

**MEETING MINUTES FOR THE BOARD OF DIRECTORS
CITY OF DOUGLAS COMMUNITY HOUSING CORPORATION**

THURSDAY, JANUARY 8, 2015, AT 9:30 A.M.

**RANCHO LA PERILLA APARTMENTS
COMMUNITY ROOM
1201 E. FAIRWAY DRIVE
DOUGLAS, AZ. 85607**

1. Call to Order:

Rancho La Perilla Board members held their quarterly meeting on Thursday, January 8, 2015 at 9:30 a.m. in the community room at Rancho La Perilla Apartments, 1201 East Fairway Drive.

2. Roll Call:

Board Members present were, Vicky Merritt, Frank Melgoza and Veronica Abrigo. City Staff members present were, Carlos de la Torre, City Manager and Juan Pablo Flores, City Attorney. Present from First West Management Company was Frank Moro. The meeting started at 9:36 a.m.

(Absent was Mr. Felix Soto).

A welcome to our two visitors, Mr. Gutierrez and Ms. Montoya.

3. Persons wishing to address the committee in writing or verbally on any item not on the agenda:

(None)

4. Approval of Minutes:

Motion made by Frank Melgoza to approve meeting minutes from September 4, 2014, Second by Veronica Abrigo.

(Motion Passed)

5. Resignation and Appointments:

Mr. Art Estrada was sworn in as an Official Board Member. Art was appointed by Mayor Danny Ortega Jr., on November 12, 2014.

6. Discussion/Decision on Approval of 2015 Transaction Privilege Tax submittal for renewal:

Mr. Frank Moro updated the board members on the 2015 Transaction Privilege Tax submittal for renewal, under the new tax code the state is saying that a property manager can no longer represent the entity for TPT matters without a power of attorney. This is really impacting a lot of the management companies, a memo received states they are changing their position and stepping back, with regards to the property management companies, there are a couple of things going on at the same time. One of these concepts is that DOR is changing the method in which tax is collected from contractors, so for maintenance guys that are out doing work. They will no longer bid jobs and charge applicable taxes on material. Now the contractors have to pay tax when they pay for materials, and how it impacts management companies is that we are interfacing with contractors who are buying materials adding the tax and then billing us the tax. Now that process has changed, they are recanting that a little bit now, with management companies they are also saying you can no longer represent the property owner for the collection of tax, unless you have a power of attorney, which is essentially what this form does, it allows us to collect the tax. The state is now saying we'll hold on now, maybe we are going to rethink this and come up with a better system. The memo came from one of our contacts in the Department of Real Estate. We still have to follow the code until they say something different.

(Motion to approve: Frank Melgoza, Second: Art Estrada) (Motion Passed)

7. Discussion/Decision on Approval of submittal for reimbursement from Reserve Replacement in the amount of \$22,549.89:

Mr. Frank Moro explained to the Madam Chair and members of the Board, they have been doing these reports ever since management took over, the reports are generally filed every quarter, and payment is made every month into a reserve replacement fund pursuant to the loan agreement in the amount is \$2,000.00 a month, in order to get that money back, the money has to be spent, in this case, the carpet was replaced, it is added to the list, send the invoice, wait until they accumulate, send a list of invoices and then ask for a repayment of that money. They have a very specific list on things that they can only get reimbursed for, in addition to that, HUD has a schedule of things we have to get replaced over the next 3-4 years. These do not adhere to that schedule so much but HUD does inspections and they tell us you need to get the roof done, which in this case we did have the roof done, we put in carpeting and so on, so this is the first report you have seen, because it is the first time it is put on the agenda. So it's unusual it is on the agenda, but it does require your approval. Mr. Moro presented a package to all board members for review.

(Motion to approve: Frank Melgoza, Second: Veronica Abrigo) (Motion Passed)

8. Discussion/Decision on Approval of the FY 2013/2014 Audit:

This is the CPA group up in Phoenix that conducts this audit, this CPA Firm goes through our books and verifies what has been submitted is true and accurate. Frank Moro gave a brief statement on how the audit is typically performed. The auditing firm of Addington and Associates, by Paul Addington comes and stays in FW's conference room for about 3 or 4 days. FW gives the auditor financial information from FW's accounting office. Once the audit is completed, the auditors prepare a draft and it goes to our accounting department and we review all figures to confirm accuracy, the auditor will then advise FW on what adjustments need to be made. There are two stages of the audit, one is Government compliance for the City of Douglas and the other one is HUD compliance, because of the HUD loan, it talks about, past debt, what's owed on the property, they also look at the consolidation of inspection of reports during the year, we have inspections from HUD and Department of Housing from the Department of Commerce.

Juan Pablo Flores: For the second year the audit report has come back without any deficiencies, no findings, and no recommendations. The lack of findings is commendable on Mr. Moro's part since he is the manager and takes care of all the Board financials.

(Motion to approve: Frank Melgoza, Second: Veronica Abrigo) (Motion Passed)

9. Management Report:

Mr. Frank Moro presented the Financial report to Board members, effective gross income was \$286,000, operating expenses were \$152,000, debt services were \$138,249, part of our debt services is reserve replacement of this \$13,000 and PMI insurance \$10,000, the mortgage insurance required by HUD, we have a positive cash flow of about of about \$14,000, capital replacements of about \$23,000, year to date of a negative \$8,618, for a 12 month trailing, our NOI is \$298,000 and our debt services is \$276,00, so our positive was about \$22,000, and our capital expenditures were about \$31,945 which id appliances, floor covering, roof, the roof was \$12,816 which is something that we don't normally see.

Figures for the physical vacancies are somewhere between 10 & 15 units, 13% vacancies about \$80,000. (Mr. Moro will have a flow chart for the next Management report for the board members.)

10. Report from Mr. Carlos De La Torre, City Manager:

City Manager Carlos De La Torre gave a brief update reference the Golf Course and apartments. The City has been negotiating the sale of the golf course and Council recently decided not to move forward on the sale of assets. There is currently another offer on the table that is being considered. One proposal is to purchase and take over the management of the golf course, and the other is to purchase the apartments from the City.

The purchase offer is being presented by First West and is currently still on the table, Council has not made a decision on the remaining offer and the parties will be conferring for the next two to three weeks within this month. The goal is to be in a position to sell/transfer the assets by the end of April 2015.

11. Scheduling and/or confirmation of next meeting date(s), and suggestions for future agenda items:

(Motion to Adjourn: Mr. Frank Melgoza, Second: Veronica Abrigo)

(Motion Passed and meeting adjourned at 10:42 a.m.)

Prepared By:

Juan Pablo Flores Esq.,
