



# City of Madison

City of Madison  
Madison, WI 53703  
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## Meeting Minutes - Draft COMMUNITY DEVELOPMENT AUTHORITY

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Thursday, May 2, 2019

1:00 PM

215 Martin Luther King, Jr. Blvd.  
Room 206 (Madison Municipal Building)

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### CDA Finance Subcommittee

#### CALL TO ORDER/ROLL CALL

The meeting was Called to Order at 1:01 p.m.

**Present:** 3 - Daniel G. Guerra, Jr.; Gregory R. Reed and Claude A. Gilmore

Staff: Adam Pfof, Tom Conrad, Deb Rakowski, Kris Koval

#### APPROVAL OF MINUTES

A motion was made by Gilmore, seconded by Reed, to Approve the Minutes of the March 7, 2019, meeting. The motion passed by voice vote.

#### PUBLIC COMMENT

None.

#### DISCLOSURES AND RECUSALS

None.

#### DISCUSSION ITEMS

1. [55450](#) CDA and Housing Operations 1st Quarter Financials Review  
Deb Rakowski provided a report
  - A. Managed units reports
    - Overall, all operations were profitable
    - Some minor capital improvements items
    - At end of March, the only property not at 100% occupancy was Monona Shores.
    - Gilmore would like to have "industry standards" for such things as PUPY included in reports to provide context/comparison. More details in the reports provide a better explanation of what is going on.
  - B. Assets and liabilities
    1. Allied/Revival Ridge:
      - Allied Drive 1st quarter report: nothing big here; just holding the assets.

- Most available cash is from original development fees, which is used a cash account for development of Mosaic Ridge
2. Village on Park
- Re: capital expense and debt service for 2019 - this hasn't been spent yet, though approved by the Board. These expenses will show up later in the year.
  - Salaries are mostly for City Finance Dept. aid to CDA for budgeting
  - Koval said regarding rental situation & issues:
    - Head Start is looking for a new location; the North building should come down when they have left.
    - For the Madison College space, the goal is to find tenants who will equal the amount of revenue generated by current tenants. There are ongoing meetings with possible tenants, including UW.
    - Regarding suggested capital improvements for 2020, Koval said they do not want to spend money on spaces where they don't know if there will be a tenant.
3. Pfof wonders if we should have the City capital budget as main source for funding (as if the CDA is a regular City agency), or if CDA should act independently in the future. The CDA general operating fund is used for items where there isn't a specific fund, such as:
- Miscellaneous assets and liabilities
  - Pass throughs (such as with some loans)
  - Mosaic Ridge loans ("soft" mortgages)
  - There almost no revenue but some expenses, typically covered by redevelopment fees, but there has been none of that for some time. The fund loses every year, but the situation is not dire. We will cover the amount, but the fund doesn't have a steady source of income.
  - "Salary savings" item
- C. Housing Authority programs:
- Public housing
  - Use of grants. We are still drawing from and finishing up the 2018 grants and bookkeeping). For example, we received a \$239,000 Ross grant award for fiscal 2018, and began spending the grant on March 18 2019
  - Housing ops manager (tom c) is now vacant
  - Other vacant staff to be hired
  - Maintenance expenses are below industry standard.
  - Capital improvements - sidewalk elevators, and others
  - We started measuring (PHAS) score - estimate would be 79 for first quarter (out of 100), which is substandard. A score in the 90's is desired, so we are a high-standard performer. This would make us eligible for additional money from HUD and simplify management.
  - There are new tools help us to get to high performance for these scores. Occupancy has been the biggest factor in causing the lower scores.
  - Regarding operating reserves, Rakowski said HUD wants an agency to have 4 months of unrestricted operating reserves. The West AMP has always been expensive to operate. We could transfer funds from General Operating Expenses, but we can't move money between AMPS. We want to get highest score possible by end of year Such transfers can be done by staff, without

Board approval.

2. [55451](#) Update on City Budget Process

Adam Pfof provided a report.

The City's capital budget process has begun, Our capital budget recommendations are due on May 18. What is different this year is that the City's appetite for general obligation borrowing is decreasing, including general obligation borrowing for the CDA. Those funds will be harder to get at, and a harder sell to make.

The City is now looking to prioritize both operating and capital budgets, based on outcomes. It will be a more disciplined and focused approach, developing over the next several years. If we want support from the City, we will have to use their framework. Fortunately, housing and affordable housing are high on the Mayor's priority list.

Operating budget will start sometime in June.

3. [55452](#) Review of 2020 Capital Budget Items

Pfof: The CDA's big capital budget focus this year is on the Village on Park. He has been consulting with the Finance department on how to do things better.

He said our access to general fund borrowing for additional projects is limited, and we don't have the capacity to take on more borrowing at this point. We need to consider how much capital we want to invest, considering that we might not have rental for the Madison College space.

Kris Koval has made a prioritized list of potential projects at VoP. Staff will need to look at that list and figure out what we want to put in that budget.

Gilmore would like the Board to see and approve this budget before it is submitted to the Mayor and Council.

Pfof: He will have to work with Finance to find out if the CDA uses some of its own money to finance these things, whether or not it will have to be in the City budget. Another option is to put a higher amount in the budget, but not spend it if we are not in a position to do so.

Reed: asked if we could use money generated by sale of some parcels in the Triangle to pay for other renovations and redevelopment. There is a lot of potential there.

Gilmore wants to avoid gentrification, and building of things that won't be used by the people who live there (now).

Reed mentioned possibility of providing housing for people who work at the nearby medical facilities.

4. [55453](#) CDA Financial Policy

Rakowski reported regarding the procurement policy for the housing side of things, as opposed to redevelopment.

This is primarily in response to the HUD compliance review at the end of 2017. HUD wanted us to review our policy in light of new federal regulations.

- Housing has updated their policy. The previous policy was approved in 2010.

- Main updates:

- some reorganization so it is more like the HUD template
- includes references to federal regulations
- increasing the threshold for large proposals. The current federal threshold is \$250,000. The City's threshold is \$50,000. Our HUD field office has recommended we go with the federal limit. Housing staff recommend \$150,000, which is between the City and federal limits.

Rakowski explained the procurement process. With the new threshold, any project with proposed cost of \$5,000 to \$150,000, which is classified as a small purchase, is required to have at least three quotes. Large proposals are required to go through the sealed bid process.

Conrad said federal rules also require we follow Section 3, regarding job opportunities for any project that will create jobs. The jobs must first be offered to public housing residents, then section 8 users, and then low income residents in our jurisdiction.

Rakowski said that we have had problems getting enough quotes and bids. Part of it is the market, and part is the federal rules around procurement. We rely on the City and their lists of minority, women and small-business-owned, and try to target those businesses. We encourage new and small businesses to get on that list.

Reed suggested if there is a problem with projects being too small, we might be able to bundle several together and put them out for bid that way.

Rakowski said they would like to make the bid application packet more user-friendly, with self-explanatory forms, so it isn't so daunting to possible bidders.

Gilmore asked about the affirmative action plan. Rakowski said we follow the City's guidelines and their plan.

Gilmore asked how we tell if they are doing it. We need some kind of measurement.

Rakowski said there are federal guidelines. We include the requirements about minority and women's jobs in our bid postings.

Conrad said Section 3 means we can require that a percentage of those hired to be low income. This is an income test, not a women or minority test. We have required as part of the bid that chosen contractor hold a job fair, and post job opportunities throughout the community.

DR: if a company is a registered Section 3 business, and they don't have the lowest bid, that is the only situation where we can award them the bid (because they are section 3).

Subcommittee members suggested raising the threshold and increasing the lower limit. This could give us more control over the procurement process and make the projects more attractive to possible bidders.

Pfost cautions that we have good, experienced staff now working on those things, but he is uncomfortable with allowing unknown staff in the future to purchase items up to \$10,000 just based on their experience or preferences. He also thinks the \$250,000 threshold might allow improper or questionable decisions.

Guerra said if there are problems, the Board can change the policy if needed.

Gilmore said there can't be just one person who makes these decisions. There needs to be a review/vetting process.

Rakowski this is and will be part of the procedural document, and staff are currently working on this. We should always be mindful of the potential for problems of this sort. We need a policy to send to HUD for our compliance review, and she hopes to have a working draft by the end of August.

The subcommittee wants to recommend the increase limits (10,000 and 250,000 for the Board for approval and so the policy can be sent to HUD. Amendments regarding procedure can be made later.

Rakowski discussed Board approval for contracts for items over \$50,000, and the power of the Executive Director to delegate authority for signing contracts) as necessary.

**Gilmore moved, seconded Reed, to recommend that the Board approved the discussed changes to the procurement policy, increasing the large purchase threshold to \$250,000, and increasing the micro purchase limit to \$10,000. The motion was approved by voice vote.**

**Greg Reed left the meeting at 3:19 p.m. A quorum was still present.**

**Present:** 2 - Daniel G. Guerra, Jr. and Claude A. Gilmore

**Excused:** 1 - Gregory R. Reed

5. [55493](#) 2018 Property Audits

There were questions on how the Revival Ridge audit was done, and the issue of segregation of duties.

Pfost said that before her retirement, Natalie Erdman discussed with the property management company on how to resolve the issues. They have reported that the issues in the audit have been taken care of. Erdman requested written confirmation of the steps taken, but this has not been received yet. She intended to document the conversations and process, which should be provided in a few days. If not, we will have to take this up again.

Rakowski did not find issues in the other audits which have not already been resolved.

**Gilmore moved, seconded by Guerra, to recommend to the Board that the audits be approved. The motion was approved by voice vote.**

6. [55454](#) Update on Allied Audit

7. [35867](#) SCHEDULED MEETINGS

July 26, 1:00 p.m., Room 206 MMB

**ADJOURNMENT**

The meeting was Adjourned at 3:30 p.m.