless Programs Contract Details for FY 2007.

The Vice-Chairman asked if the $10 million appropriation for renovation of state and federal buildings could be used to renovate vacant units that are uninhabitable that would help homeless. Ms. Dodson said that they tried to make that argument. However, in Act 100 it specifically states for existing shelter for transitional and homeless facilities. The ruling we got from the Attorney General's office is that we could not use it because public housing is not termed transitional. During the Legislature, the language to change in the bill was never incorporated.

HOMELESS PROGRAMS CONTRACT DETAILS – FY 2007

Director Smith asked if the stipend program outreach and grant program listed in item 2 is different from the $6.5 and the $27 million. She recalled the $10 million for the renovation of existing buildings, that included repair of fire escapes, kitchen and bathroom facilities, in existing transitional emergency shelters.

Ms. Dodson said that she had to defer to Ms. Sandra Miyoshi, Homeless Programs, Administrator and get back to the Board on the amount. She also explained that the language in the bill was it had to be existing shelters on State property. If it was on private property, we couldn't use that.

Ms. Miyamoto presented the Report the contracts and change orders over $25,000. As requested by the Vice Chairman, a schedule as to when the contracts come up for award or extension will be provided to the Board.

REPORT ON CONTRACTS AND CHANGE ORDERS OVER $25,000

Director Smith asked if the information about the elevators is for Kuhio Park Terrace. Ms Miyamoto explained that we have an RFP that's being reviewed by the AG's office for a contract to go out for solicitation for a contract for the maintenance and repair of the elevators. This specific change order is for all our

projects with elevators to do a survey and evaluation and, assess to see whether they should be modernized or what has to be done. Ms. Dodson added that the work has already been completed and that this was a change to the contract to take back the $17,000.

There being no further questions or comments on the contracts and change orders, the Vice-Chairman requested that Ms. Miyamoto provide additional information on the account receivable, percentage occupancy, the spreadsheet or the total number of units, total occupied, total under maintenance, the Executive Director's report, and recurring items that come up on the agenda such as the audit and finance committee, and the asset management. Ms. Miyamoto said she will provide the information.

EXECUTIVE SESSION

Director Smith moved, seconded by Director Ignacio,

That the Board move into Executive Session at 11:45 a.m.

The motion was unanimously carried.

* * * * * * *

ADJOURNMENT

Vice Chairman Thompson declared

That the meeting be adjourned at 12:30 p.m.

The motion was unanimously carried.

MATILDA YOSHIOKA

Approved: OCT 19 2006