# PUBLIC HOUSING AGENCY OF THE CITY OF SAINT PAUL

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| **REPORT TO COMMISSIONERS** | | **FROM** | **JON M. GUTZMANN**<br>**EXECUTIVE DIRECTOR** |
| **REGARDING** | Mount Airy Homes Exterior<br>Trim Replacement - Phase I<br>MN 1-3; AMP 5<br>Contract No. 14-092 | **DATE** | March 26, 2014 |

Staff requests Board approval to award a contract for exterior trim replacement at 14 buildings at Mt. Airy Homes, MN 1-3, (AMP 5) to the lowest responsible bidder, Minnesota Construction Inc., of Rosemount, Minnesota for the bid amount of $182,000 as shown on the attached March 13, 2014 bid tabulation.

The contractor will remove the existing metal trim with wood backup, grind off the old sealant and install new PVC trim in its place. This contract is for Phase I of work that will completed in several phases as funding becomes available. A prototype was completed this winter.

Minnesota Construction has satisfactorily completed similar work on previous PHA contracts. Staff contacted references supplied by Minnesota Construction and received positive reports. Employer Information Reports for Minnesota Construction and the second lowest responsible bidder, Marge Magnusen Construction, are attached.

Minnesota Construction will subcontract 45% of the work to minority-owned business enterprises (MBEs). Minnesota Construction will contribute 2.5% of the contract amount to the PHA's Section 3 training fund to meet the PHA's Section 3 requirements.

The low bid is under the consultant's estimate. There are sufficient 2013 Capital Fund Program funds to accomplish this work.

JPR/mlp

Attachments: Bid Tabulation; EEO-1 Reports

# PUBLIC HOUSING AGENCY OF THE CITY OF SAINT PAUL

**REPORT TO COMMISSIONERS** **FROM** **JON M. GUTZMANN**
**EXECUTIVE DIRECTOR**

**REGARDING** Capital Fund Program: 2011, 2012 and 2013 CFP Budget Revisions; Initial 2014 Capital Fund Program Budget; Initial 2014 Replacement Housing Factor (RHF) Budget; and Agency Plan Amendment

**DATE** March 26, 2014

Staff requests Board approval of Resolution No. 14-3/26-02 approving the following budgets:

1. Initial budget for the 2014 Capital Fund Program (CFP) grant of $6,725,092;
2. Initial budget for the 2014 Replacement Housing Factor (RHF) grant of $44,409;
3. Revisions for the 2011, 2012 and 2013 CFP grants.

The initial budgets reflect the PHA's actual grant amounts announced by HUD on March 18, 2014 for the 2014 Capital Fund Program and the 2014 Replacement Housing Factor (RHF). Staff will submit the Annual Consolidated Contribution contract amendments (ACCs) accepting the 2014 CFP grant and 2014 RHF grant to HUD after Board approval. The revised budgets for the 2011, 2012 and 2013 CFP grants adjust line items to match actual obligations and expenditures but do not change the total amount of the grants. Staff also requests Board approval to amend the Agency Plan that was approved by the Board on November 27, 2013, to include these CFP and RHF documents.

The 2014 CFP grant of $6,725,092 is $700,203 (11.62%) more than last year's grant of $6,024,889. Staff used the lower figure in the draft 2014 CFP budget that was distributed to residents and discussed at the Agency Plan public hearing on November 19, 2013, and reported to the Board in a November 27, 2013 informational report (attached). At that time HUD instructed PHAs not to submit the CFP documents with the Agency Plan, but to wait and submit the CFP budget and annual reports with the ACC amendment after the announcement of the actual FFY 2014 CFP grant amounts.

Staff has adjusted the draft FFY 2014 CFP budget to match the $6,725,092 grant award by adding the following items:

| | | |
|---|---|---|
| 1. | $140,203 | to be transferred from the CFP budget to future Operating Budgets |
| 2. | $100,000 | for boiler and exhaust fan work at Hamline, Dunedin and Ravoux hi-rises |
| 3. | $100,000 | for dwelling unit and mailbox lock improvements at Ravoux Hi-Rise |
| 4. | $200,000 | for continuation of exterior trim replacement at the Mt. Airy family units |
| 5. | $160,000 | for continuation of roof replacements at the Mt. Airy family units |
| | $700,203 | Total |

This use of the funding is consistent with the draft CFP budget and CFP Five Year Action Plan that were discussed with residents and presented at the Agency Plan public hearing, and were included in the November 27, 2013 Informational Board Report. The FFY 2014 Replacement Housing Factor grant will be applied toward the construction costs for the new four-plex at Mt. Airy Homes.

Copies of the following documents are attached to this Board Report:

1. Initial FFY 2014 Capital Fund Program (CFP) grant budget (green paper);
2. Initial FFY 2014 Replacement Housing Factor (RHF) grant budget (yellow paper);
3. Revised Five Year CFP Action Plan (blue paper); and
4. Revised Annual CFP reports for the active grants FFY 2011-2013 (green paper).

Note that the FFY 2010 CFP grant and the FFY 2007 – 2013 RHF grants have been closed and are not attached.

The table below shows the CFP grant amounts, the dates when the PHA gained access to the funds (when HUD signed the ACC amendments), and the timelines for expenditure. The PHA routinely meets or exceeds all of HUD's goals for timely obligation of CFP grant funds (90% obligated within 24 months) and expenditure (fully expended within 48 months).

| | **2011 CFP Funds** | **2012 CFP Funds** | **2013 CFP Funds** | **2014 CFP Funds** |
|---|---|---|---|---|
| **Grant Amount** | $6,499,693 | $5,962,239 | $6,024,889 | $6,725,092 |
| **ACC Date** | 8/3/11 | 3/12/12 | 9/9/13 | 5/13/2014 |
| **Percent Obligated** | 98.05% (3/11/14)<br>Met 90% goal by 8/2/13 | 93.45% (3/11/14)<br>Met 90% Goal: by 3/11/14 | 44.64% (3/11/14)<br>Goal: 90% by 9/8/15 | 0%<br>Goal: 90% by 5/12/16 |
| **Percent Expended** | 94.98% (3/11/14)<br>Goal: 100% by 8/2/15 | 69.74% (3/11/14)<br>Goal: 100% by 3/11/16 | 6.62% (3/11/14)<br>Goal: 100% by 9/8/17 | 0%<br>Goal: 100% by 5/12/2018 |

HP/DAL/mlp

Attachments: Resolution No. 14-3/26-02
November 27, 2013 Informational Board Report
Summary Spreadsheets of CFP Grant Budgets

# PUBLIC HOUSING AGENCY OF THE CITY OF SAINT PAUL

## RESOLUTION NO. 14-3/26-02

## CAPITAL FUND PROGRAM (CFP) BUDGETS: INITIAL 2014 CFP BUDGET; INITIAL 2014 BUDGET FOR DEMOLITION AND DISPOSITION TRANSITIONAL FUNDING; REVISIONS FOR 2011, 2012 & 2013 CFP BUDGETS.

WHEREAS, the U.S. Department of Housing and Urban Development (HUD) has awarded the Public Housing Agency of the City of Saint Paul (PHA) the following grants:

- FFY 2014 Capital Fund Program Grant No. MN46P00150114,
- FFY 2014 Demolition and Disposition Transitional Funding Grant No. MN46R00150114
- FFY 2013 Capital Fund Program Grant No. MN46P00150113,
- FFY 2012 Capital Grant Program Grant No. MN46P00150112, and
- FFY 2011 Capital Grant Program Grant No. MN46P00150111,

WHEREAS, HUD requires the PHA to establish a budget for the expenditure of funds under each grant provided under the Capital Fund Program, Replacement Housing Fund Program, and

WHEREAS, staff drafted the attached Capital Fund Program, and Replacement Housing Fund Program:

1. Initial Budget for the FFY 2014 Capital Grant Program Grant No. MN46P00150114
2. Initial Budget for the FFY 2014 Demolition and Disposition Transitional Funding Grant No. MN46R00150114
3. March 11, 2014 Budget Revision for the FFY 2013 Capital Grant Program Grant No. MN46P00150113
4. March 11, 2014 Budget Revision for the FFY 2012 Capital Grant Program Grant No. MN46P00150112
5. March 11, 2014 Budget Revision for the FFY 2011 Capital Grant Program Grant No. MN46P00150111

WHEREAS, the Board of Commissioners finds that these CFP, RHF, grant budgets are necessary and appropriate to comply with HUD requirements and to best serve the needs of PHA residents;

NOW THEREFORE BE IT RESOLVED by the Board of Commissioners of the Public Housing Agency of the City of Saint Paul as follows:

1. The five budgets listed above are approved as presented;
2. Staff is authorized to execute and submit all required documents relating to these grants and budget revisions;
3. The Agency Plan is amended accordingly; and
4. Pursuant to HUD notice dated January 11, 1990, the PHA certifies that no employee is serving in a variety of positions that will exceed 100 percent of his or her work time.

# PUBLIC HOUSING AGENCY OF THE CITY OF SAINT PAUL

**REPORT TO COMMISSIONERS** | **FROM** **JON M. GUTZMANN**
**EXECUTIVE DIRECTOR**

**REGARDING** Building Fund Operating Budget for Fiscal Year Ending March 31, 2015

**DATE** March 26, 2014

Staff requests Board approval of the proposed budget for the Building Fund for Fiscal Year 2015.

**Summary of Proposed FY 2015 Building Fund Budget** (compared to FY 2014 Budget):

**Proposed Revenue:**

The FY 2014 budget approved by the Board on March 27, 2013 anticipated total Building Fund revenues of $830,990. The proposed FY 2015 budget projects revenues at $839,960, which is slightly more ($8,970) then last year's projected revenues.

FY 2015 revenues will come from five sources:

| | |
|---|---|
| PHA office rental: | $514,260 |
| Tenant rent: | 234,790 |
| Parking rent: | 85,910 |
| Interest: | 5,000 |
| Total Revenue: | $839,960 |

**Proposed Expenditures:**

The FY 2015 budget proposes total expenditures of $642,625, which is an increase of $8,260 (1.3%) compared to the FY 2014 budget amount of $634,365.

The significant changes proposed in Building Fund expenses are as follows:

1. Miscellaneous expenses decreased by $17,300 due the elimination of one-time additional funding for the Hi-Rise Presidents Council, and reduction of funding for the youth programs because the PHA is not hosting Promise Fellows this year.
2. Utilities expense increased $10,000 due to projected increases in District Heating costs.
3. Maintenance salaries decreased by $25,860 due to re-allocation of the Maintenance Technician's salary between Low Income Public Housing and the Building Fund.

4. Maintenance contract costs increased by $37,000 due to anticipated structural repair needs for the building in FY 2015.
5. General expenses decreased by $6,290 due primarily to reduced benefit expenses directly associated with re-allocation of the Maintenance Technician salary.
6. Extraordinary maintenance increased by $11,300 due to planned expenditures on safety rugs in the lobby, security improvements and anticipated structural work.

**Building Fund Summary:**

The proposed budget shows revenues exceeding expenses by $197,335. These funds provide a resource for future improvements to the building and allow the PHA to continue addressing the Strategic Planning options as approved by the Board.

RPM/AJH/FAH

Attachments: Annual Report FY14 – Narrative
Proposed Budget and Management Plan for FY 2015 – Narrative
Proposed FY 2015 vs. FY 2014 Comparison
Proposed FY 2015 Salary/Benefit Budget
Table - History of Building Fund Support
Statement of Assets and Liabilities

# BUILDING FUND

## Annual Report - Fiscal Year 2014

### 1. Background

The PHA purchased property on West 10th Street (later designated 555 N. Wabasha Street) in February 2000 at a total cost of $1,804,945, including original financing costs of $85,044. Working through the Port Authority, the PHA used tax-exempt bonds as the funding vehicle to provide $1,750,000. The balance of needed funds ($54,945) was taken from Building Fund retained equity. A portion of the bonds ($450,000) was redeemed on January 31, 2005 with the remainder ($1,300,000) redeemed on May 31, 2005. The new CAO building contract was awarded to Lund Martin on January 29, 2003, and construction began on March 26, 2003. The budgeted amount for the Lund Martin contract was $12,439,000. Actual Lund Martin expenses equaled $12,532,710. Total all-inclusive building and land expense equaled $15,683,843. The PHA took occupancy on March 23, 2004. In 2007 the building was dedicated and named after W. Andrew Boss in recognition of his long service as PHA Commissioner and Chair.

### 2. Board Approval of FY 2014 Budget

On March 27, 2013 the Board accepted the report on Costs and Operations through the End of Fiscal Year 2013 and approved the Proposed Budget and Management Plans for FY 2014. These documents have guided the operation of the W. Andrew Boss Building for the past year.

### 3. Report on FY 2014 Building Fund Budget and Changes in Financial Position

The Board has received quarterly reports on actual costs regarding the operations of the W. Andrew Boss Building. Building Fund expenses include such things as administration, taxes, maintenance, and insurance.

| Fiscal Year | Total Operating Expenses (Including Bond Interest) | Bond Interest | Actual/Budgeted |
|---|---|---|---|
| **2000** | $ 464,221 | $ 11,244 | Actual |
| **2001** | 642,104 | 72,976 | Actual |
| **2002** | 575,471 | 40,219 | Actual |
| ***2003** | 232,296 | 25,972 | Actual |
| ****2004** | 209,616 | 39,593 | Actual |
| **2005** | 551,507 | 26,441 | Actual |
| **2006** | 483,114 | 6,308 | Actual |
| **2007** | 580,236 | 0 | Actual |
| **2008** | 554,637 | 0 | Actual |
| **2009** | 558,082 | 0 | Actual |
| **2010** | 580,173 | 0 | Actual |
| **2011** | 632,496 | 0 | Actual |
| **2012** | 727,328 | 0 | Actual |
| **2013** | 658,610 | 0 | Actual |
| **2014** | 634,365 | | Budgeted |

### Notes on Financial Information

* Beginning March 1, 2003, the Discretionary Fund was closed and all costs were incorporated into the Building Fund.
** Bond interest was capitalized in FY 2004 during construction but was included in costs above for comparison purposes.

NOTE: 480 Cedar was sold to Minnesota Public Radio in February 2002.

### 4. Report on Building, Land Management and Operations

During the fiscal year staff conducted their daily business operations from the W. Andrew Boss Building and leased the commercial office space. The PHA Controller is the Facility/Property Manager. The PHA Maintenance Department is responsible for the upkeep and appearance/improvement of the building.

As of March 26, 2014 the W. Andrew Boss Building has vacant commercial space on the 2nd floor (1,579 $ft^2$ or 3.25% of the total rentable space). Staff recently advertised on the Internet for potential tenants, and is considering hiring a real estate broker. Staff will continue to pursue other options to fill vacant space in the building.

The PHA will manage the W. Andrew Boss Building according to “good business practices.” The Agency belongs to the (St. Paul) Building Owners and Managers Association (BOMA) and to the Downtown Building Owners Association (DBOA).

### 5. Reference Guide

Staff has a Reference Guide for W. Andrew Boss Building that includes emergency contact information, PHA staff phone numbers, tenant contacts and after-hours procedures. The manual is available to all PHA staff and building tenants.

# BUILDING FUND

## Proposed Budget and Management Plan
## For FY 2015

All of the cash flow projections and expense analyses were based on unaudited financial information as of September 30, 2013.

**1. Request for Approval of Building Fund proposed budget: FY 2015**
See the attached "REVENUE AND EXPENSE BUDGET, FY 2015 vs. FY 2014 COMPARISON." The attached proposed budget for FY 2015 shows a net operating gain (revenues minus expenses) budgeted at $197,335, compared to a net operating gain budgeted at $196,625 in FY 2014. This is an increase of $710.

**2. Property/Building Management Plan**
The Executive Director and his designated representatives will manage the W. Andrew Boss Building according to good commercial property practices. Any proposed use outside of normal and customary commercial office and parking use will be brought to the Board for consideration and approval.

As vacancies occur in the future, new building tenants will be solicited and offered leases with terms consistent with market conditions and those of other building tenants, with rent no less than the minimum required for operating expenses. Lease incentives may be offered to attract prospective tenants, including free rent periods, improvements to leased space, or other incentives. Tenant-financed leasehold improvements will continue to be the preferred method to accomplish build-out of tenant space.

The marketing budget will be utilized for various promotional activities, both before and after tenant occupancy of the building, including printed materials and incidentals such as minor appreciation or promotional gifts or meals of less than $50 value.

**3. Policy for Use of Surplus Building Fund Proceeds**
Surplus Building Funds shall be used first to maintain and improve the property in a manner consistent with "good business practices" for comparable properties. Any remaining surplus Building Funds shall be utilized and available for legitimate low income housing purposes, with an emphasis on home ownership and self-sufficiency. Please see the attached spreadsheet for the complete history of payments or transfers to support housing related programs.

# PUBLIC HOUSING AGENCY OF THE CITY OF SAINT PAUL

**REPORT TO COMMISSIONERS**

**FROM** **JON M. GUTZMANN**
**EXECUTIVE DIRECTOR**

**REGARDING** Low Rent Public Housing and Section 8 Operating Budgets; Fiscal Year Ending March 31, 2015

**DATE** March 26, 2014

Staff recommends the following Board actions:

1. Adopt Resolution 14-3/26-1 approving the Low Rent Public Housing Operating Budget, comprised of ten Asset Management Projects (AMPs) and the Central Office Cost Center (COCC), totaling $31,999,290, which includes $3,782,470 in fees related to Asset Management (Property Management, Bookkeeping, and Asset Management fees, as provided by HUD) paid to the COCC by the AMPs, for the fiscal year ending March 31, 2015 (FY 2015), including the staffing changes described in this report.

2. Approve the Section 8 Housing Choice Vouchers Operating Budget, and the Disability Vouchers, and Mod Rehab Single Room Occupancy programs Expense Budgets, totaling $38,968,879 for FY 2015 (a resolution is not required).

## OVERVIEW: PROPOSED LOW RENT PUBLIC HOUSING OPERATING BUDGET

The proposed Public Housing Operating Budget (#1 above) is based on an Operating Fund subsidy from HUD of $12,435,397, ($274.31 per eligible unit-month) after an estimated prorated reduction of 10.68%. (That is, we expect to receive only 89.32% of the full funding amount established by the Operating Fund formula.) That subsidy amount is $829,477 more than the PHA budgeted in FY 2014. Last year's PHA budget was based on a proration factor of 82.1%. The projected 89.32% proration for FY 2015 is based on estimates from HUD.

The proposed Operating Budget for FY 2015 is balanced with projected revenues matching projected expenses. Staff believes this budget is prudent and will maintain the PHA's high score on the financial condition component of PHAS (HUD's Public Housing Assessment System).

Staff also believes it will be possible to keep the year-end operating reserves held by each AMP at or below the four month level that HUD has previously used as the threshold for offsetting (recapturing) "excess" reserves.

The PHA continues to operate under HUD's Asset Management requirements stated in the regulations (24 CFR Part 990). When the Board approves the combined Operating Budget it will also be approving the budgets (revenue and expense totals) for each of the ten AMPs and the COCC. For FY 2015, the Asset Management-related fees (both the expense to the AMPs and the revenue to the COCC) in the amount of $3,782,470 continue to be included on HUD's Operating Budget form (HUD-52564, Attachment 1 to this report). Another $409,560 is shown as revenue received by the COCC from the Capital Fund to compensate for administrative salaries, as explained below. There is no net effect on the bottom line, but the fees are an important part of the total budget presentation, so they are included in these budget proposals. A total of $4,192,030 is proposed to be paid to the COCC by the AMPs (for Asset Management fees) and by the Capital Fund (for administrative salaries).

The proposed payment to the COCC from the Capital Fund Program (CFP) for administrative expenses is permitted by HUD regulations, up to a maximum of 10% of each CFP grant. In this proposed budget the amount paid to the COCC for CFP administrative expenses represents about 6.8% of last year's CFP grant. The PHA implements this on a cost basis, so the fees collected by the COCC are fully substantiated by corresponding salary and benefit expenses incurred by the COCC. Staff believes this method is the most responsible way to recover costs for administrative services rendered while still maintaining the integrity of the Capital Fund's purpose.

In addition to the 10% allowed for CFP administrative costs as described above, Capital Fund regulations also allow up to 20% of each grant to be used for operations. This budget proposes to transfer $1,104,978 from CFP to the AMPs for operations, which is approximately 18.34% of last year's CFP grant amount. In previous years, staff completed the transfer at the end of the fiscal year, using a "modified cost basis", meaning the funds needed from CFP were matched to actual operating expenses incurred. Beginning in FY 2014, HUD guidance regarding timely expenditure of CFP amounts, in conjunction with capital project planning needs, has required staff to transfer the full amount without regard to actual operating expenses.

## LOW RENT PUBLIC HOUSING OPERATING RESERVES

Staff expects there will be a contribution to the Low Rent Public Housing operating reserves at the end of FY 2014. The FY 2014 budget projected a draw on operating reserves of $307,157 to balance the budget. Final accounting for FY 2014 will not be completed until sometime in April 2014, but projections are indicating that rather than drawing on reserves to help balance the FY 2014 budget, we will instead contribute approximately $1,100,000 to the operating reserves.

The majority of this expected contribution (approximately $675,000) can be attributed to the variance between budgeted and actual utility expenses. When the Harvard cost study method of calculating operating subsidy was implemented by HUD in 2004, the PHA began using HUD's subsidy calculations for utility expenses in the following year's fiscal year budget. The utility expense calculation, as used in the subsidy calculation, is based on a rolling 36-month average from July 1 to June 30 (July 1, 2010 through June 30, 2013 was used for CY 2014 funding). Staff has used HUD's subsidy numbers to maintain consistency and standardization for these difficult calculations.

In addition to budget-to-actual utilities cost variances, there is a projected positive variance of approximately $150,000 in maintenance materials and contract expenditures including items like trash removal, pest control, elevator maintenance, HVAC, and mechanical systems maintenance. These items are generally budgeted based on prior years' costs and adjusted for expected increases due to the current age of equipment, maintenance history, and expected maintenance needs for the systems. There is a projected positive variance of approximately $175,000 in administrative, tenant services, and maintenance salaries. This variance is primarily a result of vacant positions during the fiscal year. And there is a budget-to-actual projected positive variance of approximately $100,000 in Protective Services. This is a result of changes in ACOP officer assignments that occurred during the year (current officers were replaced with newer officers who have lower salaries) as well as a reduction in off-duty usage.

Staff will prepare a FY 2015 budget revision for consideration at the April 23 Board meeting to address the projected contribution to operating reserves.

**PUBLIC HOUSING PROGRAM – PROPOSED REVENUE:**

The FY 2014 budget approved by the Board last year (March 27, 2013) anticipated total Low Rent Public Housing revenues of $30,532,863. The proposed FY 2015 budget projects revenues at $31,991,933, an increase of $1,459,070 (4.8%).

1. HUD Subsidy is projected to increase by $829,477, from $11,605,920 to $12,435,397 (7.1%) as explained above.

2. Dwelling rental income for FY 2015 is projected to increase from $12,686,679 to $13,002,056, or $315,377 (2.5%) above the amount used in the FY 2014 budget. This increase is based on actual tenant revenue as reported to HUD on the Financial Data Schedule.

3. Interest on General Fund Investments is projected to stay the same due to continued stagnant rates on government securities.

4. Other Income is primarily comprised of Asset Management Fees as well as the Capital Fund transfer to operations. Asset Management Fees inflate the revenue projection, but are offset by matching expenses. Revenue from new and existing cellphone antenna site rental and laundry facilities commissions are expected to increase slightly, while excess utility surcharges are projected to decrease.

**PUBLIC HOUSING PROGRAM – PROPOSED EXPENDITURES:**

The proposed FY 2015 operating budget shows total expenditures of $31,991,932 which is an increase of $1,151,912 (3.7%) from the FY 2014 approved budget of $30,840,020. The proposed increases/decreases are highlighted below:

1. Administrative costs are proposed to increase by $581,610 (5.3%). The largest increase is in Administrative Salaries with an increase of $293,890 (5.5%). This includes projected salary increases for all administrative employees. Legal Expense is budgeted to increase by $15,860 (4.5%) due to projected salary increases and full staffing for legal counsel. Staff training is proposed to increase by $15,190 (31.8%) due to an in-house Housing Manager Certification course. Other Administrative Expenses are projected to increase $253,240 (5.1%). These expenses include administrative contract services, MIS equipment such as PCs and printers, and Section 3 resident training opportunities as explained below.

2. Tenant services costs are proposed to increase by $23,940 (2.6%). Salary costs are projected to increase by $10,130 (1.8%), due to salary increases for tenant services employees. Contract costs are proposed to increase by $5,610 (2.5%) and Other Services are proposed to increase by $8,200 (6.4%). Other Services includes Resident Participation funding, which is part of the subsidy received by the PHA from HUD, and provided by the PHA to Resident Councils. As has been done in previous years, Resident Participation amounts paid to the Councils are pro-rated at the same rate as the subsidy received from HUD. The pro-ration factor used by the PHA is approximately 7% more than FY 2014,

which accounts for the increase in expenses on that line item. In the event subsidy is received at a higher than budgeted rate, this amount will be adjusted to provide additional funding to the Resident Councils.

3. Utilities costs are projected to decrease by $164,210 (-3.1%) compared to the FY 2014 budget. As explained above, utility costs are part of the HUD subsidy calculation and staff uses HUD's method to calculate the projected cost.

4. Maintenance costs are proposed to increase by $38,430 (0.5%). Labor salaries reflect a $79,280 (1.9%) increase, based on projected salary increases. Other proposed changes in this budget category include material costs decreasing $15,300 (-1.8%), and contract costs decreasing $25,550 (-1.2%). Contract costs continue to be evaluated to more closely match historical trends, while still considering future maintenance needs.

5. Protective Services are proposed to increase by $12,720 (2.0%), due primarily to additional temporary Community Liaison Officer (CLO) funding for part of the year.

6. General Expenses are proposed to increase by $423,880 (7.7%). These costs include insurance, benefits, collection loss, terminal leave payments, Payment in Lieu of Taxes (PILOT), inspection fees, etc. Benefit contributions are projected to increase by $277,980 (7.7%) due to their relationship to total salary increases, and annual increases in health and dental benefits. PILOT expenses increased $82,720 (13.2%), primarily due to higher rent collections and lower utility expenses. The budgeted amount is the same as the PILOT amount HUD provides for the subsidy calculation and adjusted for the annual subsidy proration rate. Other General Expenses increased by $30,750 (15.3%) due primarily to an increase in Other Post Employment Benefits (OPEB). OPEB expenses are calculated based on actuarial analysis and must be budgeted and accrued on a yearly basis. Collection loss is proposed to decrease by $40,000 (-40.0%) to more closely match actual expenses, and insurance costs increase $57,590 (6.7%) due to annual increases in costs including the addition of the new six-plex at Roosevelt Homes.

7. Non-routine expenditures are proposed to increase by $235,542, from $422,000 to $657,542 (55.8%). Historically, non-routine expenses have included large maintenance costs or capital improvements and are often budgeted in the Capital Fund Program as well.

The proposed budget includes $134,642 for capital improvement items, and $50,000 to replace maintenance equipment. Extraordinary Maintenance items, which are those maintenance projects which are larger in scope and less frequent than routine maintenance costs, continue to be included in this category and are proposed at $472,900. Extraordinary maintenance includes, but is not limited to, parking lot maintenance, concrete work, landscape improvements, and interior or exterior surface work.

**SECTION 3 RESIDENT TRAINING OPPORTUNITIES:**

Section 3 funds are collected from contractors that do not qualify as a Section 3 business, and are unable or unwilling to hire Section 3 residents or to subcontract with Section 3 businesses for some of the work under the contract. In these cases the contractor must pay 2.5% of the contract award amount to the Section 3 Training Fund. This fund was established to provide "other economic opportunities" to PHA residents as described in Section 3 regulations, such as training, education, technical assistance with starting or operating a small business, and so on.

For FY 2015, the PHA Section 3 Coordinator and the Resident Initiatives Director have outlined a list of resident-oriented activities to assist in this endeavor. Some of these activities include:

| | | |
|---|---|---|
| 1. | Work in partnership with the St. Paul Building Trades, local colleges and universities, and job readiness programs to provide scholarships for those residents interested in preparing for a career in the building trades. | $10,000 |
| 2. | Provide increased outreach, case management assistance, and subsidized training for participants in the PHA's existing construction training program, Step Up. | $5,000 |
| 3. | Provide scholarship opportunities for residents interested in pursuing a career in health care or food services and also applying for employment through the PHA's existing Congregate Housing Services Program (CHSP). | $10,000 |
| 4. | Provide education and training to resident youth who are interested in pursuing summer or part-time employment opportunities. | $10,000 |
| 5. | Provide employment skills and post-secondary preparatory training for resident youth who are interested in applying for technical and post-secondary educational opportunities. | $15,000 |
| 6. | Work in partnership with the City Wide Resident Council and the Presidents Council to establish on-site training programs in computer and employment skills through the PHAs existing Computer Labs in the community centers and hi-rises. | $10,500 |
| 7. | EOD Bidding Workshop; Section 3 Conference | $1,000 |
| 8. | EOD Resident Diversity Training | $3,500 |
| | TOTAL | $65,000 |

**SUMMARY: PROPOSED LOW RENT PUBLIC HOUSING BUDGET:** This proposed FY 2015 Public Housing Operating Budget is projected to be balanced with revenues matching expenses resulting in neither a contribution to nor a draw on reserves. This would create a budgeted operating reserve on March 31, 2015 of approximately $18,799,935 (7.2 months worth of routine operating expenses). However, as explained above, staff expects there will be a contribution to reserves of as much as $1,100,000 for FY 2014, as opposed to the deficit of $307,157 originally budgeted, resulting in an estimated ending FY 2014 reserve balance of $20,207,092. With the balanced budget proposed, the operating reserve balance for the end of FY 2015 would also be approximately $20,207,092 (7.7 months routine operating expenses). As Commissioners and staff have noted in the past, keeping too large an operating reserve unnecessarily ties up assets that could be used to benefit the PHA's housing programs and participants. Staff will prepare a FY 2015 budget revision for consideration at the April 23 Board meeting to address the projected contribution to operating reserves.

Staff believes this proposed Operating Budget will further the Agency's mission by providing needed housing and services to residents while still preserving the physical assets and maintaining the financial stability of the PHA. Historically, the PHA's target reserve level agency-wide has been 6 months worth of routine operating expenses, which was considered safely within HUD's guidelines for maximum points on the PHAS scoring system. Changes to the PHAS scoring system (2011 Interim Rule) lowered the acceptable range for an AMP's reserves to 4 months. Staff believes that year-end operating reserves at the individual AMPs can be kept near the four-month threshold under the proposed budget, with the remaining reserves held at the COCC.

## OVERVIEW: PROPOSED SECTION 8 BUDGET

### SECTION 8 – PROPOSED REVENUE:

Housing Assistance Payments. Based on guidance provided by HUD, staff drafted the proposed budget with the assumption that Housing Assistance Payments (HAP; the rent subsidies paid to private property owners) for Housing Choice Vouchers in Calendar Year 2014 would be funded at 99% percent of eligibility. At that funding level staff expected to draw approximately $133,000 from HAP reserves to pay the rent subsidies. However, as this report was being completed, HUD sent a notice saying the proration would be 99.7%. That adjustment would likely eliminate the need to draw on HAP reserves. Eligibility is determined by actual HAP expenses reported in the Voucher Management System (VMS).

In the proposed Operating Budget staff calculated the PHA's Housing Choice Voucher HAP funding eligibility based on data from HUD's Voucher Management System, using the number of "Unit Months Leased" and the actual Housing Assistance Payments for the previous calendar year. Staff made further funding assumptions based on industry group information, the expected number of vouchers the program could currently support, and no Annual Adjustment Factor, which equates to no adjustment for inflation.

Section 8 Administrative Fees for this proposed budget are estimated based on CY 2013 methodology and fee rates, and then pro-rated down to 75% of the formula amount, based on guidance provided by HUD. Administrative fees are paid based on the number of units under lease each month (up to the total authorized, not paid on overleased units), not on the total number of Housing Choice Vouchers authorized (4,391). The administrative fee during CY 2013 was $77.60 for the first 7,200 unit-months leased (yearly total) and $72.42 for the remaining unit months leased, up to the PHA's maximum authorized units. The PHA is paid a lump sum each month and HUD "settles up" at a later date for any additional administrative fees owed.

The estimated Section 8 Housing Choice Vouchers administrative fee revenues supplemented by other revenues (fraud recovery, port-in administrative fees, and other small amounts) will not be sufficient to cover the necessary costs to administer the program this year. Staff proposes to draw approximately $25,121 from the Section 8 Housing Choice Voucher administrative fee reserves ("Unrestricted Net Assets" or UNA) to fill the gap. The administrative fee reserves are sufficient for this purpose. At the end of January 2014 the UNA balance was approximately $1.3 million. Due to the substantial proration of HCV administrative fees in CY 2013, the UNA balance has decreased over the past fiscal year. This decrease was expected and budgeted, and the reserves are sufficient to cover the actual activity. The other three Section 8 programs (Disability Vouchers and the two Moderate Rehabilitation projects, Mary Hall and Booth Brown House Foyer) are budgeted to make contributions to program reserves totaling $50,658, resulting in a surplus of $25,507 for Section 8 administrative expenses program-wide.

The components of the Section 8 revenue in this proposed budget are as follows:

1. <u>Section 8 Housing Assistance Payments (HAP) subsidy</u> is expected to be $35,110,202, an increase of $1,943,806 (5.86%) compared to the FY 2014 budget amount of $33,166,396. The budgeted subsidy total includes the Housing Choice Vouchers (HCVs) and the PHA's three smaller Section 8 programs: Disability Vouchers (117 vouchers) and the Moderate Rehabilitation Single Room Occupancy projects at Catholic Charities' Mary Hall (75 units) and the Salvation Army's Booth Brown House Foyer (6 units). Housing Choice Vouchers include 140 VASH Vouchers, 100 Family Unification Program Vouchers, and 226 Preservation Vouchers. The proposed budget for the Housing Choice Voucher program shows an increase of $1,946,535 (6.07%). The Disability Voucher budget shows an increase of $3,247 (0.46%); the budget for the Mary Hall Single Room Occupancy

(SRO) Mod Rehab project shows an decrease of $10,800 (-3.17%); and the budget for the Booth Brown SRO Mod Rehab project shows a decrease of $4,824 (-19%).

2. Section 8 Administrative Fee subsidy is expected to be $3,048,517, an increase of $262,934 (9.44%) program-wide from FY 2014 budgeted amounts. The increase is the expected impact of Congress raising the appropriation for Section 8 administrative fees, which allowed the proration to rise from 69% of full funding eligibility last year to 75% this year. The budget for administrative fees for Disability Vouchers increased marginally (0.77%) while the Mod Rehab SRO programs (Mary Hall and Booth Brown) show slightly larger fee increases (1.27%), going from $76.62/unit month to $77.60/unit month. The PHA received another HUD grant for the Section 8 Family Self-Sufficiency (FSS) Coordinator position this year, which adds $67,524 to the administrative revenues. The PHA received 15 vouchers for VASH (Veterans Affairs Supportive Housing during the year and two replacement vouchers for scattered site units that were sold (one sale is still pending).

3. Portability revenue is budgeted at $400,000 for HAP and $93,856 for administrative fees, for a total of $493,856, compared to $485,263 last year, an increase of $8,593 (1.8%). This amount is based on estimates each year of how many voucher participants may be transferring ("porting") into St. Paul from other jurisdictions, and whether the PHA will "absorb" any of those participants into our program, issuing our own vouchers to them (and increasing our voucher utilization). When the PHA does not absorb the participant, the "sending" agency is required to reimburse St. Paul for HAP expenses, and those payments become part of the portability revenue. The HAP portion of this amount is a 100% reimbursement so it has no effect on the bottom line. Sending agencies are also required to send 80% of the per-unit administrative fee to St. Paul.

4. Other Section 8 revenue sources include fraud recovery amounts (received through Minnesota Revenue Recapture), interest on invested funds and other small amounts.

5. The budgeted total of all Section 8 revenue sources excluding HAP is $3,351,137.

## SECTION 8 - PROPOSED EXPENDITURES:

1. Housing Assistance Payments (HAP) are proposed at $35,243,249, which is a decrease of $231,159 (-0.65%). Staff monitors voucher utilization and payments to property owners on a monthly basis to ensure expenses remain within HUD subsidy and available HAP reserve amounts.

2. Administrative expenses are proposed to increase by $157,120 (4.96%) from $3,168,510 in FY 2014 to $3,325,630 in FY 2015.

   a. Salaries and Benefits. The salary amounts charged to the Section 8 administrative budget are increased by $37,660 (2.31%) and employee benefits are increased by $33,770 (5.66%). These increases are related to annual increases in employee salaries and staff changes in the Section 8 department.

      Staff is recommending in this budget that the salary of the Section 8 Programs Manager, Dominic Mitchell, be increased to a level that is more comparable to supervisory positions with similar responsibilities both within this Agency and at other housing agencies. The recommended salary is $43.10/hour, $89,648.00 annually; Step 16 of 20 steps in the position's classification (D61). This would represent a 17.4 % increase from the incumbent's current salary of $36.71/hour; $76,356.80 annually; Step 7 of 20 steps.

      The recommended increase would bring the Section 8 Programs Manager's salary closer to the public housing supervisory positions with the same classification in Resident Services, that are paid more than $90,000 annually. The Section 8 Manager is responsible for a broader program, although the other incumbents have more supervisory experience. The managers of comparable or larger Section 8 programs in the Twin Cities area are paid substantially more, with salaries of $104,200 - $124,500. The manager of a much smaller program is paid $ 90,100.

b. Portability Fees (the fees paid by the PHA to other agencies for voucher holders "porting-out" of St. Paul) are increased by $40,000 (26.67%) based on historical trends.

c. The Equipment line item is proposed to increase by $89,650 (785.71%) due to the restoration of agency-wide equipment purchases which were cut during last year's budget in relation to funding cuts. Included in these equipment purchases are necessary business continuation items such as personal computers, desktop printers, and desktop scanners, as well as a new module for the computer business systems called a "Partner Portal ", described below.

d. "Other Post Employment Benefits" (OPEB) increases by $3,810 (12.79%). The OPEB cost is calculated based on actuarial assumptions that are essentially out of the PHA's control.

3. Administrative Cost Reductions in Section 8. Because the Section 8 administrative fee proration of 75% could persist for another year or more, staff's budget recommendation includes three initiatives aimed at decreasing administrative expenses and increasing administrative efficiency. Staff believes these improvements will increase customer service to voucher participants and property owners and relieve staff of many repetitive tasks. The recommended budget does not eliminate any administrative positions in reliance on the efficiencies expected from adopting these measures. However, staff believes that the following measures will allow fewer staff to accomplish the required administrative work in the future.

   a. Purchase and implement the "Partner Portal" from Emphasys Computer Solutions (ECS) as an enhancement to the Agency's business systems, at a cost of $44,400 during this fiscal year. The ongoing annual cost will be about $8,400 for ECS to host the secure website and update the software. The portal will improve communications between Section 8 staff and property owners participating in the Housing Choice Voucher (HCV) program, while greatly reducing the need for one-to-one telephone and mail communications. Staff intends to begin installing the new system next fall and implement it fully by the end of the calendar year. Staff anticipates that the portal and other efficiencies described below will allow a reduction of one FTE in the following fiscal year's budget.

Staff intends to use the portal to convert from mailing paper checks to direct deposit of voucher subsidy payments (HAP/ Housing Assistance Payments) to all 1,200 property owners (for 4,500 units). Owners would be able to access the portal at any time to see the history of payments they have received, scheduled future payments, etc. The portal can replace most printing and mailing of newsletters and other written communications. The portal will also facilitate converting the current Section 8 inspection process from paper-based to electronic in the following fiscal year (FY 2016). Posting inspection results on a secure website will allow owners to receive them much more quickly, which can lead to quicker repairs and faster approval of units so tenants can move in and begin receiving assistance. Other agencies using the same Partner Portal are charging participating property owners an annual fee for the service (often $20-40 per year). Such a fee would cover the software's annual maintenance cost and also pay back the initial startup costs fairly quickly.

b. <u>Implement administrative efficiencies</u> in Section 8 inspections that were authorized by the 2014 Consolidated Appropriations Act passed in January. After HUD publishes a notice with guidance (expected in the next 60-90 days), the PHA will finalize a plan for Board approval, with the goal of beginning implementation by October 1, 2014. The main components could include the following:

   i. <u>Biennial Inspections.</u> The PHA's plan could allow units in good condition to be inspected once every two years, instead of every year. Eligible units could include those that passed their last inspection on the inspector's first visit, with no deficiencies requiring repair and reinspection. Other factors are also under consideration, as we wait for HUD guidance.

   Staff also will explore using the City of St. Paul's graduated ratings (A-B-C) for Certificates of Occupancy as a basis for approving units for biennial inspections.

   ii. <u>Alternative Inspections.</u> The Consolidated Appropriations Act allows PHAs to avoid duplicative inspections by relying on an alternative inspection "conducted pursuant to requirements under a Federal, State, or local housing program (including HOME…and the Low Income Housing Tax Credit program)". Since several properties with project-based vouchers (PBVs) have received funding from HOME, tax credits and other State and local programs, they are inspected regularly under standards that are the same as or comparable to HQS. Staff has consulted one of the non-profit organizations that conducts those inspections. Depending on how HUD interprets the legislation, staff may be able to reduce or eliminate annual inspections at some of the PBV projects.

iii. Reduced Inspections. Staff is already reducing the number of reinspections by accepting a certification by the owner and tenant that a non-life-threatening HQS deficiency has been remedied. Depending on the defect cited, the PHA may also require the owner to email a photo of the repair. This policy, approved by the Board on February 27, 2013, applies only to annual and interim reinspections, not to PBV units (physical reinspection required by regulation) or to units that were not previously participating in the voucher program. Since the policy was phased in over the year, staff does not have a solid estimate of the potential and actual time savings yet.

The current Section 8 Inspections team in the Operating Budget includes an Assistant Program Manager for Inspections, three full-time Section 8 Inspectors and an Inspections Scheduler (Administrative Support Professional), plus a clerical support person (Administrative Support Technician) who prepares and sends out inspection deficiency letters. Implementing the Partner Portal, biennial inspections and alternative inspections as described above should enable a smaller staff to administer the inspections. We also expect that the portal will reduce the time needed for other staff to communicate one-to-one with property owners.

c. Conduct an internal review (performed by the Finance Director and the MIS team) of current HCV business systems and administrative processes during this fiscal year, with the same goal of increasing administrative efficiency and reducing administrative costs.

The combination of implementing the portal, shifting to biennial inspections for eligible properties and relying on alternative inspections is expected to reduce the Section 8 administrative staff workload enough to eliminate at least one full staff position. Counting the cost of salary and benefits for experienced staff in clerical and technical administrative positions, eliminating a single position can reduce the Section 8 administrative budget by $50,000-60,000. A staff reduction may be accomplished by attrition; but if not, an incumbent likely could move to another comparable PHA position where there is a vacancy. With HUD guidance and further Board approval of policy changes, staff intends to begin phasing in these measures during the fall of this year. The full time and cost savings will not be realized for a year or more after that, so the staffing reduction could be recommended in the Operating Budget for FY 2016. In the interim, staff will carefully weigh the need to fill any position that becomes vacant due to promotion, retirement or other staff departure.

**SUMMARY: PROPOSED SECTION 8 BUDGET**

Program-wide Section 8 expenses for Housing Assistance Payments (HAP) to property owners are projected to be $35,243,249, to be paid from HUD HAP subsidies estimated at $35,110,202, supplemented by approximately $133,047 from HAP reserves. The HAP reserves are sufficient to make up the difference this year, with a combined balance of approximately $1.9 million now.

Program-wide Section 8 administrative expenses are proposed at $3,325,630 in FY 2015, while revenues to pay those expenses total $3,351,137. Staff proposes to contribute approximately $25,507 to the consolidated Section 8 administrative fee reserves ("Unrestricted Net Assets" or UNA).

**PROPOSED STAFFING LEVELS:** The agency-wide staffing level is proposed to increase by 2.20 positions (full-time equivalents, or FTEs) in the FY 2015 Combined Operating Budget for Public Housing and Section 8, as shown below. A summary of past years' staffing levels is included as Attachment 4 to this report.

## RECENT HISTORY OF STAFFING LEVELS

| | FY 2014 Approved | FY 2014 Rev 1 | FY 2015 Proposed | Increase (Decrease) |
|---|---|---|---|---|
| Department | FTEs | FTEs | FTEs | FTEs |
| Executive | 3.50 | 3.00 | 3.00 | 0 |
| Human Resources | 3.00 | 3.00 | 4.00 | 1.00 |
| Section 8 | 22.00 | 22.00 | 22.00 | 0 |
| Housing Policy | 1.00 | 1.00 | 1.00 | 0 |
| Equal Opportunity and Diversity | 0.75 | 0.75 | 0.75 | 0 |
| Finance | 15.50 | 16.00 | 16.00 | 0 |
| Maintenance | 97.80 | 97.80 | 99.00 | 1.20 |
| Resident Services | 83.48 | 83.48 | 83.48 | 0 |
| Resident Initiatives | 1.25 | 1.50 | 1.50 | 0 |
| TOTAL | **228.28** | **228.53** | **230.73** | **2.20** |

Details of the proposed FTE changes in the FY 2015 Operating Budget are as follows:

PROPOSED INCREASES:

Human Resources

- +1.00 FTE – Add Program Manager/Human Resources Generalist

Section 8

- +1.00 FTE – Add Assistant Section 8 Program Manager

Maintenance

- +1.00 FTE – Add Maintenance Supervisor (Assistant Operating Engineer)
- +0.20 FTE – Increase Construction Program Manager
- +24.00 FTE – Add Maintenance Technicians

PROPOSED DECREASES:

Section 8

- -1.00 FTE – Remove Rental Technician

Maintenance

- -7.00 FTE – Remove Caretakers
- -17.00 FTE – Remove Caretaker Assistants

JMG/RPM/AJH/FAH

Attachments:

1. FY 2015 Low Rent Public Housing Operating Budget, HUD-52564
2. Board Resolution 14-3/26-1, HUD 52574 with Attachment for Asset Management Projects
3. Staffing (FTE) History FY 1990 – FY 2015
4. Section 8 Program-wide Proposed FY 2015 Budget

# PUBLIC HOUSING AGENCY OF THE CITY OF SAINT PAUL

| | | | |
|---|---|---|---|
| **REPORT TO COMMISSIONERS** | | **FROM** | **JON M. GUTZMANN**<br>**EXECUTIVE DIRECTOR** |
| **REGARDING** | Human Resources Information System (HRIS) and Payroll System Upgrade | **DATE** | March 26, 2014 |

Staff recommends Board approval to award a contract for an upgrade of the current Human Resources Information System (HRIS) and payroll system to Automatic Data Processing, Inc. (ADP) at a proposed annual cost of approximately $46,865 plus a yearly cost of approximately $2,000 for printing W-2's (fees will vary slightly based on the number of employees). This action would rescind and replace the Board's January 22, 2014 approval to award the contract to ADP for a lower cost, as explained below.

After the Board approved awarding this contract in January for a cost of approximately $33,800, staff contacted ADP to sign the contract and begin implementation work. At that point ADP's representatives said they realized the quoted price only covered the upgrade for the HRIS and did not include the cost for the payroll system. Staff met with ADP to sort out proposed costs and arrive at a total cost for both the HRIS and payroll system. The new proposed cost for both systems, approximately $46,865, is about the same as our current cost of $46,167 for both systems. (The exact cost for a year will depend on the number of people the PHA employs in full-time or part-time positions during the year.) ADP has waived their usual implementation cost of $17,500 for the new system. This contract does not have a fixed term but it can be terminated at any time by the PHA by giving thirty days written notice to ADP. The PHA's General Counsel has reviewed and approved the contract.

This revised cost from ADP is about $10,000 higher than the other two proposals that were considered but ADP still received the highest staff rating when the evaluation committee reconvened and considered all of the rating factors listed below again. As noted above, the PHA will pay only $698 more than currently to stay with ADP and receive a higher level of service.

As explained in the January 22, 2014 Board report, ADP has been the PHA's HRIS and payroll system provider since 1997. Because ADP was phasing out its technical support for the current HRIS and payroll system, staff issued a Request for Proposals (RFP) for a new system. Five proposals were received and evaluated by a committee of Human Resources and Finance/payroll staff on the basis of the criteria stated in the RFP, including the ability of the HRIS and payroll system to provide for data protection and disaster recovery, software and hardware configuration, product flexibility, and payroll generation needs; professional and technical competence to install and provide on-going technical support; previous experience providing services to federally subsidized housing programs; cost (initial installation plus on-going support and maintenance); and equal employment opportunity and affirmative action efforts. Based on the written proposals and demonstrations from the top three companies (ADP, Paychex, and Paylocity), the review committee unanimously chose ADP. A revised staff rating sheet factoring in the new cost is attached.

The new ADP HRIS and payroll system will provide improved report writing, streamline the benefits process, allow staff to process payroll more efficiently, and provide supervisory access to electronic leave records. The $46,865 proposed annual operating cost for the new system includes time and attendance recording, benefit management, payroll processing and delivery, and issuing required tax reports.

The dollar amount of this contract will be included in the total of non-construction contracting activity that the PHA reports to HUD on the annual Section 3 report. However, staff has determined this contract is not subject to the Section 3 Policy’s requirement for contributing to the Section 3 Training Fund, because it is a contract for specialized professional services to provide and maintain proprietary software.

If the Board approves awarding the contract, staff will begin working with ADP to train supervisors and employees and implement the system by July 1, 2014. Sufficient funds to cover this contract cost are recommended in the proposed Operating Budget for FY 2015.

DMM/ANH

Attachment(s): Summary of Evaluations

# HUMAN RESOURCES INFORMATION SYSTEM/PAYROLL CONTRACT #13-048 EVALUATION COMMITTEE SCORING AFTER INVERVIEWS AND BEST AND FINAL OFFERS

| CONTRACTOR | Evaluators | CONTRACTOR'S BACKGROUND AND EXPERIENCE IN PROVIDING HR/PAYROLL SERVICES (0-30 PTS) | COST FOR SERVICES (0-25 PTS) | DATA PROTECTION AND DISASTER RECOVERY CAPABILITIES (0-15 PTS) | CUSTOMER SERVICE (0-15 PTS) | SOFTWARE / HARDWARE REQUIREMENTS (0-5 PTS) | WORKING WITH SUBSIDIZED HOURSING PROGRAMS (0-5 PTS) | MWDBE Status or other affirmative action efforts (1-5 PTS) | **TOTAL POINTS** (1-100 pts) | INTERVIEW RANKING |
|---|---|---|---|---|---|---|---|---|---|---|
| **ADP** | Evaluator #1 | 30 | 20 | 15 | 10 | 5 | 5 | 0 | 85 | 1 |
| | Evaluator #2 | 30 | 20 | 15 | 15 | 5 | 5 | 0 | 90 | 1 |
| | Evaluator #3 | 30 | 18 | 12 | 13 | 4 | 5 | 0 | 82 | 1 |
| | Evaluator #4 | 30 | 20 | 15 | 10 | 5 | 5 | 0 | 85 | 1 |
| | Avg. | 30 | 19.5 | 14.25 | 12 | 4.75 | 5 | 0 | 85.5 | N/A |
| | | | | | | | | | | |
| **PAYCHEX** | Evaluator #1 | 28 | 23 | 15 | 7 | 5 | 0 | 0 | 78 | 2 |
| | Evaluator #2 | 25 | 25 | 15 | 10 | 5 | 5 | 0 | 85 | 2 |
| | Evaluator #3 | 25 | 20 | 9 | 10 | 5 | 0 | 0 | 69 | 2 |
| | Evaluator #4 | 30 | 15 | 15 | 7 | 5 | 0 | 0 | 72 | 2 |
| | Avg. | 27 | 20.75 | 13.5 | 8.5 | 5 | 1.25 | 0 | 76 | N/A |
| | | | | | | | | | | |
| **PAYLOCITY** | Evaluator #1 | 25 | 25 | 15 | 5 | 5 | 0 | 0 | 75 | 3 |
| | Evaluator #2 | 20 | 23 | 15 | 5 | 5 | 0 | 0 | 68 | 3 |
| | Evaluator #3 | 15 | 20 | 15 | 8 | 5 | 0 | 0 | 63 | 3 |
| | Evaluator #4 | 30 | 20 | 15 | 5 | 5 | 0 | 0 | 75 | 3 |
| | Avg. | 22.5 | 22 | 15 | 5.75 | 5 | 0 | 0 | 70.25 | N/A |

# PUBLIC HOUSING AGENCY OF THE CITY OF SAINT PAUL

**REPORT TO COMMISSIONERS** **FROM** **JON M. GUTZMANN**
**EXECUTIVE DIRECTOR**

**REGARDING** Workers' Compensation Policy
League of Minnesota Cities Insurance Trust **DATE** March 26, 2014

Staff recommends Board approval to renew the Agency's Workers' Compensation insurance coverage with the League of Minnesota Cities Insurance Trust for the period of April 1, 2014 through March 31, 2015. The cost of this policy will be approximately $192,730, which is a decrease of $1,869 (1.0%) from the current year's projected cost. The recommended policy continues the current $10,000 deductible per occurrence, which applies only to medical costs. With no deductible, the cost for next year's policy would be $227,087 ($34,357 higher). The PHA has contracted with the League of Minnesota Cities Insurance Trust for Workers' Compensation insurance coverage since 1991.

Related to the Workers' Compensation insurance program, the PHA has a separate policy with the League of Minnesota Cities Insurance Trust covering volunteers at a cost next year of $1,233. The premium is about 15% lower than the premium of $1,450 paid for the policy year of April 1, 2013 to March 31, 2014.

Even though the rate per $100 of payroll increased about 10% for all four employee groups (CHSP, Project Leaders, Maintenance, and Clerical), the decrease in the Workers' Compensation premium is solely the result of a decrease in the experience modification factor, from 0.90 last year to 0.80 for the coming year. The experience modification factor is calculated by the Minnesota Workers' Compensation Insurance Association, Inc. and is specific to the Agency's claims loss experience during the past three years. Each year the oldest year's dollar amount for claims loss drops off and the newest year's dollar amount for claims loss is factored into the calculation. Last year's experience modification factor of 0.90 covered three years of claims loss experience for the period from April 1, 2009 – March 31, 2012 ($58,494, $140,130 and $87,153) totaling approximately $285,777. This year's experience modification factor decreased to 0.80 for injuries that occurred during the period of April 1, 2010 – March 31, 2013, with a current total cost of approximately $250,570 ($138,755, $91,836 and $19,979). These dollar amounts vary over time for claims incurred in any given year because the dollar value assigned to each claim may increase or decrease based on additional expenses paid on a claim and/or adjustments made by the insurance carrier to the dollar reserve for a claim.

The experience modification factor has remained relatively stable over the past few years. A factor of 0.80 means that the Agency's employee injury rate is twenty percent below the average employee injury rate of 1.0. The Agency's experience modification rating has been as high as 1.27 in FY 1995 and as low as 0.56 in FY 2001. With all the controls described below in place, staff believes that the PHA will continue to experience a lower than average employee injury rate. Staff will continue to monitor claims costs and will recommend changing the deductible amount in the future if the trends change.

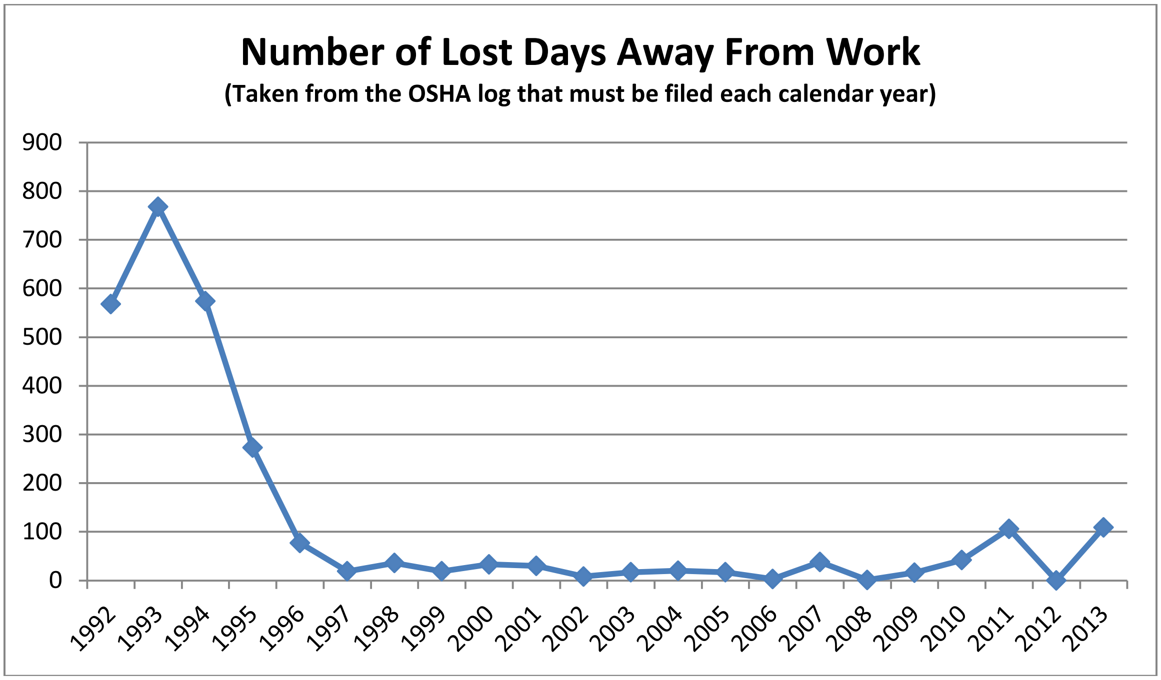
As shown on the charts below, the Agency's workers' compensation program has been very successful in reducing injury-related lost work time and costs, which has reduced the insurance costs. The PHA's ongoing management of its workers' compensation program costs has several components, including the following:

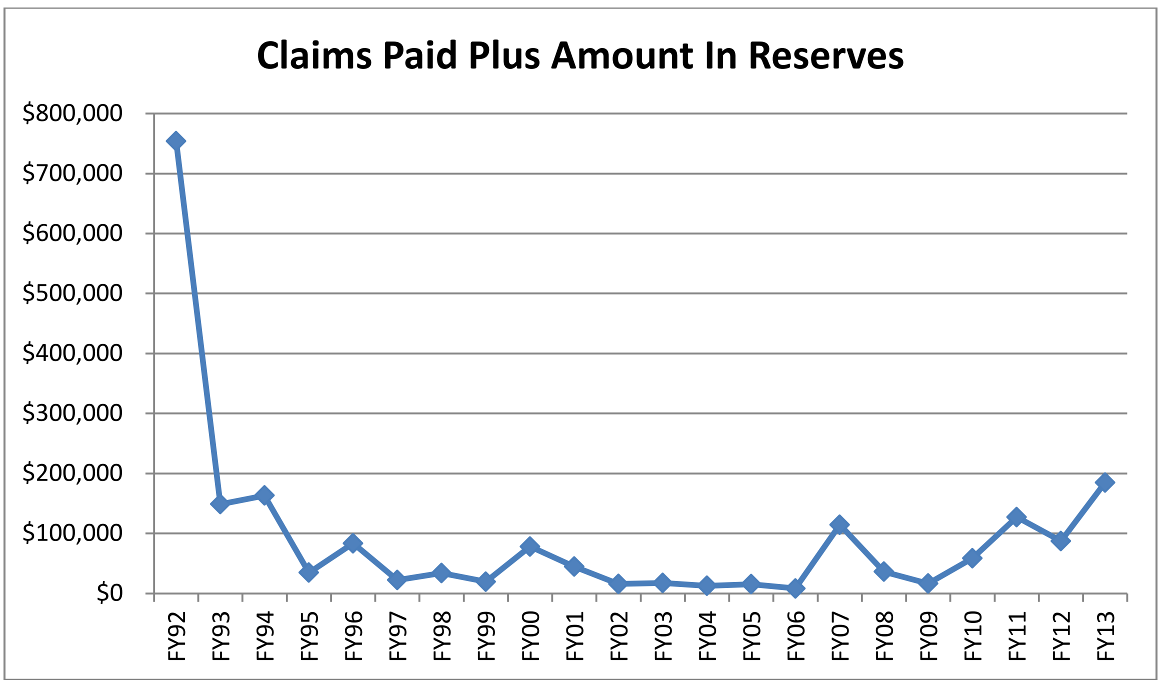
- Many years ago the PHA chose a premium option based on four employee categories instead of a single employee category called "housing authority workers". Staff continues to request and analyze quotes using both the "one category" option and the "separate categories" option. This year, by choosing the "separate employee" categories option, our premium is approximately $31,470 less than if we chose the "one category" option.
- Staff continues to work closely with employees, doctors, and the insurance carrier to minimize claim losses and injuries.
- The PHA has developed and implemented an aggressive return-to-work program including providing light duty work when necessary to comply with an employee's medical restrictions.
- Our workers' compensation management consultant, Worker Compensation Modification Controllers (W.C.M.C.), continues to monitor our program closely and work with our staff, at an annual cost of approximately $21,600.

The PHA's Section 3 Policy states that insurance contracts including Workers Compensation are not subject to the PHA's requirements of submitting a Section 3 Action Plan or contributing to the Section 3 Training Fund. Sufficient funds to cover this premium are included in the FY 2015 Operating Budget recommended for Board approval at this meeting.

DMM

Attachments


Number of Lost Days Away From Work
(Taken from the OSHA log that must be filed each calendar year)
900
800
700
600
500
400
300
200
100
0
1992
1993
1994
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013


Claims Paid Plus Amount In Reserves
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$700,000
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$500,000
$400,000
$300,000
$200,000
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$0
FY92
FY93
FY94
FY95
FY96
FY97
FY98
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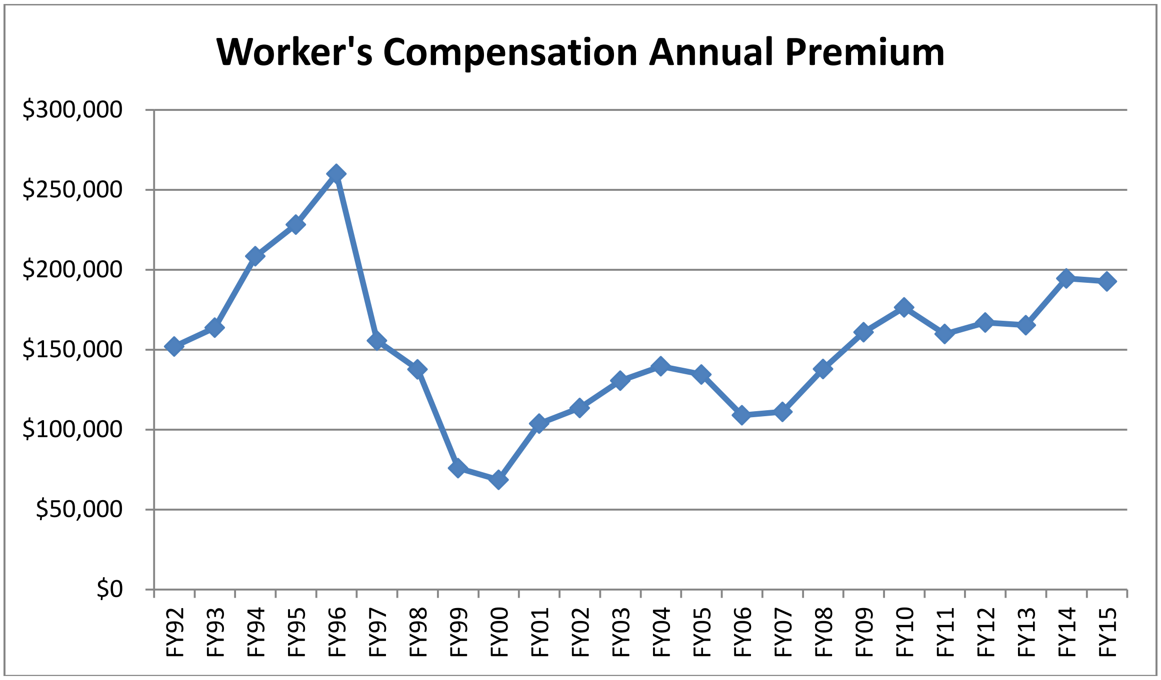
Worker's Compensation Annual Premium
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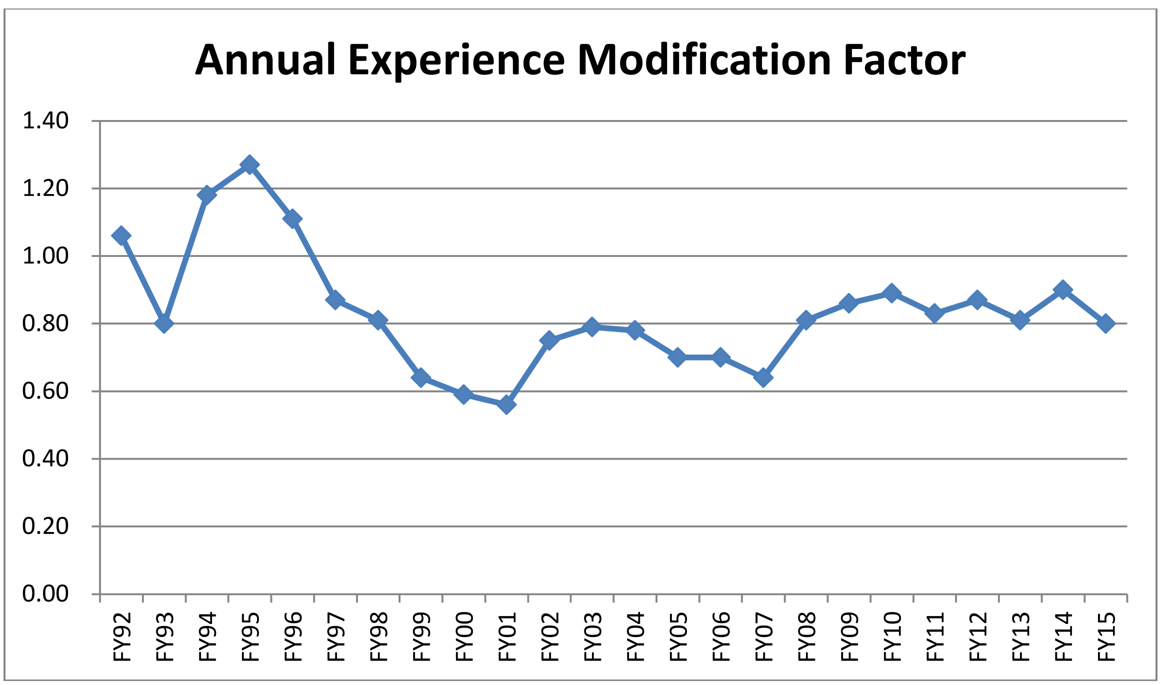
$250,000
$200,000
$150,000
$100,000
$50,000
$0
FY92 FY93 FY94 FY95 FY96 FY97 FY98 FY99 FY00 FY01 FY02 FY03 FY04 FY05 FY06 FY07 FY08 FY09 FY10 FY11 FY12 FY13 FY14 FY15


Annual Experience Modification Factor
1.40
1.20
1.00
0.80
0.60
0.40
0.20
0.00
FY92 FY93 FY94 FY95 FY96 FY97 FY98 FY99 FY00 FY01 FY02 FY03 FY04 FY05 FY06 FY07 FY08 FY09 FY10 FY11 FY12 FY13 FY14 FY15