

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date: April 6, 2015
	Agenda Item No. MHGB4 Roll Call No. <u>15-0577</u> Communication No. <u>15-187</u> Submitted by: Douglas C. Romig, Housing Services Director

AGENDA HEADING:

Authorizing City Manager and Housing Services Director to enter into formal discussions with Red Rock Area Community Action Program (Red Rock) for contracting the operations of the Section 8 Family Self-Sufficiency (FSS) programs of the Des Moines Municipal Housing Agency (DMMHA).

SYNOPSIS:

Authorizing the City Manager and Housing Services Director to enter into formal discussions with Red Rock to contract the day-to-day operations of the DMMHA’s Section 8 FSS programs.

FISCAL IMPACT:

Amount: \$127,364 less revenue to the City that is currently allocated from the DMMHA for Indirect Cost Allocations to the General Fund and to the Enterprise Fund.

Funding Source: Section 8, S350 HSG125000, page 116

ADDITIONAL INFORMATION:

Due to federal funding reductions to the U.S. Department of Housing and Urban Development (HUD), the DMMHA has been operating at a deficit for over five (5) years. In FY2014, the DMMHA expended all reserves and has been utilizing its Disposition Funds (proceeds from sales of scattered site single-family homes) to balance its annual operating deficit. At the current rate, these funds will be completely expended at the end of FY2018. For the adopted FY2016 proposed budget, an overall deficit is projected at \$726,356. During the FY2015 budget presentation, the Des Moines Municipal Housing Governing Board directed the City Manager and Housing Services Director to develop a plan to balance the DMMHA operating budget.

In evaluating the potential impacts (operational and fiscal) of the City Municipal Housing Agency maintaining direct administration of the Public Housing operations and contracting the Section 8 and FSS operations, the City would maintain control (governance) of both Public Housing and Section 8 with the ability to balance the Section 8 program budget, invest a minimal amount into the Public Housing Program (eliminate the PILOT charges, but maintain the Indirect Cost Allocations for services provided by the City); and have the ability to expand affordable housing through this initiative within the Public Housing program with the remaining Disposition proceeds.

Based on internal staff analysis the City Manager is requesting authorization to enter into formal discussions with Red Rock based on the following considerations:

- 1) DMMHA to retain the Public Housing Division and place within an existing operating department of the City.
- 2) Place the DMMHA Accounting Analysts position within the City’s Finance Department.
- 3) Maintain Public Housing Resident Opportunities and Self Sufficiency (ROSS) grant funded position and Resident Services Coordinators within Public Housing Division.
- 4) Contract with Red Rock to provide Section 8 and all FSS management and operations. Federal FSS grants and the United Way grant are now combined to serve both Public Housing and Section 8 clients.
- 5) All current DMMHA employees administering the Section 8 and FSS operations would be guaranteed initial employment and retained based on performance and funding. Salary and benefit packages shall be in accordance with Red Rock’s compensation and benefit offerings (Red Rock employees are Iowa Public Employees’ Retirement System (IPERS) eligible).
- 6) Red Rock shall expend between 98% and 102% of Housing Assistance Payment (HAP) funds each year.
- 7) Red Rock shall comply with all HUD rules, regulations and Agency Plan policies adopted by the Municipal Housing Agency Governing Board.
- 8) Red Rock shall provide bi-annual updates each year to the Municipal Housing Governing Board on the status of the Section 8 and FSS programs.

Public Housing Fiscal Impact (Based on FY2016 Proposed Budget):

Public Housing Revenues:	\$ 2,563,558
Public Housing Expenses:	\$ 2,649,102
Operating Deficit:	(\$ 85,544)

One option to further reduce the structural deficit would be to eliminate the PILOT currently at \$80,853.

Expenses may be reduced in the future in the event of future retirement within Public Housing allowing the Public Housing operating budget to generate an annual reserve.

Loss of Indirect Costs to City is estimated at \$127,364 due to contracting Section 8 services.

Section 8 Fiscal Impact:

Section 8 Revenues:	\$2,251,363
Section 8 Expenses:	\$2,138,066
Net Gain/(Loss):	\$ 113,297

Expenses are based on the anticipated costs of contracting for services. Revenues include income from Community Action for IT and Accounting service provided by Housing employees.

Governance:

In evaluating governance, the staff is recommending the following:

- 1) City Municipal Housing Agency maintain direct administration of Public Housing operations and the Municipal Housing Agency Governing Board contract the Section 8 and FSS operations to Red Rock. Municipal Housing Agency Governing Board still sets policy and approves budget these programs. The City Municipal Housing Agency retains direct control (governance and operations) of all of Public Housing which is all within the corporate City limits and governance of the Section 8 program which serves all of Polk County.

- 2) City Municipal Housing Agency Governing Board maintains policy and budget authority for both Public Housing and Section 8 programs.
- 3) Red Rock has experience with HOME TBRA which is similar to Section 8. With the Red Rock jurisdiction covering Polk County the service area is identical to the City's Municipal Housing Agency Section 8 program.

PREVIOUS COUNCIL ACTION(S): NONE

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

Based on analysis and Red Rock's interest, authorization for the City Manager and Legal Department to negotiate agreement with Red Rock for contracted Section 8 and FSS operations.

For more information on this and other agenda items, please call the City Clerk's Office at 515-283-4209 or visit the Clerk's Office on the first floor of City Hall, 400 Robert D. Ray Drive. Council agendas are available to the public at the City Clerk's Office on Thursday afternoon preceding Monday's Council meeting. Citizens can also request to receive meeting notices and agendas by email by calling the Clerk's Office or sending their request via email to cityclerk@dmgov.org.