



## COUNCIL MINUTES

March 15, 2012

The City Council of the City of Mesa met in a Study Session in the lower level meeting room of the Council Chambers, 57 East 1st Street, on March 15, 2012 at 7:30 a.m.

### COUNCIL PRESENT

Scott Smith  
Alex Finter  
Dina Higgins  
Dennis Kavanaugh  
Dave Richins  
Scott Somers

### COUNCIL ABSENT

Christopher Glover

### OFFICERS PRESENT

Christopher Brady  
Debbie Spinner  
Linda Crocker

Mayor Smith excused Councilmember Glover from the entire meeting.

#### 1. Review items on the agenda for the March 19, 2012 Regular Council meeting.

All of the items on the agenda were reviewed among Council and staff and the following was noted:

Conflict of interest: None

Items removed from the consent agenda: None

#### 2-a. Hear a presentation, discuss and provide direction on the Housing and Community Development budget issues.

Housing and Community Development Department Director Tammy Albright displayed a PowerPoint presentation (**See Attachment 1**) and reported that the purpose of this item was to provide a brief overview of the Housing and Community Development Department's proposed FY 2012/13 budget. She highlighted a number of Department accomplishments (See Page 2 of Attachment 1) and stated that in conjunction with the Neighborhood Stabilization Program (NSP), 36 homes have been renovated and 24 homes sold. Ms. Albright noted, in addition, that the Department has completed 103 emergency projects and cleared five homes of lead-based paint.

Ms. Albright detailed various programmatic improvements in the Department. (See Page 3 of Attachment 1) She said that staff has modified the Section 8 Housing Voucher Program from a task-oriented to a case management process.

Ms. Albright further spoke regarding a series of challenges that the Housing and Community Development Department is facing, which include the following:

- Continued reductions in Federal funding.
- Expansion of Federal regulations, which has resulted in staff experiencing difficulties in administering the various grants.

Mayor Smith inquired whether, because of the reductions in Federal funding and increased requirements, the City was at a point where it was no longer worth the time or effort to continue administering these grants.

City Manager Christopher Brady responded that staff has, in fact, considered such an option and acknowledged that it was becoming more difficult for staff, especially with limited resources, to administer the challenging Federal regulations. He noted, for example, that staff is often required to determine whether certain expenses are eligible for reimbursement, which often takes more time than administering the grants. Mr. Brady added that it was “a tough call,” since the grants allow funds to flow to Mesa’s non-profit agencies.

Mayor Smith stated that on its base model, this is the kind of contribution that has the most direct impact on the community. He noted, however, that “the mission” seems to be lost in the overburdening regulations and questioned whether the program was really benefitting the community or “keeping a lot of Federal bureaucrats busy.”

Mr. Brady suggested that perhaps it might be appropriate for the Council to consider the issue of possibly reducing the number of contracts that staff administers or having fewer contracts with larger funding. He explained that the smaller contracts take up just as much time, if not more, than the larger contracts due to the fact that smaller agencies may need greater assistance from staff than some of the larger non-profit organizations.

Ms. Albright noted that the grants that staff works with total approximately \$40 million, with a significant portion being the Section 8 Voucher Program. She added that the portion of the grants that staff focuses on administratively equates to approximately \$5 million.

Ms. Albright continued with her presentation with respect to the ongoing challenges that the Housing and Community Development Department has encountered as follows:

- U.S. Housing and Urban Development (HUD) monitoring and past performance issues could result in additional HUD audits.
- Staff has not determined the impact of foreclosures and HUD regulations.
- Staff resources to continue improvements.
- Training to enhance staff capacity – most training is not local, which would require the City to incur travel expenses.

Ms. Albright further reported that the City has 224 projects/contracts that staff is required to monitor over the next five to 20 years. She stated that while some of the contracts are easy to

monitor, others require, for instance, that staff make site visits to conduct inspections and verify the income levels of the individuals occupying the housing units. Ms. Albright also commented that the City awards an annual contract to the sub-recipients, which staff is also required to monitor and audit. She added that staff has a desire to move towards fewer contracts with larger funding, which would help reduce the risk to the General Fund.

Discussion ensued relative to the fact that staff would research the issue of private organizations that monitor projects/contracts and the possibility of the City outsourcing such services to those entities.

Ms. Albright displayed a document titled "Department Funding" (See Page 6 of Attachment 1), which illustrates a decrease in Federal funding for the various grant programs between FY 2010/11 and FY 2012/13.

Ms. Albright provided a short synopsis of the Housing and Community Development Department's FY 2012/13 budget focus. (See Page 7 of Attachment 1) She pointed out that staff took a strategic look at allocating funds to hire specialists to assist the City with updating the Housing portion of the General Plan, the HUD 5-Year Consolidated Plan and completing six HUD Plans on an annual basis. She said that outsourcing workers would add flexibility to meet the City's obligations with respect to the various updates.

Ms. Albright, in addition, reported that the Housing and Community Development Department's proposed budget includes a request for an additional \$136,504 from the General Fund in order for staff to adequately administer the various grant programs. She stated that even with the additional funding, two currently filled positions (one administrative and one technical) will be eliminated and one administrative position reduced to a lower pay grade.

In response to a question from Mayor Smith, Mr. Brady clarified that the two eliminated positions have been identified. He said that staff will work with the Human Resources Department (HR) to look for opportunities within the organization (i.e., vacancy or pending retirement) for those individuals to fill.

Ms. Albright further remarked that the Housing and Community Development Department requests a total of \$545,000 from the General Fund for its FY 2012/13 budget, which also includes the cost to operate the Human Services Program (i.e., operation and position allocation).

Mr. Brady pointed out that in the past year, in an effort to address some of the findings that were included in the HUD audits, Ms. Albright has hired a number of outside consultants to work on various projects and develop reports. He noted that these individuals, who have significant expertise and are familiar with HUD officials, have shared their knowledge and insight with staff.

Councilmember Kavanaugh commented that although the Council never received copies of the HUD audits, he commended Ms. Albright and her staff for their efforts in responding to HUD in a professional and efficient manner. He also noted that at a recent meeting in Washington, D.C. with the Under Secretary of HUD, he learned that the agency was revising its templates and application process due to the complaints the agency received concerning the complexity of the process and the timing involved to administer the grant programs.

Councilmember Richins said that he wanted to bring to the attention of the City's Intergovernmental Relations staff that if Congress has discussed eliminating the Home Investment Partnerships (HOME) Program and making dramatic changes to the Community Development Block Grant (CDBG) Program, it will also be necessary for them to eliminate the City's 5 to 20 year obligation to monitor those programs. He stressed the importance of the members of Congress understanding that the City was contractually obligated in that regard.

Councilmember Finter requested that in the near future, staff and the Council evaluate the City's plans and goals with respect to NSP 2 and NSP 3. He stated that he has heard from the private sector that there is a dramatic change in existing single-family home sales in the Valley and expressed concern that by using these Federal dollars, the City may be competing with those individuals.

Ms. Albright responded that staff has not yet "rolled out" the NSP 3 Program, but will make a presentation to the Council to discuss the goals and objectives of the program.

Mayor Smith commented that it was important to remember that the City's objectives should be different than those of the private sector. He stated that the private sector seeks to buy houses either to "flip" or use as rental units to make a profit, whereas the City's intention is to invest, upgrade and enhance the neighborhood, which hopefully will attract additional private investment. Mayor Smith added that it was important for the private investors to understand that it was not the City's objective to "take away their profit," but rather to "prime the pump" for additional investment in the neighborhood.

Councilmember Finter clarified that he used the term "private sector" broadly and was thinking in terms of first-time homebuyers who were ready to purchase homes in the community and raise their families. He stated that in his opinion, those individuals meet the same goals as outlined by Mayor Smith of investing in a new home and adding stability to a neighborhood.

Ms. Albright assured the Council that the first-time homebuyers are the City's clientele and said that through the NSP Program, they are able to get into a home that they might not otherwise be able to.

Mayor Smith thanked Ms. Albright for the presentation.

3. Acknowledge receipt of minutes of various boards and committees:

3-a. Human Relations Advisory Board meeting held on January 25, 2012.

It was moved by Vice Mayor Somers, seconded by Councilmember Kavanaugh, that receipt of the above-listed minutes be acknowledged.

Mayor Smith declared the motion carried unanimously by those present.

4. Hear reports on meetings and/or conferences attended.

Councilwoman Higgins: National League of Cities Conference in Washington, D.C.

5. Scheduling of meetings and general information.

City Manager Christopher Brady stated that the meeting schedule is as follows:

Saturday, March 17, 2012, 8:00 a.m. – District 3 “Green Eggs and Ham” Pancake Breakfast

Monday, March 19, 2012, 3:30 p.m. – Sustainability & Transportation Committee

Monday, March 19, 2012, 5:00 p.m. – Study Session

Monday, March 19, 2012, 5:45 p.m. – Regular Council Meeting

Mayor Smith noted that the Mesa Festival of Creativity is currently open on a daily basis between 12:00 noon and 9:00 p.m. and will run through Sunday, March 18, 2012.

6. Items from citizens present.

There were no items from citizens present.

7. Adjournment.

Without objection, the Study Session adjourned at 8:06 a.m.

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SCOTT SMITH, MAYOR

ATTEST:

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LINDA CROCKER, CITY CLERK

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Study Session of the City Council of Mesa, Arizona, held on the 15<sup>th</sup> day of March 2012. I further certify that the meeting was duly called and held and that a quorum was present.

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LINDA CROCKER, CITY CLERK

# Housing & Community Development Budget Presentation To City Council

March 15, 2012



# Accomplishments

- Completed 36 NSP homes – sold 24 YTD
- Completed major rehabs on 12 homes
- Completed 103 emergency projects (air conditions, electric etc.)
- Lead based paint hazards eliminated from 5 households with small children
- Quarterly newsletter – improved communications

# Programmatic Improvements

- Improved accounting and financial reporting
- New contract templates for federal funding
- Streamlined application / award process
- New case management process for Housing
- Closed 6 audits - 2 audits open
- New procedure manuals
- Increased staff training to improve capacity

# Challenges

- Continued reductions in federal funding
- Expanding federal regulations
- HUD monitoring, and past performance issues
  - HUD audits
- Impact of foreclosures and HUD regulations
- Staff resources to continue improvements
- Training to enhance staff capacity

## Current Issues

- Currently 224 projects / contracts required to be monitored over the next 5 to 20 years
- Monitor funded agencies – separate contracts
- Desire to move towards fewer contracts with larger funding
- Risk to General Fund – ineligible use of federal funds

# Department Funding

Program	2010/11	2011/12	2012/13	2-Year Difference
CDBG	3.7 million	3.1 million	3.2 million	15% decrease
HOME	1.5 million	1.3 million	943,000	37% decrease
ESG	151,000	151,000	269,000	79% increase
ABC/Human Services	620,000	657,000	620,000	0%
NSP1 (One-time grant)	Funded in FY 09/10 9.6 million			
NSP3 (One-time grant)	Funded in FY 10/11 4.0 million			

- National CDBG allocation reduced 7.5% from FY 11/12 to FY 12/13
- Reduction of CDBG & HOME programs last 2 years – over 1.1 million

# 12/13 Budget Focus

- 6 Vacant positions remain unfunded
- Strategically allocating money to hire specialists on federal programs
  - Update Housing General Plan
  - Update HUD Consolidated Plan
  - Have to complete 6 HUD plans annually
  - Adds flexibility to meet obligations
  - Can hire the skills set required

# Proposed Budget Includes

- Request of an Additional \$135,000 from General Fund
  - With reduction in federal funding, need general fund assistance to adequately administer programs
- Eliminating 2 currently filled positions (one technical and one admin support)
- Reducing one admin position to a lower pay grade

# Questions ?