

**MINUTES OF A SPECIAL MEETING
OF THE BOARD OF COMMISSIONERS
OF THE MOLINE HOUSING AUTHORITY**

June 4, 2018

The special meeting of the Board of Commissioners of the Moline Housing Authority was held at 5:30 PM at the Moline Housing Authority Board Room in the Administrative Building located at 4141 11th Avenue A, Moline, IL 61265.

Board members present were Vice-Chairperson Chuck Capan, Leslie Stange-Crotty, David Parker, Jr., and Diane Fox. Staff members present were Executive Director John Afoun and Maria Nino. Board Counsel was in attendance.

1. **Call to Order:** Board Counsel, Mr. John Remus, called the meeting to order at 5:30 p.m.
2. **Repayment Agreement – OIG Audit 2014-CH-1004:**

Mr. Afoun wanted to bring to the Board's attention Exhibit A, the schedule of what HUD is asking us to pay. As of today we have approximately \$70,000 in our nonfederal funds. This has to be paid from our nonfederal money. We used part of that for the Kathy York Park Dedication, so it will go down a little bit. If you divide \$70,000 by the five years they are asking that is about \$14,000 and it will be gone. Even that will not be sufficient to pay the amount they are asking. Mr. Afoun drafted a letter for the Board. He passed this around to the commissioners and the lawyer. His recommendation is to still argue that we do not agree and we do not have the money. If they do not agree we need to say we need a longer term or we need a write off.

Vice-Chairperson Capan arrived at the Board Meeting at 5:36pm, at which time Board Counsel yielded the floor to the Vice-Chairperson and gave an update of what had occurred prior to Vice-Chairperson Capan's arrival stating that Mr. Afoun had distributed a letter proposing to send to HUD that the payment schedule would be a hardship or we want debt forgiveness or a longer period to pay.

Mr. Afoun is suggesting the Board should vote we cannot authorize the execution of the contract in the current form. He said they are arguing that we have the Fiesta Manor and therefore the fiesta Manor is also available to the housing authority, but that is independent and non for profit owned. It is not part of the housing authority. The housing authority earns a fee, but the money it has in its account does not belong to the housing authority even though it has the same board. He is asking for a longer term or to be forgiven. We do receive \$5,000 as a management fee from Fiesta Manor as well as 44,000 from the antennae at Hillside. Our nonfederal source of income from these two are about \$9,000 per year. We can make some payment out of that, but not everything we receive. Commissioner Stange-Crotty asked what we owe in total. Mr. Afoun said the total was previously \$306,000 and now is approximately \$169,000.

Vice-Chairperson Capan asked why they are demanding from nonfederal funds. Mr. Afoun replied that we have to pay from nonfederal funds. Vice-Chairperson Capan said they are claiming we owe from Section 8, but why do we need to pay out of nonfederal funds. Commissioner Stange-Crotty said it makes sense to her because if I think you overspent my

money, why would you pay me back with my money. Mr. Afoun said initially they were open to a longer term, but when Mr. Daniel Sherrod was here he feels he looked at everything and was of the view that we are well managed and are not in crisis so they want their money. Commissioner Stange-Crotty asked why not offer what we have in lieu of a clean slate. Mr. Afoun said the only money we have that we can do nonfederal things with is what is in the Enterprise Account. He said if we give them all that we have our hands will be tied and we won't be able to do anything.

Mr. Afoun reaffirmed that he wants to argue getting debt forgiveness or a longer period to pay. He said the lawyers may need to do some research on this. Mr. Afoun said they may argue since the majority of the Board is the same as the non for profit they could come to argue that the Board has some sort of control over that and try to take Fiesta Manor money.

Commissioner Stange-Crotty suggested saying as we have proven by inspectors we are a well-run organization, which means we do not have any extra money because we have used the money for the wellbeing of our constituency. We have used it to the benefit of having a well-run housing authority. Commissioner Parker, Jr. was suggesting we pay back \$9,000 every year. He said that is about 19 years. Vice-Chairperson Capan said they want an upfront payment of twenty something thousand dollars. Mr. Afoun said that Mr. Sherrod said if we were not doing well and owed more money we would get debt forgiveness, but since we are well managed that will not be the case. Commissioner Parker, Jr. asked what do we use that money for out of nonfederal account. Mr. Afoun responded we would forgo the accumulation to do further development soft costs, resident activities such as resident appreciation, and some of the staff activities would also be cut. It wouldn't be anything substantial, but just not be able to do other things.

Vice-Chairperson Capan suggested making the initial requested payment and then to use the \$9,000 as the yearly payments. Commissioner Stange-Crotty asked if historically have we used up all our appeals. Mr. Afoun responded no. We wrote the secretary and the secretary wrote back and acknowledged the receipt of it. He referred the matter to the field office. Mr. Afoun said he was thinking worst case scenario we would ask Cheri Bustos to write on our behalf and ask for forgiveness. Another option is asking for judicial review. Vice-Chairperson Capan said he thinks judicial review might be a better option. He thinks it might put her in a weird position. It would take her a while to get up to speed to see what position she has on the situation and she may not agree with our stance. Commissioner Parker, Jr. wanted to confirm that all this from the OIG investigation was something previous to Mr. Afoun coming here. Mr. Afoun said yes, everything was done before him being here. Commissioner Parker, Jr. was making sure that this didn't have anything to do with us doing something wrong. Mr. Afoun said it was all before his time here. Commissioner Parker, Jr. asked if any of the organizations we deal with such as NAHRO or PHADA could help us in this situation or maybe they could steer us in the right direction. Commissioner Stange-Crotty asked about contacting Mr. Sherrod to push off the date.

Mr. Afoun said his argument is we do have the \$70,000 plus the money in Fiesta Manor. Commissioner Parker, Jr. asked how much we have in the Fiesta Manor account and Mr. Afoun responded about \$14,000. Mr. Afoun said if we commit the Fiesta Manor funds we are shooting ourselves in the foot. Commissioner Parker, Jr. said if we owe it we need to figure out how to pay it. We can't ignore it. Vice-Chairperson Capan said we can only do it in a financially responsible manor. He said we need a longer return. Commissioner Parker, Jr.

said he just doesn't want to owe them any money. We need their help in a lot of other ways. Vice-Chairperson Capan asked the lawyer if we can commit the Fiesta Manor funds. Board Counsel asked where the \$70,000 came from. Mr. Afoun responded it was from previous management of an apartment complex. Commissioner Parker, Jr. said to revise the letter to not put \$70,000 and put it to the hard figure. They want all the outstanding invoices related to the park dedication added up and then see what the left over figure for the Enterprise Account is and put that into the letter. Mr. Afoun is asking for a longer term. The forgiveness can either be done by the Secretary of HUD or through politicians. They would contact the field office to see if we can be forgiven or if we can have a longer term or not.

Board Counsel said we do have the option of judicial review in federal court. Vice-Chairperson Capan mentioned doing these options will be a black mark on our permanent record with the field office. Commissioner Parker, Jr. said we could easily spend ten to twenty grand doing this. Vice-Chairperson Capan thinks we should just go after the longer term. He and Commissioner Parker, Jr. said we cannot accept the contract as is right now because we do not have the funds to do so. Vice-Chairperson Capan said we do not have a counter proposal at this time. We let them do the counter proposal. He said we are not in a very strong position here and wants the lawyers to have a softer approach and be accurate on how much money we can spend. The Board stated there should be no more spending for the next 120 days regarding the enterprise account. Commissioner Parker, Jr. said other than what has been pledged he wants to put a 120 day moratorium as of this date on any Enterprise Account funds. He said we are acting in good faith and trying to figure this out. Commissioner Fox asked where they got the figure and where do they think the money is going to come from. Mr. Afoun said ultimately it is our money where it goes to the treasury and goes into a separate reserve. It would be a special reserve for us if we were to have financial difficulty then it would go back to this money. Mr. Afoun is speculating that the Chicago field office wants to look good. Commissioner Parker, Jr. said he would try to work with the Chicago field office because we have a good relationship with them. Work it out with them and don't go to Washington DC because we still have to work with them. Mr. Afoun said up to the time Mr. Sherrod came here, everything was good. He said it is important that the letter go out in the mail tomorrow. He wants the final figures given to Board Counsel in the morning so they can go ahead and send the letter. He wants it stated that the Board instructed these things. The message is we want to pay it, but we can't. Mr. Afoun said they are setting us up for failure as it is. There was talk about how they were surprised because the last meeting it seemed like there was an in between the lines message to do more things here, which it seems that this is not in line with that.

Motion was made, and seconded, to approve a moratorium on spending of any Enterprise Account funds for the next 120 days. All voting members present voting "aye", none against, the Vice-Chairperson declared the motion carried.

3. Any other business that may come before the Board including comments from the general public:

There was no other business to come before the Board.

4. Adjournment:

There being no further business, a motion was made, and seconded, to adjourn the meeting. All voting members present voting "aye", none against; the Vice-Chairperson declared the meeting adjourned at 6:09 P.M.

Melvin Grimes, Chairperson