Eveleth Housing &
Redevelopment Authority

Commission Report

November 20, 2014

Summary

The Housing and Redevelopment Authority of Eveleth, MN (EHRA) has experienced numerous changes since 2011. There have been changes to the board composition, involvement of city officials, Executive Director and staffing changes and most recently a change from a "traditionally" staffed HRA to a property management contracting model. These changes have resulted in periods of transition as well as growth. With these changes, the EHRA believed it should use this opportunity to provide an update to the Eveleth City Council on its operations and successes.

HRA Board Structure

The Eveleth HRA Board consists of five Commissioners. The Commissioners are appointed by the Mayor and approved by the City Council per state statute. Prior to 2012, the City Council served as the HRA Commission with terms being that of the respective Council members elected term as a Councilor. In May of 2012, there was a change in the structure of the board. The Mayor appointed five commissioners, three of them were private citizens living in the City of Eveleth and two were City Council Members. In 2013, a City Councilor stepped down as a member of the HRA Board to allow for the opportunity to have a resident board member. It is a Housing and Urban Development Public Housing requirement to have a resident as a board member to represent the needs and viewpoints of residents. In June of 2013, a resident was appointed to the HRA Commission.

Physical Needs Assessment

The Department of Housing and Urban Development (HUD) requires public housing agencies to perform energy audits (EA) and physical needs assessments (PNA) every five years. It is unknown when the last time the Eveleth HRA had either of these assessments completed on Hilltop Homes. HUD developed a Green Physical Needs Assessment (GPNA) tool for Public Housing Agencies to eventually replace the need for a PNA and EA. While the use of the GPNA tool is not yet mandatory, HUD has indicated it will be in the future. The Eveleth HRA took this opportunity to have a GPNA completed on Hilltop Homes. This report has given the HRA the tools to plan for upcoming capital expenses and spend its capital funds more strategically. In addition, the Eveleth HRA used this information to submit its first capital grant application for funds from Minnesota Housing Finance Agency (MHFA).

Capital Improvements

The Eveleth HRA considered the current capital needs of the property and has invested approximately $58,000 in capital improvements to the property. Examples of these improvements include: carpet and linoleum in 33 units, 7 refrigerators, office and community room flooring, 1 furnace replacement, cabinets in 1 unit and bathroom upgrades in 1 unit.

PHAS Scores

The Department of Housing and Urban Development scores Public Housing Authorities under the Public Housing Assessment System (PHAS) Rule. The PHAS evaluates Public Housing Authorities on the following four areas:

Physical: How well is your property maintained? Does the property have significant deferred maintenance?
Management: What is your occupancy rate? How well do you collect rent from tenants?
Financial: What is your accounts payable at the end of the fiscal year? How much funding do you have in your reserves?
Capital Funds: Do you plan and spend down your capital funds in a timely manner?

The following is a comparison of the Eveleth HRA PHAS scores:

	FYE 2011	**FYE 2012**	**FYE 2013**
Physical (max 40)	32	32	36
Financial (max 25)	25	25	25
Management (max 25)	6	11	25
Capital Fund (max 10)	10	10	10
PHAS Total Score	***73***	***78***	***96***
Designation Status	Substandard Performer	Small PHA Deregulation	**High Performer**

Authorities are given a designation status, based on this score, as a high performer, standard performer or substandard performer. High performers receive a 10% bonus in their capital fund allocation as an incentive from HUD. In addition to HUD, other agencies such as the Minnesota Housing Finance Agency (MHFA) consider this score when determining eligibility for their programs. MHFA will not accept applications from Authorities that have a score of less than 80. As a result of the Eveleth HRA increasing its score for FYE 2013, the Authority will receive a 10% bonus in its 2015 capital funding and was eligible to apply for MHFA capital improvement grant funds.

Receivables

The operations of the Eveleth HRA depend a great deal on its ability to collect rent from its tenants. HUD not only evaluates the Authority on how well this is accomplished, but also bases its operating subsidy on this.

	FYE 2011	FYE 2012	FYE 2013
Outstanding Receivable from Tenants	$8,538	$14,482	$1,038
Tenant Revenues Collected	$75,371	$84,912	$90,800
Percentage of Tenant Revenues	11%	17%	1.1%

Occupancy

Occupancy is important to the project to generate income and increase operating subsidy from HUD. It is the goal of the HRA to reach a 98% occupancy rate during the fiscal year.

	FYE 2010	FYE 2011	FYE 2012	FYE 2013
Unit Months Leased	390	375	385	401
Unit Months Available	408	408	408	405
Occupancy Rate	90%	92%	94%	99%

Personnel Costs

The following is a wage and fringe comparison for personnel costs by fiscal year.

	FYE 2010	FYE 2011	FYE 2012	FYE 2013	FYE 2014 (unaudited)
Administrative	17,918*	18,838*	24,329*	75,613	33,555
Maintenance	20,378	25,290	31,758	39,064	22,506
Management Fees					14,998
Total Personnel Costs	38,296	44,128	56,087	114,380	71,059

*The Administrative Assistant wages were not reported as an expense item in FYE 2010, 2011 & 2012.
**The Director position was a budget line item from until February 2014.

Revenue & Expense Report Comparison

The following is a comparison of the audited revenues and expenses for Fiscal Year End (FYE) 2010-2013. The Eveleth Housing Authority's fiscal year runs from October 1st to September 30th. When comparing the HUD subsidy (line 70600) and excess cash (line 11270), it should be noted that in 2012, HUD recaptured funds from HRA's that had large reserves due to federal budget shortages. Eveleth's reserves were recaptured by HUD significantly reducing the operating grant in that year.

	2010	2011	2012	2013
70300 Net Tenant Rental Revenue	$75,609	$75,371	$84,912	$88,875
70400 Tenant Revenue - Other				$1,925
70500 Total Tenant Revenue	$75,609	$75,371	$84,912	$90,800
70600 HUD PHA Operating Grants	$91,004	$88,162	$23,157	$60,149
70610 Capital Grants	$34,368	$6,728	$47,687	$43,746
71100 Investment Income - Unrestricted	$885	$735	$1,059	$714
71500 Other Revenue	$2,246	$2,255	$1,569	$6,066
71600 Gain or Loss on Sale of Capital Assets	-$661		-$6	-$209
70000 Total Revenue	$203,451	$173,251	$158,378	$201,266
91100 Administrative Salaries				
-HRA Administrative Salaries	$16,645	$17,412	$18,727	$48,206
-EDA Administrative Salaries				$2,813
91200 Auditing Fees	$1,500	$1,600	$1,600	$1,750
91500 Employee Benefit contributions - Administrative	$1,273	$1,426	$5,602	$27,407
91600 Office Expenses	$13,321	$15,156	$16,339	
91700 Legal Expense		$775	$375	$1,725
91800 Travel	$448	$960	$3,557	$1,894
91900 Other				$19,350
91000 Total Operating - Administrative	$33,187	$37,329	$46,200	$103,145
92400 Tenant Services - Other				$760
92500 Total Tenant Services	$0	$0	$0	$760
93100 Water	$11,252	$11,474	$12,002	$13,718
93200 Electricity	$3,649	$4,439	$4,613	$3,639
93300 Gas	$1,593	$2,888	$2,541	$1,674
93800 Other Utilities Expense	$4,625	$4,620	$3,883	$5,433
93000 Total Utilities	$21,119	$23,421	$23,039	$24,464

	2010	2011	2012	2013
94200 Ordinary Maintenance and Operations - Materials and	$15,969	$18,430	$11,180	$8,860
94300 Ordinary Maintenance and Operations Contracts	$8,946	$12,004	$14,171	$7,489
94500 Employee Benefit Contributions - Ordinary Maintenance	$1,495	$1,710	$2,234	$2,776
94000 Total Maintenance	$45,293	$55,724	$57,109	$55,413
96110 Property Insurance	$8,795	$8,677	$8,422	$8,264
96120 Liability Insurance				
96130 Workmen's Compensation				$1,625
96140 All Other Insurance			$942	$979
96100 Total insurance Premiums	$8,795	$8,677	$9,364	$10,868
96200 Other General Expenses				$465
96300 Payments in Lieu of Taxes	$5,449	$5,195	$6,187	$6,441
96400 Bad debt - Tenant Rents	$673	$4,384	$2,018	$2,425
96000 Total Other General Expenses	$6,122	$9,579	$8,205	$9,331
96900 Total Operating Expenses	$114,516	$134,730	$143,917	$203,981
97000 Excess of Operating Revenue over Operating Expenses	$88,935	$38,521	$14,461	-$2,715
97100 Extraordinary Maintenance				$1,900
97400 Depreciation Expense	$65,614	$68,780	$72,578	$76,657
90000 Total Expenses	$180,130	$203,510	$216,495	$282,538
10010 Operating Transfer In				$1,054
10020 Operating transfer Out				-$1,054
10100 Total Other financing Sources (Uses)	$0	$0	$0	$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total	$23,321	-$30,259	-$58,117	-$81,272
11020 Required Annual Debt Principal Payments	$0	$0	$0	$0
11030 Beginning Equity	$735,879	$759,200	$728,941	$670,824
11270 Excess Cash	$288,171	$305,208	$224,395	$124,193
11610 Land Purchases	$0	$0	$0	$0
11620 Building Purchases	$34,368	$0	$0	$34,573
11630 Furniture & Equipment - Dwelling Purchases	$0	$0	$0	$2,407
11640 Furniture & Equipment - Administrative Purchases	$0	$0	$1,545	$12,520
11650 Leasehold Improvements Purchases	$0	$6,728	$46,142	$0