



Berkeley Housing Authority

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Item 6C
ACTION CALENDAR
January 10, 2011

TO: Honorable Chairperson and
Members of the Berkeley Housing Authority

FROM: *[Signature]* Finance Committee

SUBJECT: Interim Recommendation Regarding BHA's Future Operations

RECOMMENDATION

The Finance Committee recommends that the Board adopt a resolution: (1) approving in concept the recommendations presented in the September 27, 2011 report prepared by Quadel Consulting Corporation; and (2) directing staff to work out the specific details such that (a) salary and benefits are reduced overall by at least 10% by July 1, 2012; (b) staffing is reduced by one FTE position by July 1, 2013; and (c) overall operating expense savings sufficient to produce a Section 8 Net Unrestricted Assets reserve equivalent to 8 weeks of operating expenses by July 1, 2013 are realized.

BACKGROUND

BHA resumed autonomous operation, independent of the City of Berkeley in June 2007. As was the case before the separation, BHA has generally been able to balance its budget with an annual General Fund contribution from the City and/or use of existing program reserves in the Section 8 and/or Low Income Public Housing programs.

The City ceased providing additional General Fund subsidy beginning in Fiscal Year 2010-11. Thus, while BHA was able to achieve a small operating surplus in its Section 8 program in FY2011, due in part to the carry over of a portion of the City's FY2010 General Fund subsidy, questions as to BHA's on-going viability as a separate agency following disposition of its LIPH/RHCP units were unavoidable. These concerns were made worse by the looming prospect of cuts in the level of federal funding available for Section 8 programs throughout the nation.

As with many public agencies throughout the State and beyond, this led the Board to commence a review of BHA's operations and viability as an ongoing enterprise. As part of this effort, in June 2011, BHA contracted with Quadel Consulting to perform an organizational assessment, and in July adopted a resolution establishing a process for developing a long-term course for BHA (Resolution No. 11-35).



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Pursuant to this resolution, the Board resolved that the Finance Committee serve as lead agent for working with staff in reviewing the results of the Quadel study and developing a recommendation relative to BHA's future operations. The Board further resolved that this "process be completed by December 2011, and include the results of the Quadel study, information about the Federal 2012 budget, projected proceeds from the LIPH/RHCP disposition project, and any other pertinent information available." At its November meeting, the Board extended this deadline to January 2012.

Quadel Consulting reported the results of its organizational assessment to the Board in September 2011, and the Finance Committee held meetings on September 29, October 27, and November 3, 2011 to review these with staff and develop the requested recommendation. Unfortunately, the Federal budget for FY 2012 budget has yet to be adopted and so was not, and still is not, available for review. In addition, the timing and amount of proceeds that will be available to BHA as a result of the LIPH/RHCP disposition project remain uncertain at this time. Accordingly, at its January 4, 2012 meeting, the committee concluded that the proposed interim recommendation regarding BHA's future operations would be most appropriate at this time.

CONCLUSION

The committee will continue to monitor developments. Given the current state of the economy, there appears little reason to think BHA's federal funding will increase in the near term. However, the LIPH/RHCP disposition should yield some positive financial resources which may impact the budget for next year or the years to follow, depending on their timing. We may reasonably expect to have more clarity as to these matters by spring. In the meantime, the proposed resolution will enable staff to continue to work toward implementation of the steps that now appear needed to ensure BHA's continued viability.

**BERKELEY HOUSING AUTHORITY
RESOLUTION NO. 12-**

FUTURE OPERATIONS OF THE BERKLEY HOUSING AUTHORITY

WHEREAS, the Berkeley Housing Authority ("BHA" or "Authority") is a public body, corporate and politic, organized pursuant to Housing Authorities Law, California Health and Safety Code Section 34200 et. seq.; and

WHEREAS, BHA resumed autonomous operation, independent of the City of Berkeley (City) in June 2007; and

WHEREAS, BHA was required by the U.S. Department of Housing and Urban Development (HUD) to file an application to dispose of the Low Income Public Housing units by December 31, 2009; and

WHEREAS, in December 2010, BHA obtained approval from HUD to "dispose" of the 61 Public Housing units to an entity that will continue to operate the units as affordable rental housing; and

WHEREAS, the State Community Housing and Development Department has also been approached about "disposal" of the 14 RHCP units as well; and

WHEREAS, it is likely that the disposition process will be completed and BHA's administration of the 75 unit Public Housing program will cease sometime in FY 2012-13; and

WHEREAS, in Fiscal Year 2010-11, the City ceased the practice of providing an annual General Fund subsidy to BHA; and

WHEREAS, recent and anticipated future reductions in Federal funding for the Section 8 programs further jeopardize the continued financial viability of the BHA as a stand alone agency; and

WHEREAS, BHA contracted with Quadel Consulting Corporation ("Quadel Consulting") to perform an assessment of its operations and advise where cost savings, opportunities for revenue enhancement, and/or operational efficiencies can be achieved; and

WHEREAS, Quadel Consulting reported its findings and recommendations to the Board in September 2011; and

WHEREAS, the Finance Committee held meetings on September 29, October 27, and November 3, 2011 to review these with staff and develop a recommendation regarding BHA's future operations; and

WHEREAS, the Federal budget for FY2012 has yet to be adopted; and

WHEREAS, the timing and amount of proceeds that will be available to BHA as a result of the LIPH/RHCP disposition process remain uncertain at this time; and

WHEREAS, the instant resolution embodies the Finance Committee's interim recommendation regarding BHA's future operations;

NOW THEREFORE, BE IT RESOLVED that the Board hereby (1) approves in concept the recommendations set forth in the September 27, 2011 report prepared by Quadel Consulting; and (2) directs staff to work out the specific details such that (a) salary and benefits are reduced overall by at least 10% by July 1, 2012; (b) staffing reduced by one FTE position by July 1, 2013; and (c) overall operating expense savings sufficient to produce Section 8 Net Unrestricted Assets reserve equivalent to eight (8) weeks of operating expenses by July 1, 2014 be realized.

BE IT FURTHER RESOLVED, that the Finance Committee shall continue to work with staff to monitor and report developments which may impact the Authority's current budget and future operations, including, but not limited to, adoption of a Federal FY 2012 budget and the amount and timing of proceeds from the LIPH/RHCP disposition project.

The foregoing Resolution was adopted by the Board of the Berkeley Housing Authority on January 12, 2012 by the following vote:

Ayes:

Noes:

Abstain:

Absent:

Attest: _____
Tia M. Ingram, Secretary