

MORRISTOWN HOUSING AUTHORITY
BOARD OF COMMISSIONERS
31 Early Street
Morristown, New Jersey 07960
Monday, July 29, 2013
Commencing at 6:00 p.m.

RE: Regular Open Public Meeting

TRANSCRIPT
OF THE
PROCEEDINGS

M E M B E R S P R E S E N T:

VERA WHITE, Chairperson
MICHAEL A. CHERELLO, Vice Chairman
MARY DOUGHERTY, Commissioner
DOROTHY HOLMAN, Commissioner

A L S O P R E S E N T:

LEANORA GROSS, Acting Executive Director
RALINE SMITH-REID, Council Liaison

A P P E A R A N C E S:

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REPORTED BY:
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I N D E X

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SPEAKER	ADDRESS	PAGE NO.
JOANNIS PAPETTA	31 Early St., Apt. 3-L	4
SARA TYUTYUNIK	39 Early St., Apt. 4-V	8
DONNA HOWARD	39 Early St., Apt. 103	13
ANTHONY POLCARI, CPA - Auditor		16
WILLIAM KATCHEN, CPA - Accountant		27

1 CHAIRPERSON WHITE: I, Vera White,
2 Chairperson of the Board of Commissioners of the
3 Housing Authority of the Town of Morristown, and
4 Presiding Officer at this meeting, do hereby
5 state it is now six o'clock in the afternoon on
6 July 29, 2013, and we are convening at 31 Early
7 Street, Morristown, New Jersey, and do hereby
8 announce publicly that proper notice of this
9 regular special meeting has been provided in
10 accordance with the New Jersey Open Public
11 Meeting Act. Roll call.

12 (At this point in the proceedings
13 the roll call is taken with Chairperson White,
14 Commissioner Cherello, Commissioner Dougherty,
15 Commissioner Holman being present).

16 (At this point in the proceedings
17 the flag is saluted.)

18 CHAIRPERSON WHITE: We're going to
19 have a moment of silence.

20 (A moment of silence is
21 observed.)

22 CHAIRPERSON WHITE: Okay. And
23 we're going to open up for public comments. Is
24 there anyone in the audience who would like to
25 have something to say tonight? If so come

1 forward to the mic, state your name and where
2 you're from.

3 MR. PAPETTAS: My name is Joannis
4 Papettas. I'm from 31 Early Street.

5 CHAIRPERSON WHITE: What's your
6 apartment?

7 MR. PAPETTAS: 3-L.

8 CHAIRPERSON WHITE: Okay.

9 MR. PAPETTAS: We have few
10 complaints over here. First, when the fire
11 department, the alarm goes off, why go somewhere
12 else and not go direct to the fire department?

13 CHAIRPERSON WHITE: You mean when
14 you called it goes somewhere, it don't --

15 MR. PAPETTAS: When the alarm
16 comes up, it go somewhere else. A month ago we
17 have an issue here. It was not a fire, but it
18 was interval of 55 minutes. And if I was not
19 called the fire department, they never knew about
20 it. It's on the record.

21 CHAIRPERSON WHITE: So we have to
22 find out from the town. I think we share
23 services, but do we do that with the fire
24 department?

25 COMMISSIONER CHERELLO: It's an

1 automatic dialer on the fire alarm system, and
2 for whatever reason the dialer wasn't working.

3 MS. GROSS: It was a glitch.

4 COMMISSIONER CHERELLO: That's the
5 problem. Because nothing goes directly to any
6 fire department or police headquarters anymore,
7 it all goes through a service. That's for no
8 matter what. And that's the way it is throughout
9 the state.

10 MR. PAPETTAS: There was an
11 incident here, it takes 55 minutes for me to call
12 them. It was not my job to call them. But I
13 called them, and they take me, because I called
14 and says nobody gives us a call.

15 COMMISSIONER CHERELLO: I can't
16 believe somebody would wait 55 minutes.

17 MR. PAPETTAS: I think we have
18 security man here. He supposed to be.

19 COMMISSIONER CHERELLO: That's
20 what it is. You have automatic dialing. As soon
21 as that firearm alarm goes off, that phone call
22 is supposed to go out.

23 MS. GROSS: There was a problem
24 with the system.

25 COMMISSIONER CHERELLO: For

1 anybody to wait for 55 minutes --

2 MR. PAPETTAS: We can burn a lot
3 of people here. We got old people here. They
4 can't walk. They need to be evacuated and all
5 that in case of fire.

6 COMMISSIONER CHERELLO: Lee, was
7 that addressed?

8 MS. GROSS: That was addressed,
9 yes. There was a problem with the system. What
10 was it, Mr. Pounder?

11 MR. POUNDER: The lines went down,
12 the lines have been corrected.

13 COMMISSIONER CHERELLO: That's
14 probably what it was.

15 MR. PAPETTAS: The chief said to
16 me --

17 COMMISSIONER CHERELLO: Who said
18 to you.

19 MR. PAPETTAS: The chief. He said
20 to me next time if it goes over ten minutes, he
21 says five to ten minutes you call the 911,
22 please.

23 COMMISSIONER CHERELLO: Don't wait
24 even ten minutes. Wait two minutes, three
25 minutes. You should be able to hear them

1 coming. They're right here. If you don't hear
2 the sirens within two minutes, pick up the phone
3 and call.

4 MR. PAPETTAS: But it's not my
5 job. We have a security. For me I try to save
6 myself. I run out.

7 CHAIRPERSON WHITE: What
8 happens -- we have our maintenance guy here
9 tonight. When the alarm goes off, do we have
10 somebody here that is responsible for calling,
11 or --

12 MR. POUNDER: We have, like he
13 said, we have -- the lines, they automatically
14 call the fire department. For some reason or
15 other the lines failed. The lines failed. And
16 they never got the call. The aids never got the
17 call either. So when we came in the next
18 morning, we called Hagues (ph), Hagues came in.
19 They took my phone line from my office because it
20 was on a Friday, and they hooked the lines up so
21 we would have coverage. Monday morning when I
22 got back in I called Verizon, Verizon came, in
23 repaired all lines and put everything back in
24 order.

25 CHAIRPERSON WHITE: So that was

1 just a glitch, sir.

2 MR. PAPETTAS: And another thing,
3 this lady here, she's a refugee for the Second
4 World War. They ask her for a birth
5 certificate. She do not have a birth certificate
6 but she does have a passport. Because when the
7 Hitler, you know, all these people they left and
8 they go to Russia and they have no paperwork.
9 And the United States Government, they give them
10 a passport. But they don't recognize the
11 passport over here. They want a birth
12 certificate. She do not have it, and she can't
13 get any. What is she supposed to be doing?

14 MS. TYUTYUNIK: I live in this
15 building 16 years.

16 CHAIRPERSON WHITE: Ma'am, before
17 you start talking, I'm sorry, could you just
18 state your name and where you live?

19 MS. TYUTYUNIK: My name is Sara
20 Tyutyunik, 4-V, my apartment 4-V. I citizen, I
21 have -- I'm sorry, my English is not so good.

22 CHAIRPERSON WHITE: You're doing
23 fine.

24 MS. TYUTYUNIK: Why I need the
25 birth certificate?

1 CHAIRPERSON WHITE: Who asked you
2 for it?

3 MS. GROSS: Because HUD requires
4 it.

5 MS. TYUTYUNIK: After all years --
6 okay, I go to the office, to our office, they
7 give me a paper to translate from Spanish. I'm
8 not from Spanish, I'm from Russia. Okay. On
9 this paper, male, I'm not male, I'm female.
10 Birth certificate I have to show my -- some paper
11 with name of my parents. My parents 32 years ago
12 died. I can't on this paper write what I want.
13 And the same, I have to go to the office and pay
14 money for what, I needed birth certificate.

15 MS. GROSS: HUD requires that they
16 have birth certificates. And years ago on the
17 Social Security documents, the birth date was
18 there, and we were able to use that. Now HUD is
19 saying that we cannot use that, we cannot use the
20 passport, we have to get the birth certificates.
21 But in her case, this is the first I'm hearing of
22 it, in this particular case I'm going to have to
23 call HUD and find out what it is we do when you
24 have residents who don't have birth certificates
25 or cannot get birth certificates.

1 MR. PAPETTAS: She can't get any.

2 CHAIRPERSON WHITE: She should be
3 grandfathered in. She's been here awhile. She
4 should fall under --

5 MS. GROSS: I have to call HUD.

6 CHAIRPERSON WHITE: We're going to
7 look into that. We're going to look into that.

8 MS. TYUTYUNIK: I have been here
9 for --

10 CHAIRPERSON WHITE: The ones that
11 are living here already, we can --

12 MS. TYUTYUNIK: I can't understand
13 what this is, the reason why I need the birth
14 certificate. My birth certificate is from war is
15 burned.

16 CHAIRPERSON WHITE: Would you like
17 to offer something on that subject?

18 MR. POLCARI: My name is Tony
19 Polcari. I'm the auditor. I'm going to speak to
20 you in a short while about the audit report. I
21 believe if you contact HUD they'll tell you if
22 you have some other proof of citizen, whatever
23 papers you have from immigration, that should
24 suffice in this case.

25 MR. PAPETTAS: She does have

1 passport, United States.

2 MR. POLCARI: If you have proof of
3 citizenship that should be enough. Ms. Gross
4 will check with HUD and make sure the papers you
5 have, and you do have proof of citizenship, that
6 should take care of the situation.

7 CHAIRPERSON WHITE: We'll look
8 into that.

9 MR. POLCARI: It's an unusual
10 situation.

11 MS. TYUTYUNIK: I don't know if
12 it's a right or not, here in this building, you
13 know who live, a lot of sick and old people,
14 people don't remember everything. And very often
15 people live in apartment, the keys, to open the
16 door, our workers have keys come open the door
17 after they come, they bill \$15.00. When I tell
18 to somebody what we have to pay \$15.00 during the
19 day, during the week, weekend, \$25.00, I
20 understand there's more because somebody have to
21 come. During the day the workers is here, the
22 guy come open the door, he have the key, open the
23 door, and after the bill come \$15.00. I think
24 it's not right.

25 CHAIRPERSON WHITE: It has been a

1 law for awhile, that's not only for the seniors,
2 it for everybody. I understand your point. We
3 do have older people. Not that older people are
4 the only ones that get it. It has been something
5 in effect for awhile with the Morristown Housing
6 Authority. And I don't know if we can change
7 that.

8 MS. TYUTYUNIK: My brother live in
9 Hill Street, 44, regular people, working people,
10 they don't pay. A lot of friends, I go to
11 daycare, I have a lot of friends, when I say we
12 have to pay for opening the door, they are
13 surprised.

14 CHAIRPERSON WHITE: Then on the
15 other side of that token, and I understand what
16 you're saying, there are places that even charge
17 more, but I don't know what we can do about
18 that. I really don't. I don't know what I can
19 do about that. But we will certainly look into
20 the passport situation. Okay?

21 MR. PAPETTAS: Thank you.

22 CHAIRPERSON WHITE: Are there any
23 more in the audience that would like to speak in
24 the public, from the public?

25 Seeing none we're going to close

1 the public.

2 COMMISSIONER DOUGHERTY: There is
3 one young lady in the back there. Come up young
4 lady.

5 CHAIRPERSON WHITE: What is your
6 apartment number?

7 MS. HOWARD: Donna Howard. 103,
8 39 Early Street. I'm complaining about the
9 dryers over at 39. They say a dollar fifty cent
10 for I guess it's 50 something minutes. But it
11 costs more than a dollar fifty cent to dry your
12 clothes. It costs \$2.00 and something to dry
13 your clothes, and I think that's a ripoff. You
14 can go to the wash and dry your clothes cheaper.

15 MS. GROSS: What are you saying,
16 when you put the dollar fifty it doesn't do
17 anything?

18 MS. HOWARD: It doesn't dry your
19 clothes all the way. You have to go upstairs and
20 hang them up or put more money in. I have put in
21 \$2.50 in that machine to dry my clothes, and I
22 don't feel like I should have to do that. If I
23 got to do that and go upstairs and hang my
24 clothes up, I might as well hang them all up.

25 MS. GROSS: Didn't we have

1 somebody check all the dryers?

2 MR. POUNDER: They were fine.

3 MS. GROSS: They said there was
4 nothing wrong. We had them checked about two
5 months ago, all the dryers in all the buildings,
6 all the machines. But we will have them checked
7 again.

8 CHAIRPERSON WHITE: Is there a
9 lint catcher in the dryer that you pull out?
10 That's really important. We'll have somebody
11 look into it and see what's going on. Maybe they
12 need to turn it up a little bit.

13 COMMISSIONER HOLMAN: Maybe turn
14 the temperature up.

15 CHAIRPERSON WHITE: According to
16 what you put in it, if you put a whole bunch of
17 jeans in there it's not going to do nothing. I
18 had the same situation. I have to use a dryer
19 that cost \$1.50, but if I put heavy stuff in, I
20 got to put another \$1.50 in. But we'll have
21 somebody look into it.

22 MS. HOWARD: It was on Ann Street
23 also.

24 COMMISSIONER DOUGHERTY: That's
25 why we had them all checked last time.

1 MS. GROSS: They checked all
2 across the board.

3 COMMISSIONER DOUGHERTY: Is there
4 a certain dryer you're finding this with, or
5 across the board?

6 MS. HOWARD: Across the board.
7 I've tried different ones. They do say the
8 second dryer in dries better than the first one,
9 dries better than the rest of them. But I don't
10 know. And then they don't want you to put tags
11 on the machines that are broke, but then
12 somebody -- if somebody -- if it's broke,
13 somebody else comes down there and uses it, then
14 they lose their money too. They said the third
15 washing machine in does not wring your clothes
16 out good. There's no sign on it.

17 CHAIRPERSON WHITE: There
18 shouldn't be a sign, they should fix it. How
19 long has it been like that?

20 MS. HOWARD: A couple of weeks.

21 CHAIRPERSON WHITE: Did you call
22 maintenance?

23 MS. HOWARD: I didn't use it.

24 MR. POUNDER: I just had the
25 machines at 39 Early Street fixed today.

1 MS. HOWARD: So it's fixed.

2 COMMISSIONER DOUGHERTY: That's a
3 great answer. Thanks, Donna.

4 CHAIRPERSON WHITE: Are there
5 anymore public comments? Seeing none, do you see
6 anymore, Mary?

7 COMMISSIONER DOUGHERTY: I don't
8 see any.

9 CHAIRPERSON WHITE: We're going to
10 close this portion and we're going to move on
11 down our agenda.

12 The resolution approving audit
13 and annual budget. I think we're going to have
14 Mr. Polcari come up and do a presentation for
15 us.

16 MR. POLCARI: Good evening. We
17 all set? My name is Anthony Polcari from the
18 firm Polcari & Company. We perform audits and
19 work as fee accountants for approximately 30
20 housing authorities. And we're experienced in
21 the audits and accounting for housing
22 authorities.

23 And I just want to take a few
24 minutes tonight to go over the audit report for
25 the year ended September 30, 2012. I don't know

1 if anyone has ever done a presentation of an
2 audit of a government agency for you before, but
3 there are a couple of things I wanted to point
4 out. I know many of you have business
5 experience. The audit of a housing authority is
6 similar, but in many respects there are important
7 differences between what we do when we audit a
8 government agency such as this housing authority,
9 and one when a business is audited. If you
10 notice, our audit report contains three different
11 reports. On page six and seven you have the
12 independent auditor's report on the financial
13 statements and supplemental information. And
14 basically what we're doing in that report is
15 we're rendering an opinion as to whether or not
16 the financial statements, that is the numbers
17 that are presented, the income statement, the
18 balance sheet, are presented fairly and in
19 accordance with generally accepted accounting
20 principles. And we offer here an unmodified
21 report, previously referred to as an unqualified
22 opinion, just a little bit of change in the
23 account lingo over the last year.

24 So what we're saying here is that
25 the financial statements as they were submitted

1 to HUD were a fair presentation of your financial
2 position and the results of your operations for
3 the years ended September 30, 2011 and September
4 30, 2012. We did make some minor adjustments to
5 those financial statements, the unaudited to the
6 audited, but again those adjustments were
7 reviewed with management and with your
8 accountant. And the financial statements as
9 presented here are accurate. And that's again
10 reflected in our report on pages six and seven.

11 On page 30 and 31, we give a
12 report on internal control over financial
13 reporting, which is something you would generally
14 not see in the audit of a public -- private
15 enterprise. What we're required to do when we
16 audit the financial statements of a government
17 agency in addition to looking at the numbers is
18 to take a look at the systems of internal
19 control; what checks and balances you have to
20 make sure that the housing authority's assets are
21 safeguarded, what controls you have to make sure
22 that your financial statements are fairly
23 presented, to make sure that your liabilities are
24 all-encompassing, and that the changes in your
25 financial position that you report in your income

1 statement come from a system that has controls
2 that provide for accurate information.

3 So we examined your controls, we
4 document what controls exist, we then test those
5 controls. And what we say in this report is that
6 the system of internal control that you have in
7 place at the Morristown Housing Authority is
8 sufficient to meet the needs of the organization
9 and to provide fair and accurate financial
10 statements.

11 And then the third report, which
12 is on page 32 and 33, is a report on compliance.
13 And as you know, because you receive funds from
14 the federal government, you are required to
15 comply with certain procedures, with certain
16 regulations, that pertain to each of those grant
17 programs for which you receive funds. So what we
18 do is we look at your programs. In your case you
19 have a housing choice voucher program and a
20 public housing program are both major programs.
21 So what we do is we look at the compliance
22 requirements for each of those programs. For
23 example, when you look at the public housing
24 program, we look to make sure that tenants who
25 apply to the housing authority are added to a

1 waiting list, that the tenants, prospective
2 tenants come off that waiting list in the proper
3 order, that they're given the proper preferences,
4 that all tenants are recertified annually, that
5 your apartments are inspected at least annually.
6 So we, based on the compliance supplement that's
7 issued by the office of management and budget, we
8 take a look at those compliance requirements and
9 we verify that in each of the transactions, and
10 we select a sample of 40 transactions for each of
11 those programs, to make sure you meet those
12 compliance requirements. And in so doing we
13 didn't find any issues, we found you did comply
14 with the government's requirements for each of
15 those major programs. I wanted to bring that to
16 your attention.

17 I want to talk a little bit about
18 the financial statements as they appear on pages
19 I believe it's nine and ten. Page eight is your
20 comparative statement of net assets, or in the
21 business environment what you refer to as a
22 balance sheet. What this statement shows, which
23 is somewhat important, if you take a look at the
24 bottom of page eight, it's about four lines, we
25 have an item called unrestricted net assets.

1 Unrestricted net assets represents the funds that
2 you have accumulated over time that can be used
3 to support the operations of the housing
4 authority, that are available to meet current
5 obligations. As of September 30, 2011, we had
6 one million 656 thousand in unrestricted net
7 assets, at the end of 2012 we have a million
8 258. So that's a decrease of approximately
9 \$400,000, which means basically that you operated
10 at a shortfall of about \$400,000 for the year
11 ended 2012. And that is all detailed on page
12 nine, which would be your statement of
13 operations.

14 If you take a look at page nine,
15 our dwelling rents were somewhat consistent
16 between 2012 and 2011. They decreased by
17 \$22,000. And as you're aware, the dwelling rents
18 in the housing authority are a function of tenant
19 income. So to the extent that tenants' incomes
20 decrease, or you have larger amount of vacancies,
21 your dwelling rents will decrease. And in your
22 case your vacancies were limited, so what you saw
23 here is that the incomes of your tenants
24 decreased a little bit, and therefore you were
25 not able to collect as much rents in 2012 as you

1 did in 2011.

2 Next line you see a fairly
3 significant increase of about \$140,000 in HUD and
4 other operating grants, indicative of the
5 environment that you're working in, where HUD
6 subsidies are being cut. So your subsidies for
7 2012 were \$140,000 less than in the prior year.
8 Obviously that creates a strain on the housing
9 authority. Your other income was fairly
10 consistent year to year.

11 Looking at your operating
12 expenses, 6.4 million in both years, of that
13 \$440,000 is depreciation, which is a non-cash
14 charge. So if you take the 6.4 million less the
15 \$400,000, you're talking about six million
16 dollars in cash expenses, and 5.6 million in
17 revenues. That is pretty much your \$400,000
18 loss. I know you're going to take a look at your
19 budget for this coming year, and I've taken a
20 quick look at the budget. That budget is
21 balanced for 2013.

22 So what you really have to think
23 about as a board going forward, and I'm sure your
24 accountant will address that in more detail, is
25 you really need to take a close look at the

1 expenditures to make sure that the expenses that
2 you incur each year are in line with the
3 revenues. And during 2011 and 2012, there are a
4 couple of situations that gave rise to increased
5 expenses. I know you had legal fees that were
6 substantially over budget. That's because there
7 were a few issues that were ongoing. Hopefully
8 we won't see that going forward. That will help
9 us balance our budget.

10 And another item that you don't
11 see reflected on the financial statements,
12 because it's included in employee benefits, but
13 two years ago we were required by Government
14 Accounting Standards Board to accrue for what we
15 call a post-employment benefit. What happens is,
16 employees work at the housing authority, and when
17 they retire, if they've been here 25 years, they
18 receive medical benefits for life. So what the
19 Government Accounting Standards Board said was
20 that they want us to accrue, and this goes for
21 all government agencies, that cost, they want us
22 to accrue that benefit over the time period that
23 the employees are working for us, rather than to
24 recognize the expense after the employee is
25 retired. Which makes sense. If I make an

1 agreement to work with you for 25 years, part of
2 the compensation I really receive is the fact I
3 know after 25 years I'm going to have this
4 medical benefit paid for me. I've earned that
5 benefit while I worked. And what we're doing now
6 with this accrual is recognizing that benefit
7 during the time period I worked, and not after I
8 retired when you're paying for it. Similar to
9 pensions. We record the expense of a pension
10 while an employee is working, not after he
11 retires and gets paid. So of the \$400,000 loss,
12 you have about 120 of that is attributable to
13 this post-employment benefit that's accrued.

14 So when you take that expense,
15 and a few other administrative expenses we've
16 been able to reduce in next year's budget, what
17 we should look for, and going for 2013 and
18 forward, is to try to balance this budget and
19 again start to replenish those reserves.

20 What HUD likes to see is that
21 your unrestricted net assets are equal to at
22 least 20 percent of your annual expenditures. So
23 in our case here, if we back out the depreciation
24 and we back out the housing assistance payments,
25 we have annual ongoing operating expenses of

1 about 5.2 million. So we are right about at 20
2 percent. So we definitely don't want to see this
3 same trend continue next year, we want to see
4 that we operate under a balanced budget. And
5 next year I'd like to come back and tell you when
6 we do the audit that your unrestricted net assets
7 went from one two to one three and not slide the
8 other way. That should be one of the goals. And
9 I think the fee accountant will address that.

10 As far as the audit findings, we
11 didn't have any findings that -- any
12 deficiencies. What we are required to do, if we
13 notice any deficiencies we believe are
14 significant and have an impact on the financial
15 position of housing authority, or your compliance
16 with HUD's programs, we would report those to you
17 as an audit finding. We don't have any major
18 deficiencies to discuss with you. There were a
19 few small items we had to discuss with management
20 during the course of the audit. We had one
21 account that was not on our financial records,
22 had to do with the settlement on the landfill.
23 So we've now got that on our books and got that
24 cleared up.

25 And other than that, as I

1 mentioned, the financial statements are fairly
2 presented, we had no issues with your compliance
3 with program requirements, and your system of
4 internal control was satisfactory.

5 So that's pretty much the summary
6 of our audit. And I'd be glad to answer any
7 specific questions you might have. And certainly
8 if you don't have any now but you get a chance to
9 review the report, name, address, telephone
10 number, email is in the report, so feel free to
11 contact me with any questions you might have
12 concerning the audit.

13 CHAIRPERSON WHITE: Thank you.

14 COMMISSIONER CHERELLO: Thanks.

15 MR. POLCARI: Thank you.

16 COMMISSIONER DOUGHERTY: I have
17 one question. I don't know if it's for you or
18 the fee accountant, but there was a discrepancy
19 or deficiency last year where our standing went
20 down, our number. Where are we with that now?

21 MR. POLCARI: That has been -- the
22 deficiency we had last year related to the fact
23 that your unaudited financial statements, which
24 were supposed to be issued and submitted to REAC,
25 HUD's Real Estate Assessment Center, within 60

1 days after year-end, were not submitted for six
2 or seven months. That was because we had a
3 change in accountants. That was not the case.
4 They were submitted on time. Your audit was
5 submitted on time. So that issue has been
6 corrected. So you lost points for that on your
7 FAS (ph) score, you won't lose points for that
8 this year.

9 COMMISSIONER DOUGHERTY: Have we
10 recovered those points then?

11 MR. POLCARI: That score is gone
12 and replaced with the current year's score. So
13 it doesn't impact you anymore.

14 COMMISSIONER DOUGHERTY: Thank you
15 very much.

16 CHAIRPERSON WHITE: Bill, would
17 you like to --

18 MR. KATCHEN: Sure. Good evening,
19 everybody. You vote on the resolutions after the
20 fact?

21 CHAIRPERSON WHITE: Yes.

22 MR. KATCHEN: Good evening,
23 everybody. I guess everybody received a copy of
24 the proposed budget?

25 Tonight is consideration, if the

1 board so desires, of approving a budget for the
2 State of New Jersey for the fiscal year beginning
3 October 1st, 2013. As I like to say, you get two
4 bites of the apple. The first bite is the
5 introduction date, and after you considered it
6 and approved, Lee will send it down to the
7 state. The second part is it comes back, and
8 then you are required to consider whether or not
9 you're going to adopt it as originally approved,
10 or as amended if there's any material changes.

11 So tonight you have before you a
12 proposed budget for the State of New Jersey for
13 the fiscal year beginning October 1st, and you
14 actually have a resolution for HUD, consideration
15 of a form of HUD budget. The way we like to do
16 the budgets, and as you have received, we first
17 do a HUD budget, which is more detailed than the
18 state budget. That budget does not go anywhere,
19 that HUD budget. It stays here. It's for review
20 in case HUD staff comes out. It's for review by
21 your auditors. HUD doesn't require you submit
22 that to them unless you have been deemed
23 financially troubled in the current year. If
24 that loss of points had continued, then they
25 would have asked for that budget. It's no

1 longer -- they haven't asked for it, and it's
2 here, it's a public document, but they don't ask
3 for anything other than the resolution that
4 you've considered a form of that budget.

5 We then after we prepare the HUD
6 budget, we prepare a state budget. Now, the HUD
7 budget is a one program budget. Your public
8 housing, your brick and mortar buildings. Your
9 state budget is all your programs, so it includes
10 your capital program, it includes the housing
11 choice voucher program. Now, unfortunately
12 there's a nasty term out there we have to deal
13 with, that's called sequestration. Sequestration
14 is resulted in your current year, calendar year
15 funding being at 83 percent for your public
16 housing program. Nothing you did wrong. That's
17 the national funding for all public housing
18 programs. The housing choice voucher program
19 receives two pots of money, a pot of money for
20 paying rents to landlords, this year, just under
21 94 percent. The administrative aspect of it is
22 at a historic low, 69 percent. All of those
23 numbers have been utilized in the preparation of
24 this budget. Now keep in mind, that's calendar
25 year '13. '14 is a whole 'nother world.

1 Hopefully the numbers will go up. So you'll have
2 three months at 83 percent, 69 percent, 94
3 percent, you may have nine months at that level
4 if they can't agree to agree congress, and they
5 say let's freeze those levels. Worse case
6 scenario, sequestration continues, and everything
7 gets another five percent haircut. 83 becomes
8 78, 94 becomes 89, 69 becomes 64, in which case
9 we'll have to look to amend those budgets. But
10 at this point we've considered a -- we've taken a
11 conservative approach, and used the 83, 69 and
12 94.

13 Now, the results of that is that
14 different from the current year budget where the
15 projected deficit was \$134,000, if you turn to
16 page SS-10 and 11, these are the two most
17 prevalent pages when it comes to your programs on
18 the state budget, SS-10 and 11. SS-10, the
19 public housing management proposed budget, is for
20 your brick and mortar, your buildings. And as
21 you can see, even at 94 percent, if you go to the
22 bottom of SS-11-- I'm sorry, even at 83 percent,
23 you're still projecting the surplus, \$66,694 next
24 year, that's a good thing. Move two columns to
25 the right on the housing choice voucher program

1 you're projecting a deficit of \$48,890. The net
2 result of that, the \$17,804 for next year, it's
3 not an enviable position, because there is a
4 deficit projected in one program, but you have
5 adequate surplus, especially with when you see
6 the budget to actuals on projections this year
7 that we believe with reallocation based upon time
8 spent of staff, that we do anticipate next year
9 that you'll be in a much better position than
10 what was budgeted this year, which was a
11 projected net deficit of \$134,000.

12 So presumably, we've stopped the
13 bleeding, going this year, you guys have taken so
14 very proactive changes to the budgets. So I'm
15 comfortable with the budgets. The state should
16 be comfortable that you've been able to curtail
17 reduction of surplus, and hopefully will be able
18 to comply with this budget as it stands.

19 Now, I've also -- we've also
20 prepared, and I gave out copies, these are budget
21 to actuals for the nine month period -- these are
22 budget actuals for the nine month period. And as
23 you can see, as a result of actions you've taken
24 for the public housing program you actually have
25 a surplus for the nine month period of \$234,704.

1 Now, you don't want to jump up and down on that,
2 because 170 of that is due to utilities. And the
3 utility reduction next year will come back to
4 where you're looking at a reduction in subsidy
5 from HUD. The way HUD funds you for utilities
6 is, if you spend less typically the next year, it
7 ratchets down the amount of subsidy you get. So
8 it makes your job a little tougher in terms of
9 being proactive in terms of savings.

10 The area you do need to look at
11 though is maintenance; maintenance materials,
12 maintenance contract costs, maintenance labor is
13 substantially down. That goes right to your
14 bottom line. That's an area that Tony always
15 looks at, that we look at, especially with the
16 public housing side, can make or break an
17 authority. And you've done a real good job
18 during this year in terms of being able to reduce
19 that area, identify what has to be done. Keeping
20 in mind, and I'm sure you guys are doing this,
21 that you still have to maintain the units in a
22 decent, safe and sanitary and up to HQS, or it's
23 going to come back to bite you when HUD comes
24 back to do their REAC inspection. Lee knows
25 better than anybody about that stuff.

1 In summary, I'm more comfortable
2 with these budgets that I was last year. I think
3 it's important, very important, and we underline
4 the fact that we keep our vacancies down, we keep
5 our maintenance spending down, the more you
6 optimize rental income, and to the extent that
7 you're able to maintain a vacancy level of three
8 percent or less, you're going to get the maximum
9 funding from HUD, and also max out your financial
10 score in that area, which is 16 points. So HUD
11 puts a lot of emphasis on keeping vacancies
12 down.

13 Any questions?

14 COMMISSIONER DOUGHERTY: I have a
15 few if you don't mind. Do you mind if I kind of
16 pull from the report some things I wasn't clear
17 about?

18 MR. KATCHEN: Of course.

19 COMMISSIONER DOUGHERTY: On page
20 five.

21 MR. KATCHEN: Yup.

22 COMMISSIONER DOUGHERTY: We have a
23 line item called "other expenses." I don't see
24 that it's clearly defined what that means.

25 MR. KATCHEN: Keep in mind this

1 follows the state's format for authority
2 budgets. So you have two sub-categories. You
3 have administration and you have cost of
4 providing services. If you go to SS-3 I think --
5 no, I'm sorry, if you go to SS-5, they flow from
6 that. But I realize it still doesn't give you
7 the breakout. So you now have to go to SS-10.
8 And if you could put SS-5, or page five next to
9 SS-10, you'll see that the other expenses are
10 almost principally the other administrative
11 expenses. So you take the \$648,590 -- I'm sorry,
12 the \$838,480 minus the \$568,980, see that number,
13 salaries? That pretty much is going to be your
14 difference. Now I could -- it's not exactly the
15 difference, but I could give you the specific
16 line items that that relates to. So in other
17 words, other expenses for administration, the
18 \$269,500 is almost principally, if you go to page
19 SS-10, line 150 through line 200.

20 COMMISSIONER DOUGHERTY: So it's
21 really our support services, whether accounting,
22 legal, things like that.

23 MR. KATCHEN: Correct. Correct.
24 On the -- let me go back to page five. Page
25 five, the \$3,701,350, the biggest numbers in

1 there, if you go back to page SS-10, is going to
2 be utilities, it's going to be maintenance, not
3 labor. Maintenance materials, contract costs.
4 Next page, all of your other general expenses
5 other than employee benefits.

6 I mean, if you'd like, I could
7 cross reference that for Lee, pages ten and 11 to
8 those pages so you know the exact categories.

9 COMMISSIONER DOUGHERTY: It would
10 be helpful for me to know what I'm looking at and
11 comparing. Even within the SS-10 under
12 utilities, I still have line item number 310.

13 MR. KATCHEN: SS-10. Three ten
14 is --

15 COMMISSIONER DOUGHERTY: It says
16 "other."

17 MR. KATCHEN: That's sewer.

18 COMMISSIONER DOUGHERTY: So we
19 can't just put sewer?

20 MR. KATCHEN: We could move it
21 up. It's just a flow over. But that is sewer.
22 So we could move that up, sure.

23 COMMISSIONER DOUGHERTY: I don't
24 need you to, it's to make it more clear for me,
25 for us as we're reading it.

1 MR. KATCHEN: Absolutely.

2 COMMISSIONER DOUGHERTY: Same
3 page, back to five, "fringe benefits," just the
4 words are making me uncomfortable.

5 MR. KATCHEN: That's not our
6 wording, that's the state. That's payroll taxes,
7 health benefits, you share, the annual pension
8 charge, and the other post-employment benefit
9 contributions that Tony mentioned. And it would
10 be compensated absences, which is at year end it
11 would be sick and vacation accruals based upon
12 the personnel policy. Could be non-cash
13 expenses, like Tony said.

14 COMMISSIONER DOUGHERTY: Thank
15 you. That's very helpful. I have one other if
16 you don't mind. Going to page SS-11, it's kind
17 of throughout the report so I just want to make
18 sure I understand what it is. It's on the last
19 column that says other programs, proposed budget,
20 and there's -- so I just really picked out under
21 general expenses, line number 480, \$50,000, but
22 it's there several times for several pages.

23 MR. KATCHEN: Sure. Let me
24 explain what that is. Other programs would be
25 the allocation of salaries and payroll taxes to

1 the capital program. So if you look at this
2 budget, this is why it's important that -- this
3 actually is a good document. Because it used to
4 be when a HUD budget was approved it only
5 included the public housing program. You guys
6 never saw a voucher. That was a very objective
7 type of form. HUD didn't require resolution.
8 Same with capital. Now, the state requires under
9 your umbrella that whatever the legal obligations
10 are, revenue and expense to the authority, that
11 they be included on this budget. So you have
12 budgeted in your capital budget \$50,000 for
13 allocation of administrative overhead and related
14 benefits. So it's like another revenue other
15 than the public housing revenue. So if you look
16 to the right where you have other income,
17 \$50,000, that's what Jean Lee draws down from the
18 capital program for administrative oversight of
19 the capital program. So that's another revenue.

20 Now, you're allowed to allocate
21 administrative costs to that, because HUD allows
22 you to allocate administrative costs. See all
23 the way to the right, \$40,000 for administrative
24 salaries, that's not an additional person, that's
25 not salaries to additional staff, it's an

1 allocation of current salaries.

2 You go to the next page, and --
3 at the bottom, I'm sorry, and labor, the other
4 part is maintenance labor. See 40 and ten, so
5 some of your maintenance and some of your
6 administrative labor has been allocated. Now, in
7 actuality we also could have taken some payroll
8 taxes and brought it over. But you only have
9 50. So HUD doesn't care if it's maintenance --
10 if it's benefits and taxes, salaries and
11 salaries, as long as you're not paying somebody
12 outside of the budget, or it's in addition to,
13 and that's not what this is.

14 COMMISSIONER DOUGHERTY: So this
15 isn't a continuous 50, it's the same 50?

16 MR. KATCHEN: That's correct.
17 It's not in addition, it's 50 of revenue from the
18 capital program, applied against 50 of overhead
19 expenses to manage that program.

20 COMMISSIONER DOUGHERTY: Okay.
21 Thank you very much.

22 MR. KATCHEN: Any other
23 questions?

24 CHAIRPERSON WHITE: Anymore
25 questions?

1 MR. POLCARI: Can I make one
2 comment on the budget? I happened to get here a
3 half hour early. The way us auditors think,
4 we're always questioning. I happened to pick up
5 a copy of the budget. First thing I said to
6 myself, we just did an audit, I've got numbers
7 we're very comfortable with that we audited, does
8 the budget make sense in relation to the audited
9 numbers. I kind of did that quick and dirty test
10 myself, and I come to the conclusion that the
11 budget you have makes sense in relation to where
12 you were last year with the changes you have made
13 this year going into next year. So just a little
14 more comfort in what you're looking at.

15 CHAIRPERSON WHITE: Thank you.

16 MR. KATCHEN: I think it's
17 important have you to get on top of that hill.
18 As much as we don't like the cards we're dealt
19 us, the 83 percent, the 69, the 94, we have no
20 choice. And you guys are straight public
21 housing, no disrespect. But you're not an
22 outside the box, non-profit tax credit where you
23 have other sources of revenue. So you have to
24 live with the cards you're dealt with. And you
25 guys with the changes you've made the last 15

1 months, you've done a good job of being able to
2 come back in within the funding allowed.

3 Thank you.

4 CHAIRPERSON WHITE: Thank you.

5 Thank both of you gentlemen for your
6 presentations.

7 At this time we're going to
8 present the resolution. Resolution number
9 2013-14, adopting the annual report on audit of
10 Polcari and Company, certified public
11 accountants, for fiscal year ending September 30,
12 2012. Roll call?

13 (At this point in the proceedings
14 the roll call is taken with Chairperson White,
15 Commissioner Cherello, Commissioner Dougherty and
16 Commissioner Holman voting in favor of the
17 action.)

18 CHAIRPERSON WHITE: Moving on to
19 the public comments, are there anymore comments
20 in the audience?

21 MS. GROSS: You got the other
22 resolution?

23 CHAIRPERSON WHITE: I have two?

24 MS. DOUGHERTY: They put it in one
25 line.

1 CHAIRPERSON WHITE: I'm sorry.

2 COMMISSIONER CHERELLO: It's on
3 the face of the document.

4 CHAIRPERSON WHITE: Housing
5 authority, this resolution, this is the 2013.
6 Okay.

7 COMMISSIONER CHERELLO: The annual
8 budget.

9 CHAIRPERSON WHITE: Resolution
10 2013-13, the introduction of the annual budget.
11 It doesn't say that on there.

12 MR. MANFREDI: We're good.

13 COMMISSIONER CHERELLO: I'll
14 second it.

15 CHAIRPERSON WHITE: Roll call.

16 (At this point in the proceedings
17 the roll call is taken with Chairperson White,
18 Commissioner Cherello, Commissioner Dougherty and
19 Commission Holman voting in favor of the motion.)

20 CHAIRPERSON WHITE: Second portion
21 of the public comments. Any comments in the
22 audience?

23 I just would like to take a
24 little time to commend our, I call her our
25 director, but she is standing in, and I think

1 she's doing an awesome job, and I just want to
2 commend her for all the work she had to jump in
3 and do. I just want to know we appreciate all
4 that you do.

5 MS. GROSS: Thank you.

6 COMMISSIONER DOUGHERTY: I'll
7 second that.

8 MS. GROSS: Roll call.

9 (Laughter.)

10 CHAIRPERSON WHITE: Our mayor is
11 not here tonight, however our council liaison is
12 here. Would you like to have a word?

13 MS. SMITH-REID: I actually have
14 to leave right about now. I know I was late but
15 you all know.

16 CHAIRPERSON WHITE: Thank you for
17 coming. Move for adjournment.

18 COMMISSIONER DOUGHERTY: Second.

19 (Proceedings are adjourned.)

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C E R T I F I C A T E

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2
3 I, BETH A. BENSON, LICENSE NO. XI01373, a
4 Notary Public and Certified Shorthand Reporter of
5 the State of New Jersey, do hereby certify that
6 the foregoing is a true and accurate transcript
7 of the testimony as taken stenographically by and
8 before me at the time, place and on the date
9 hereinbefore set forth, to the best of my
10 ability.

11 I DO FURTHER CERTIFY that I am neither a
12 relative nor employee nor attorney nor counsel of
13 any of the parties to this action, and that I am
14 neither a relative nor employee of such attorney
15 or counsel, and that I am not financially
16 interested in the action.

17
18 _____
19 BETH A. BENSON
20 Notary Public of the
21 State of New Jersey

22
23
24
25
My Commission Expires May 7, 2017
ID No. 2420514