



**City of Madison**  
**Minutes - Draft**  
**CDA Finance Subcommittee**

City of Madison  
Madison, WI 53703  
www.cityofmadison.com

Thursday, August 22, 2019

3:00 P.M.

215 Martin Luther King Jr. Blvd.  
Rm. 153 MMB (Madison Municipal Building)

**CALL TO ORDER / ROLL CALL**

The Meeting was Called to Order at 3:01 p.m.

Present: Claude Gilmore, Greg Reed, Mary Strickland

Staff: Tom Conrad, Adam Pfof, Matt Wachter, Deb Rakowski, Jim Nichols, Katie Stauffer, Kris Koval, Nan Fey, Lisa Daniels, Mark Ziemann

**APPROVAL OF MINUTES**

Reed moved, seconded by Gilmore, to approve the Minutes of the May 2, 2019 meeting. The motion passed by voice vote.

**PUBLIC COMMENT**

None..

**DISCLOSURES AND RECUSALS**

None.

**DISCUSSION ITEMS**

1. [57061](#) Capital Revolving Fund

Matt Wachter explained the structure of the Capital Revolving Fund. Currently there is approx. \$500,000 in the fund.

The main uses of the fund are

- a. Façade Grants. These are used in major retail areas, and are done mainly by the City.
- b. Revolving Loans: Both the CDA and the Common Council can approve these. Currently, the guidelines and dollar amounts don't match the market needs. The Office of Business Resources (OBR) has been tasked with creating new guidelines.

The City's Livingston parking ramp, with a commercial space, was done with a revolving loan. The Arts and Literature Lab was chosen for the commercial space, but now needs approx. \$1/2mil to complete and run the project. It is proposed to use the money in the fund for this. Their rent payments would recapitalize the fund. The terms will be presented to the full Board.

Wachter will check on whether the fund could be used for the Triangle.

2. [57062](#) Housing Authority Second Quarter Financials

A. Organization and structure:

Adam Pfof described the responsibilities/duties of the subcommittee. It has very limited powers. As there is a new iteration of the committee, we are working on setting up

established routines.

He said each property has its own budget. Rakowski said we look at each property and its performance separately.

Gilmore said he wants to see the overall performance, which is not satisfied by the separate budgets. He also wants to see budgets vs. activity.

B. Q2 Financial Report

Deb Rakowski gave a report. Please see the attachment, "2b - Housing Authority Q2 Financial Report Notes – 20190729," for a summary.

We are eight units over the Fairlight limit, which establishes the number of housing units we can have. Gilmore asked if the overage was planned?

Conrad said we had planned to demolish some units at Truax, but HUD would not allow it. Instead the units were remodeled and leased, which puts us over the limit.

Rakowski said the eight units will be involved in the repositioning discussion. Extra units will be sold until we are down to the limit.

Rakowski has estimated that our HUD PHAS score at the end of the second quarter would be 82 out of 100. The goal is be above 90 by the end of this year, which will make us eligible for additional Capital Fund money. Increased occupancy and transferring some reserves to the West AMP will increase the score.

Rakowski has added the "industry standards" on the summary budget report (p. 2). We are currently just below those levels.

Multi-family (p. 3) highlight: the remaining funds for the multi-family service unit program have been awarded, but we can't get the money at this time. We will be reimbursed at a later date for money we have spent.

Regarding Section 8 (p. 4), Conrad said that for 2020, Section 8 administration fees and funding should pay for full funding, plus a cost of living increase.

Regarding Capital Fund grants (p. 5), Rakowski said all of the 2015 grant has been spent, and the rest of the 2016 grant will be spent this year.

3. [57063](#) 2019 Capital Fund Annual Statement

Deb Rakowski gave a report. (For a summary, please see the handout, "2019 Cap Fund Summary")

She said the annual statement requires full Board approval so that it can be submitted to HUD.

4. [57064](#) Redevelopment Authority Second Quarter Financials

- Deb Rakowski and Adam Pfof

Rakowski – For a summary, please see the attachment, "4a - Redevelopment Q2 Financial Report Notes – 20190808."

Multi-family units have high occupancy, with an average of 99%. The statewide average is 96%.

In response to questions from committee members, Rakowski said each property has a separate management company. They do their own accounting and are not part of the City financial system. They provide monthly routine reports. Performance standards are included in the management contracts.

Pfof said we see their performance in the individual property/project audits.

**At 4:00 p.m. the meeting was recessed.**

**4:04 p.m. the meeting resumed.**

4. RD 2nd Q Financials (continued)

Pfost said the Allied Drive Fund includes Revival Ridge, and the model home. It also includes loan payments to Johnson Bank, which will run out of funding in 2034.

The Village on Park is significantly debt-burdened.

The General Fund includes salaries, benefits, pass-throughs and audit costs.

5. [57065](#) CDA Redevelopment 2020 General Fund Cash Flow

Pfost gave a report.

He said a negative balance is expected in the General Fund at year's end. To pay for debt service, one-time transfers will be made from other accounts. Salary savings will also provide some relief. Trade-offs from the transfers are:

Allied Drive fund: there will not be available cash to pay for a third model home if wanted.

Monona Shores has a balloon payment that will need to be refinanced. This cash can't be used to pay down WHEDA loans. It will not affect operations or maintenance.

Village on Park: the \$10,000 transfer won't affect operations.

Kris Koval said they don't yet have a formal lease for the UW at the Village on Park, but it is not far away. They will have it on the November Board of Regents agenda. There might be a month of downtime.

Reed asked how long will it take to rebuild equivalent account reserves to offset the transfers.

Conrad says cash flow will be better for Monona Shores. If good sales continue with the Revival Ridge properties, that project will be finished and there will be no need for a reserve.

Reed asked if there is an ongoing deficit problem.

Conrad said that redevelopment generates a lot of fees, but the CDA hasn't done much redevelopment recently. There are new projects in line, and particularly when the redevelopment specialist is hired, money will be generated.

Gilmore said we need a plan, and to act in a priority manner.

Pfost said management fees provide a baseline, but it is pretty low. Our portfolio is meager.

Regarding the CDA and LLCs, he said the CDA will have to manage these properties in the future. Our business model is shifting.

Monona Shores will need remodeling. This can generate revenue.

Strickland asked if there are issues with staff billing for work done for the CDA.

Pfost said we are getting good results from this.

**Reed moved, seconded by Strickland, to recommended to the Board that the (fund) transfers be approved, and staff, including the new redevelopment specialist, be instructed to create a plan with a new source of revenue. The motion passed by voice vote.**

Further discussion:

Reed said the current setup is not sustainable, and needs to be discussed and revised.

Conrad said the best thing will be to hire the redevelopment specialist. Also, HUD has provided some recommendations to help with this.

Pfost said this isn't needed immediately. There is some time.

6. [57066](#) 2018 Allied Drive Financial Statements

Pfost said the main issue is that of segregation of duties within the management company.  
Rakowski said the management company, Stonehouse Development, has provided verification that the issues have been dealt with.

7. [57067](#) 2018 CDA Financial Statements

Pfost: asked for questions

Strickland asked if there have been qualified audits in the past?  
Pfost said he would ask the auditor about this.

Katie Staffer said the software issues with the City system currently used for the CDA, which counts against us with HUD. We are moving towards an independent software system to satisfy HUD requirements. She said the Finance Department reviews all of the audits.

8. [57068](#) CDA Draft Financial Policies

Adam Pfost presented the current draft of the policies. He said a more uniform policy setup for all operations and properties is needed, with appropriate safeguards. There are “new” and “modified” policies, specifically:

p. 4 500.15 – Subcommittee protocols. Note the part on quorum. Only two SC members make a quorum.

p. 7 500.25 – 3rd party bank accounts. This calls out and standardizes current practices. All such accounts are in the CDA’s name, as the owning partner, and there are monthly reports and monitoring.

Gilmore said if there are changes to management company personal, they should report it to us.

Conrad said the CDA controls the bank accounts, rather than the management companies. They have no access to the City financial system.

Pfost will check this out and report back.

p. 13 500.67 – (Pfost): currently the CDA Executive Director can transfer funds. The new practice is that Board approval is required, with no required sign-off from the Director.

p. 16 – 510.10.20190912 – Residential Property Management Agreements  
Reed asked if LGBTQ+ persons and veterans have any mention.  
Pfost said it is not in the policy.

p. 40 – 600 – Redevelopment Procurement Policy. Pfost said staff purchases use City policy. Management companies use their own policies.

**It was moved by Reed, seconded by Strickland, that the Finance Policies be recommended to the CDA Board for approval. The motion passed by voice vote.**

9. [57069](#) 2020 Meeting Schedule

Pfost discussed the subcommittee schedule for 2020. Staff will email the 2020 subcommittee schedule to committee and Board members.

**ADJOURNMENT**

**It was moved by Reed, seconded by Strickland, to Adjourn. The motion passed by voice vote and the meeting Adjourned at 5:16 p.m.**