BROOKLINE HOUSING AUTHORITY
BOARD OF COMMISSIONERS REGULAR MEETING
TUESDAY, JANUARY 26, 2021, 4:30 PM
By Telephone Conference Call

The meeting was called to order by Mr. Jacobs at 4:30 PM. Those present included: Ms. Dugan, Ms. Katz, Ms. Sullivan, and Ms. Cohen.

1. **Call to Order**

2. **Board Reports. No votes or reports.**

3. **Executive Director Report. No votes.**

Mr. Alperin provided the following updates:

- COVID-19 vaccines: The BHA joined a group of affordable housing owners and public housing authorities to lobby the Governor on this issue. Residents of senior affordable public housing and senior private affordable housing are now part of the Commonwealth's Phase Two, Step One vaccination phase; anticipated sometime mid-February. The State leaves it up to each housing authority to find a partner if they want to hold onsite vaccination clinics. Mr. Alperin has spoken with the Brookline Health Department to see if they would be willing to come on-site. Otherwise, residents will be eligible to go to a CVS, Walgreens or one of the State's mass vaccination sites where they must provide self-certification of their age and their residency in a public or affordable housing program.
- The BHA will soon release two large RFPs: 1) for comprehensive resident services (currently contracted through the Brookline Center of Mental Health) to provide social work and clinical services at various developments; 2) for rooftop internet services to provide low cost Internet options or free Internet options to residents.
- Changes are planned for the BHA website using some legacy money from a HUD Capital Improvement Grant. The website will be re-designed and will be hosted on a secure platform for a $1,000 hosting fee.

4. **Resident Association Report. No Votes.**
No report.

5**. Personnel policies. Vote to approve the BHA's revised Personnel Policy.**

Suggested edits by Ms. Cohen and Ms. Katz were incorporated since the last BOC meeting. Mr. Alperin recommended a vote to approve these new personnel policies; to go into effect immediately for all BHA staff.

This agenda item was unanimously approved on a motion from Ms. Katz and a second by Ms. Cohen.

6. **FY2022 Operating Budget. Vote to approve FY2022 Operating Budget.**

The budget is for the period from April 1, 2021 to March 31, 2022. Mr. Alperin expressed that it's a strong budget which will allow the BHA to grow into a tax credit owner of affordable housing. However, it also relies on some one-time developer fees and other development related reimbursements that make it appear to be such a positive budget.

Mr. Alperin highlighted the following budget items from the Revenues Page:

Revenues are projected to increase 33% compared to FY 2020 actuals and 30 % compared to the FY 2021 budget. Routine expenses have grown 24 % compared to FY 2020 actuals and 22 % compared to the FY 2021 budget. He noted that though it appears revenues are growing faster than expenses, if you strip out some of the one-time expenses and other revenue and offsetting expenses, the normalized revenue is growing at about 1% as compared to FY 2020 actuals and 1% compared to last year's budget. Expenses, if you strip out this one time, are growing more like 5.6%, some of which is due to controllable expenses.

Proposed budget compared to last year's budget:
Revenues are projected to grow 30 % compared to last year. This is due to new rental income coming from 61 Park and 90 Longwood, which have much higher RAD rents. Mr. Alperin noted some miscellaneous income sources which would not be expected again in the future year, but are one-time items related to re-development. Substantial development fees are expected related to the BHA's RAD developments

The Authority's operating subsidy has increased due to residents having lower incomes. Mr. Alperin anticipates that DHCD will offset some of the lost revenue from recertifying resident income down and does not anticipate resident incomes going up in the coming year.

The Authority's HUD Section 8 subsidy is budgeted to go from $15M in last year's budget or $14M two years ago in the actuals to $19.4M because of the addition of the 75 mainstream vouchers and conversion of projects under RAD in the last two years to a Project-Based Section 8 subsidy.

Mr. Alperin highlighted the following budget items from the Expenses Page:

BHA salaries are expected to increase by 27% compared to last year's budget and 38% to two years ago actuals. This is primarily due to three new positions being budgeted, as well as three positions that already were on the payroll prior to his tenure but were not included in last year's budget and should have been. Additionally, Mr. Alperin anticipates losing one full time equivalent in this budget within the Resident Services department, says the budget assumes a trend of a 2% increase on existing staff salaries (which is subject to collective bargaining and has not yet been finalized).

There is also an anticipated increase in legal expenditures; due to pandemic-related issues (late payments, etc.) and added anticipated legal costs as Mr. Alperin continues to review other BHA policies and procedures.

There is a sundry office line item $140,000 increase over last year's budget due to additional computer licenses and cell phones due to staff working remotely. Overall, administrative expenses are anticipated to increase 21% compared to last year's budget and 19 % to actual results two years ago.

It is anticipated that utility costs will go down 5% compared to last year but is a 14% increase from two years ago (mostly due to water, sewer and electric). Some savings are expected from the redevelopment at 61 and 90 Longwood due to updated HVAC equipment, etc. Maintenance expenses are expected to increase 4% compared to last year; still 6% lower than maintenance expenses two years ago (the last full year of operations prior to the pandemic).

Non-controllable expenses which will impact the Authority's ability to operate efficiently:

1) Insurance expenses are expected to increase $170,000; a 40% increase as compared to last year and a 75% increase compared to two years' ago. Reasons include: a 20% increase in insurance costs and the need to place separate policies for 61 Park and 90 Longwood.
2) A significant increase in employee benefits due to legacy and current pension obligations. Most of the $273,000 increase is attributable to additional pension contributions. This is a 17% increase over last year and a 20 %increase over employee benefit costs two years ago.

The BHA anticipates a net income of $3.2M this year; most of which is due to one-time development fees and other development related reimbursements

Under non-routine expenses, Mr. Alperin noted a new $261,000 expense anticipated this year due to bank costs related to renovating the BHA's office at 90 Longwood. Some of that cost is being incurred this year, and most of it will really be incurred after April 1st.

The Authority anticipates higher collection losses next year. If the trend continues from the pandemic, there will be a spike in collection related issues unless non-profits to provide rental relief for residents.

Mid-year, 61 Park mid-year will convert to permanent financing and start making annual debt service payments to MA housing or the Boston Private Bank who helped finance the project.

Mr. Alperin then highlighted replacement reserve deposits; an obligation in the operating agreements and agreements with lenders for 61 Park and 90 Longwood. There will be regular replacement reserve requirements monthly for all RAD redevelopments.

Cash flow used to fund construction is only going to occur while the BHA has RAD projects that are not converted to permanent financing. Any surplus cash from 61 Park or 90 Longwood will go back into the development to help fund construction and other development related activities. $589,000 is the budgeted amount of surplus cash to go back in those two developments this coming year (higher or lower depending on actual performance).

Mr. Alperin next provided an overview of BHA programs which are doing fine financially and others which are struggling:

- The Central Office cost center is anticipated to make a small profit, net income of $51,000 before non-routine expenses and $16,000 after operating expenses. This will shrink over time as more properties are converted to RAD.
- The Federal Public Housing Program is expected to lose $133,000 before non-routine expenses and lose $241,000 after non-routine expenses. Mr. Alperin feels this is okay due to one- time Cares Act relief funds. This year, the Federal public housing program is projected to add to its reserves by about $492,000, and the program has always been well reserved. Additionally,

because properties are being converted to RAD Section 8 contracts, the Federal housing portfolio is shrinking.

- $308,000 of surplus cash is anticipated at 61 Park, (and will be put back into the development budget to fund construction) and $280,000 at 90 Longwood. The surplus cash numbers are much higher than they'll be in future years because there's not permanent debt service yet.
- The Federal Section 8 program is anticipated to lose $25,000 both before and after non-routine expenses. This is because it most likely will not be fully utilized under the additional 75 mainstream vouchers which are being added. If fully utilized, this program will make about $19,000 and is designed to break even.
- The State Public Housing Program is the Authority's most troubled program are. It is budgeted to have a net income of $41,000, and a $75,000 loss after non-routine expenses. Without a wholesale rehab of these buildings, the non-routine costs of various replacements will be incurred year after year. In the best-case scenario, this program loses $75,000. Additionally, this is the least reserved of any programs. The Authority has a responsibility to DHCD to keep reserves at 35% of the operating budget, or about $700,000. They were below this number at the start of 2021. A key assumption is that the Authority will have a net income that boosts the state public housing reserves this fiscal year.
- The 10 units at Kent Street and 21 at Beacon Street don't have much risk or reserves related to these programs. It's projected there will be a net income of $300,000 and $4,600 respectively, before routine, after routine, and not routine expenses.
- The 35-unit MVP program is projected to break even and is budgeted for a $1,500 net income before routine expenses, before non-routine expenses and after non-routine expenses.
- Two critical programs: real estate activities (where development fees are booked), anticipates $2.4M after non-routine expenses; the Resident Services program is projected to lose $125,000. Previous budgets didn't show any losses in the Resident Services area; instead showing an internal transfer to offset the exact amount of loss. Mr. Alperin explained the BHA is making a commitment to its residents, and there are structural deficits to fund the amount of resident services currently provided. At present, 526,000 of revenue has been identified as revenue sources for resident service-related expenses.
- Staff salaries expenses of $651,000 are anticipated and include funding for some new full-time employees (such as the new Self-Sufficiency Coordinator), and some part time employees working in programs where the Authority would like to do more. The budget anticipates a post pandemic world where in person services can operate again, and employee benefits of $78,000 all full-time employees. An employee benefit rate of about 51.5 % is anticipated this year.
- The deficit will be again be funded either from an internal transfer of the Authority's unrestricted reserves (much like prior years), or additional yet to be identified fundraising.
- At the end of the year, $8.4 M of reserves is anticipated, most of which is restricted, and unrestricted reserves would be $3.77M (a growth in reserves of about $2.4M).
- The BHA carries a 14.68M pension and OPAP (other post-employment benefits) liability, is still not able to fully fund legacy, pension and benefit related obligations and needs to continue building up reserves by about $6M. However, Mr. Alperin noted it is very normal for housing authorities and other public entities to have legacy obligations that are greater than their current reserves.

This agenda item was unanimously approved on a motion from Ms. Dugan and a second by Ms. Sullivan.

7. Other Business.

8. **Upcoming Meetings.** February Board Meeting: February 9th at 4:30 PM

9. **Adjournment Vote**

On a motion from Ms. Katz and a second from Ms. Cohen it was unanimously agreed to adjourn the meeting at 5:40 PM.

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Michael Alperin, Executive Director