

# board agenda



Knox County Housing Authority  
**Regular Meeting of the Board of Commissioners**  
**Moon Towers Conference Room 101**  
6/24/2014  
10:00 a.m.

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<b>Opening</b>	Roll Call	Chairperson Payton
<input type="checkbox"/> Wayne Allen	Review/Approve Previous Meeting Minutes	Chairperson Payton
<input type="checkbox"/> Ben Burgland	Review/Ratify April 2014 Financials	Chairperson Payton
<input type="checkbox"/> Thomas Dunker	COCC:	\$ 30,688.62
<input type="checkbox"/> Dale Parsons	Moon Towers:	\$ 39,283.26
<input type="checkbox"/> Lomac Payton	Family:	\$ 64,192.53
<input type="checkbox"/> Roger Peterson	Bluebell:	\$ 16,632.01
<input type="checkbox"/> Paul Stewart	HCV:	\$ 10,351.65
<u>Excused:</u>	Brentwood:	\$ 14,195.95
	Prairieland:	\$ 9,217.37
	Capital Fund '12:	\$ 0.00
<u>Others Present:</u>	Capital Fund '13:	\$ -4,078.23
	Ross Service Coordinator'11:	\$ 5,963.42
	Review/Ratify May 2014 Financials	Chairperson Payton
	COCC:	\$ 36,362.11
	Moon Towers:	\$ 80,253.30
	Family:	\$ 72,426.93
	Bluebell:	\$ 22,854.13
	HCV:	\$ 10,636.99
	Brentwood:	\$ 19,667.65
	Prairieland:	\$ 19,852.50
	Capital Fund '12:	\$ 0.00
	Capital Fund '13:	\$ 7,651.28
	Ross Service Coordinator'11:	\$ 5,063.84
	Review/Ratify April 2014 Financial Report	Chairperson Payton
	Review/Ratify May 2014 Financial Report	Chairperson Payton

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<b>Old Business</b>	None
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# board agenda

<b>New Business</b>	Review/Approve Physical Needs Assessment Option	Derek Antoine
	Review/Approve Contract Renewal for KCHA Legal Counsel	Derek Antoine
	Recommendation of Candidate for Resident Commissioner to Knox County Board	Derek Antoine
<b>Reports</b>	Executive Director's Report	Derek Antoine
	KCHA Legal Counsel Report	Jack Ball
<b>Other Business</b>	REAC Physical Inspection Score Appeals	Derek Antoine
	Agency FYE Publication	Derek Antoine
	Flat Rent Increase – Process Update	Derek Antoine
<b>Executive Session</b>	Personnel Discussion	Derek Antoine
<b>Adjournment</b>		

**MINUTES OF THE MONTHLY MEETING  
OF THE BOARD OF COMMISSIONERS  
OF THE KNOX COUNTY HOUSING AUTHORITY  
May 27, 2014**

The regular meeting of the Board of Commissioners of the Knox County Housing Authority was held at William Moon Towers. Roll call was taken and the following Commissioners were present:

PRESENT:                Wayne Allen  
                         Tom Dunker  
                         Dale Parsons  
                         Lomac Payton  
                         Roger Peterson  
                         Paul Stewart

EXCUSED:               Ben Burgland

Also present were Derek Antoine, Executive Director; Cheryl Lefler, Assistant Director; Lee Lofing, Finance Coordinator; and Jack Ball, KCHA Attorney.

Chairperson Payton called the meeting to order at 10:00 a.m.

Chairperson Payton then asked if there were any additions or corrections to the previous meeting's minutes. Chairperson Payton noted there was an omission to the minutes in that the Chair was turned over to Jack Ball for the election of the Chair and Vice-Chair. Chairperson Payton then declared the May meeting minutes approved with the noted correction.

March 2014 claims against the HA Administration in the sum of \$325,372.25; Central Office Cost Center in the sum of \$36,298.36; Moon Towers in the sum of \$86,683.82; Family in the sum of \$99,018.42; Bluebell in the sum of \$23,071.06; Housing Choice Voucher Program in the sum of \$11,411.26; Brentwood (A.H.P.) in the sum of \$30,601.42; Prairieland (A.H.P.) in the sum of \$23,827.74; Capital Fund '12 in the sum of \$175.00; Capital Fund '13 in the sum of \$8,029.41; and Ross Service Coordinator in the sum of \$6,255.76 were presented for approval. Commissioner Peterson made a motion to ratify the claims and bills; Commissioner Parsons seconded. Roll call was taken as follows:

Commissioner Allen - aye  
Commissioner Parsons - aye  
Commissioner Payton - aye  
Commissioner Peterson - aye  
Commissioner Stewart - aye

Motion Carried, 5-0.

Chairperson Payton then requested the Board review and approve the March 2014 financial reports and committee notes. After brief discussion, Commissioner Peterson made a motion to ratify the financial reports for March 2014 as presented; Commissioner Parsons seconded. Roll call was taken as follows:

Commissioner Allen - aye  
Commissioner Parsons - aye  
Commissioner Payton - aye  
Commissioner Peterson - aye  
Commissioner Stewart - aye

Motion Carried, 5-0.

**OLD BUSINESS**

There was no Old Business.

## **NEW BUSINESS**

First, Mr. Antoine asked the Board to review and approve Resolution 2014-07 for SEMAP Certification/Submission FYE 03/31/2014. Mr. Antoine reported that SEMAP would be certifying at 100% for the second straight year. After brief discussion, Commissioner Stewart made a motion to approve Resolution 2014-07 for SEMAP Certification/Submission for FYE 03/31/2014; Commissioner Allen seconded. Roll call was taken as follows:

Commissioner Allen - aye  
Commissioner Parsons - aye  
Commissioner Payton - aye  
Commissioner Peterson - aye  
Commissioner Stewart - aye

Motion Carried, 5-0.

## **REPORTS**

Mr. Antoine presented the Executive Director's Report for May 2014. This report presented a comprehensive overview of the Knox County Housing Authority including the following information: Training and Development, Media Outreach/Public Relations, Policy/Operations, Public Housing Program with property and occupancy information, Housing Choice Voucher, Affordable Housing Program and the Resident Opportunity and Self-Sufficiency Program. Mr. Antoine highlighted that he had presented a program on KCHA at the Galesburg Noon Rotary meeting which was well-received. He provided an update on appropriations. Mr. Antoine also informed the Board about an unattended death at Moon Towers.

Mr. Ball provided the Board with an update on Legal Counsel activities for KCHA including his representation on matters in court.

## **OTHER BUSINESS**

Mr. Antoine informed the Board that the REAC Physical Inspection Scores had been received. Bluebell Tower scored an 88 because of a small area of rust on the roof door that was identified as a deficiency. Moon Towers scored a 79 because of a crack in the floor in the boiler room and sprinkler heads with paint on them. KCHA will appeal these findings and hopefully receive the points back. Both scores fall into the standard performer category.

Mr. Antoine informed the Board that three persons expressed interest in the Resident Commissioner position. Mr. Antoine recommended that the Board schedule a time in June to meet with the interested persons. A work session was then scheduled for June 11 at 10:00 a.m.

Mr. Antoine updated the Board on the guidance received from HUD in a memo dated May 19, 2014 on the flat rent increase. Housing Authorities are required to hold a public hearing, update the ACOP and then meet an October 31, 2014 deadline to be in compliance. Mr. Antoine reported that KCHA tenants have already received notification of the increase and that further information would be shared with tenants.

Mr. Antoine reported that a community garden had been developed at Moon Towers with funding from Hy-Vee grant funding and encouraged Board members to stop by and see the garden.

Mr. Antoine reported that Debra Krueger, Housing Choice Voucher Program Manager, submitted her resignation effective June 30, 2014. She will assume the Executive Director position at Mercer County Housing Authority. An internal posting will be made to fill the position.

## **ADJOURNMENT**

Commissioner Stewart then made a motion to adjourn at 11:08 a.m.;  
Commissioner Allen seconded. Roll call was taken as follows:

Commissioner Allen - aye  
Commissioner Dunker - aye  
Commissioner Parsons - aye  
Commissioner Payton - aye  
Commissioner Peterson - aye  
Commissioner Stewart - aye

Motion Carried, 6-0.

Respectfully submitted,

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Secretary

**Knox County Housing Authority**  
**BOARD - COCC CASH FLOW STATEMENT**  
**April 30, 2014**

	Current Period	Period Budget	Current Year	YearTo Date Budg	Variance	Year Budget
<b>COCC - OPERATING STATEMENT</b>						
<b>OPERATING INCOME</b>						
Total Operating Income	48,262.96	52,322.50	48,262.96	52,322.50	-4,059.54	627,870.00
<b>TOTAL OPERATING INCOME</b>	<u>48,262.96</u>	<u>52,322.50</u>	<u>48,262.96</u>	<u>52,322.50</u>	<u>-4,059.54</u>	<u>627,870.00</u>
<b>OPERATING EXPENSE</b>						
Total Administration Expenses	32,704.16	35,910.41	32,704.16	35,910.41	-3,206.25	430,925.00
Total Tenant Services	0.00	0.00	0.00	0.00	0.00	0.00
Total Utilities Expenses	-70.95	425.00	-70.95	425.00	-495.95	5,100.00
Total Maintenance Expenses	147.64	399.99	147.64	399.99	-252.35	4,800.00
General Expense	1,283.55	1,283.75	1,283.55	1,283.75	-0.20	15,405.00
<b>TOTAL ROUTINE OPERATING EXPENSES</b>	<u>34,064.40</u>	<u>38,019.15</u>	<u>34,064.40</u>	<u>38,019.15</u>	<u>-3,954.75</u>	<u>456,230.00</u>
Total Non-Routine Expense	0.00	0.00	0.00	0.00	0.00	0.00
Total Other Credit & Charges	0.00	0.00	0.00	0.00	0.00	0.00
Total Surplus Adjustments	0.00	0.00	0.00	0.00	0.00	0.00
Total Prov. for Operating Reserve	0.00	0.00	0.00	0.00	0.00	0.00
Total Capital Expenditures	0.00	0.00	0.00	0.00	0.00	0.00
Total Vandalism Expenditures	0.00	0.00	0.00	0.00	0.00	0.00
<b>TOTAL OPERATING EXPENSES</b>	<u>34,064.40</u>	<u>38,019.15</u>	<u>34,064.40</u>	<u>38,019.15</u>	<u>-3,954.75</u>	<u>456,230.00</u>
<b>NET REVENUE/-EXPENSE PROFIT/-LOSS</b>	<u>14,198.56</u>	<u>14,303.35</u>	<u>14,198.56</u>	<u>14,303.35</u>	<u>-104.79</u>	<u>171,640.00</u>
Total Depreciation Expense	181.66	458.33	181.66	458.33	-276.67	5,500.00
<b>NET REVENUE W/DEPRECIATION PROFIT/-LOSS</b>	<u>14,016.90</u>	<u>13,845.02</u>	<u>14,016.90</u>	<u>13,845.02</u>	<u>171.88</u>	<u>166,140.00</u>

**Knox County Housing Authority**  
**BOARD - AMP001 CASH FLOW STATEMENT**  
**April 30, 2014**

<b>MOON TOWERS - OPERATING STATEMENT</b>	<b>Current Period</b>	<b>Period Budget</b>	<b>Current Year</b>	<b>YearTo Date Budg</b>	<b>Variance</b>	<b>Year Budget</b>
<b>OPERATING INCOME</b>						
Total Operating Income	59,734.57	62,452.69	59,734.57	62,452.69	-2,718.12	749,432.10
<b>TOTAL OPERATING INCOME</b>	<b>59,734.57</b>	<b>62,452.69</b>	<b>59,734.57</b>	<b>62,452.69</b>	<b>-2,718.12</b>	<b>749,432.10</b>
<b>OPERATING EXPENSE</b>						
Total Administration Expenses	24,643.37	23,907.49	24,643.37	23,907.49	735.88	286,890.00
Total Tenant Services	0.00	279.16	0.00	279.16	-279.16	3,350.00
Total Utilities Expenses	-1,582.08	5,583.34	-1,582.08	5,583.34	-7,165.42	67,000.00
Total Maintenance Expenses	9,485.96	18,908.32	9,485.96	18,908.32	-9,422.36	226,900.00
General Expense	6,736.01	6,323.08	6,736.01	6,323.08	412.93	75,877.00
<b>TOTAL ROUTINE OPERATING EXPENSES</b>	<b>39,283.26</b>	<b>55,001.39</b>	<b>39,283.26</b>	<b>55,001.39</b>	<b>-15,718.13</b>	<b>660,017.00</b>
Total Non-Routine Expense	0.00	83.33	0.00	83.33	-83.33	1,000.00
Total Other Credit & Charges	0.00	0.00	0.00	0.00	0.00	0.00
Total Surplus Adjustments	0.00	0.00	0.00	0.00	0.00	0.00
Total Prov. for Operating Reserve	0.00	0.00	0.00	0.00	0.00	0.00
Total Capital Expenditures	0.00	0.00	0.00	0.00	0.00	0.00
Total Vandalism Expenditures	0.00	0.00	0.00	0.00	0.00	0.00
<b>TOTAL OPERATING EXPENSES</b>	<b>39,283.26</b>	<b>55,084.72</b>	<b>39,283.26</b>	<b>55,084.72</b>	<b>-15,801.46</b>	<b>661,017.00</b>
<b>NET REVENUE/EXPENSE PROFIT/-LOSS</b>	<b>20,451.31</b>	<b>7,367.97</b>	<b>20,451.31</b>	<b>7,367.97</b>	<b>13,083.34</b>	<b>88,415.10</b>
Total Depreciation Expense	33,584.00	35,791.67	33,584.00	35,791.67	-2,207.67	429,500.00
<b>NET REVENUE W/DEPRECIATION PROFIT/-LOSS</b>	<b>-13,132.69</b>	<b>-28,423.70</b>	<b>-13,132.69</b>	<b>-28,423.70</b>	<b>15,291.01</b>	<b>-341,084.90</b>

**Knox County Housing Authority**  
**BOARD - AMP002 CASH FLOW STATEMENT**  
**April 30, 2014**

	Current Period	Period Budget	Current Year	YearTo Date Budg	Variance	Year Budget
<b>FAMILY - OPERATING STATEMENT</b>						
<b>OPERATING INCOME</b>						
Total Operating Income	78,678.80	77,581.03	78,678.80	77,581.03	1,097.77	930,972.45
<b>TOTAL OPERATING INCOME</b>	<b>78,678.80</b>	<b>77,581.03</b>	<b>78,678.80</b>	<b>77,581.03</b>	<b>1,097.77</b>	<b>930,972.45</b>
<b>OPERATING EXPENSE</b>						
Total Administration Expenses	25,740.50	29,141.00	25,740.50	29,141.00	-3,400.50	349,692.20
Total Tenant Services	4,523.87	4,458.35	4,523.87	4,458.35	65.52	53,500.00
Total Utilities Expenses	-223.30	1,931.25	-223.30	1,931.25	-2,154.55	23,175.00
Total Maintenance Expenses	28,439.45	36,804.15	28,439.45	36,804.15	-8,364.70	441,650.00
General Expense	5,712.01	5,569.88	5,712.01	5,569.88	142.13	66,838.50
<b>TOTAL ROUTINE OPERATING EXPENSES</b>	<b>64,192.53</b>	<b>77,904.63</b>	<b>64,192.53</b>	<b>77,904.63</b>	<b>-13,712.10</b>	<b>934,855.70</b>
Total Non-Routine Expense	0.00	0.00	0.00	0.00	0.00	0.00
Total Other Credit & Charges	0.00	0.00	0.00	0.00	0.00	0.00
Total Surplus Adjustments	0.00	0.00	0.00	0.00	0.00	0.00
Total Prov. for Operating Reserve	0.00	-323.60	0.00	-323.60	323.60	-3,883.25
Total Capital Expenditures	0.00	0.00	0.00	0.00	0.00	0.00
Total Vandalism Expenditures	0.00	0.00	0.00	0.00	0.00	0.00
<b>TOTAL OPERATING EXPENSES</b>	<b>64,192.53</b>	<b>77,581.03</b>	<b>64,192.53</b>	<b>77,581.03</b>	<b>-13,388.50</b>	<b>930,972.45</b>
<b>NET REVENUE/EXPENSE PROFIT/-LOSS</b>	<b>14,486.27</b>	<b>0.00</b>	<b>14,486.27</b>	<b>0.00</b>	<b>14,486.27</b>	<b>0.00</b>
Total Depreciation Expense	31,303.00	38,958.33	31,303.00	38,958.33	-7,655.33	467,500.00
<b>NET REVENUE W/DEPRECIATION PROFIT/-LOSS</b>	<b>-16,816.73</b>	<b>-38,958.33</b>	<b>-16,816.73</b>	<b>-38,958.33</b>	<b>22,141.60</b>	<b>-467,500.00</b>



**Knox County Housing Authority**  
**BOARD - AMP003 CASH FLOW STATEMENT**  
**April 30, 2014**

<b>BLUEBELL - OPERATING STATEMENT</b>	<b>Current Period</b>	<b>Period Budget</b>	<b>Current Year</b>	<b>YearTo Date Budg</b>	<b>Variance</b>	<b>Year Budget</b>
<b>OPERATING INCOME</b>						
Total Operating Income	20,451.06	21,303.34	20,451.06	21,303.34	-852.28	255,640.00
<b>TOTAL OPERATING INCOME</b>	<b>20,451.06</b>	<b>21,303.34</b>	<b>20,451.06</b>	<b>21,303.34</b>	<b>-852.28</b>	<b>255,640.00</b>
<b>OPERATING EXPENSE</b>						
Total Administration Expenses	9,727.22	9,992.59	9,727.22	9,992.59	-265.37	119,911.00
Total Tenant Services	0.00	41.67	0.00	41.67	-41.67	500.00
Total Utilities Expenses	-994.71	2,195.84	-994.71	2,195.84	-3,190.55	26,350.00
Total Maintenance Expenses	5,272.94	5,896.67	5,272.94	5,896.67	-623.73	70,760.00
General Expense	2,626.56	2,749.08	2,626.56	2,749.08	-122.52	32,989.00
<b>TOTAL ROUTINE OPERATING EXPENSES</b>	<b>16,632.01</b>	<b>20,875.85</b>	<b>16,632.01</b>	<b>20,875.85</b>	<b>-4,243.84</b>	<b>250,510.00</b>
Total Non-Routine Expense	0.00	500.01	0.00	500.01	-500.01	6,000.00
Total Other Credit & Charges	0.00	0.00	0.00	0.00	0.00	0.00
Total Surplus Adjustments	0.00	0.00	0.00	0.00	0.00	0.00
Total Prov. for Operating Reserve	0.00	-70.83	0.00	-70.83	70.83	-850.00
Total Capital Expenditures	0.00	0.00	0.00	0.00	0.00	0.00
Total Vandalism Expenditures	0.00	0.00	0.00	0.00	0.00	0.00
<b>TOTAL OPERATING EXPENSES</b>	<b>16,632.01</b>	<b>21,305.03</b>	<b>16,632.01</b>	<b>21,305.03</b>	<b>-4,673.02</b>	<b>255,660.00</b>
<b>NET REVENUE/EXPENSE PROFIT/-LOSS</b>	<b>3,819.05</b>	<b>-1.69</b>	<b>3,819.05</b>	<b>-1.69</b>	<b>3,820.74</b>	<b>-20.00</b>
Total Depreciation Expense	11,654.00	10,833.33	11,654.00	10,833.33	820.67	130,000.00
<b>NET REVENUE W/DEPRECIATION PROFIT/-LOSS</b>	<b>-7,834.95</b>	<b>-10,835.02</b>	<b>-7,834.95</b>	<b>-10,835.02</b>	<b>3,000.07</b>	<b>-130,020.00</b>

**Knox County Housing Authority**  
**BOARD - LOW RENT CASH FLOW STATEMENT**  
**April 30, 2014**

COCC, MT, FAMILY, BB COMBINED OS	Current Period	Period Budget	Current Year	YearTo Date Budg	Variance	Year Budget
<b>OPERATING INCOME</b>						
Total Operating Income	207,127.39	213,659.56	207,127.39	213,659.56	-6,532.17	2,563,914.55
<b>TOTAL OPERATING INCOME</b>	<b>207,127.39</b>	<b>213,659.56</b>	<b>207,127.39</b>	<b>213,659.56</b>	<b>-6,532.17</b>	<b>2,563,914.55</b>
<b>OPERATING EXPENSE</b>						
Total Administration Expenses	92,815.25	98,951.49	92,815.25	98,951.49	-6,136.24	1,187,418.20
Total Tenant Services	4,523.87	4,779.18	4,523.87	4,779.18	-255.31	57,350.00
Total Utilities Expenses	-2,871.04	10,135.43	-2,871.04	10,135.43	-13,006.47	121,625.00
Total Maintenance Expenses	43,345.99	62,009.13	43,345.99	62,009.13	-18,663.14	744,110.00
General Expense	16,358.13	15,925.79	16,358.13	15,925.79	432.34	191,109.50
<b>TOTAL ROUTINE OPERATING EXPENSES</b>	<b>154,172.20</b>	<b>191,801.02</b>	<b>154,172.20</b>	<b>191,801.02</b>	<b>-37,628.82</b>	<b>2,301,612.70</b>
Total Non-Routine Expense	0.00	583.34	0.00	583.34	-583.34	7,000.00
Total Other Credit & Charges	0.00	0.00	0.00	0.00	0.00	0.00
Total Surplus Adjustments	0.00	0.00	0.00	0.00	0.00	0.00
Total Prov. for Operating Reserve	0.00	-394.43	0.00	-394.43	394.43	-4,733.25
Total Capital Expenditures	0.00	0.00	0.00	0.00	0.00	0.00
Total Vandalism Expenditures	0.00	0.00	0.00	0.00	0.00	0.00
<b>TOTAL OPERATING EXPENSES</b>	<b>154,172.20</b>	<b>191,989.93</b>	<b>154,172.20</b>	<b>191,989.93</b>	<b>-37,817.73</b>	<b>2,303,879.45</b>
<b>NET REVENUE/EXPENSE PROFIT/-LOSS</b>	<b>52,955.19</b>	<b>21,669.63</b>	<b>52,955.19</b>	<b>21,669.63</b>	<b>31,285.56</b>	<b>260,035.10</b>
Total Depreciation Expense	76,722.66	86,041.66	76,722.66	86,041.66	-9,319.00	1,032,500.00
<b>NET REVENUE W/DEPRECIATION PROFIT/-LOSS</b>	<b>-23,767.47</b>	<b>-64,372.03</b>	<b>-23,767.47</b>	<b>-64,372.03</b>	<b>40,604.56</b>	<b>-772,464.90</b>

**Knox County Housing Authority**  
**BOARD - BRENTWOOD CASH FLOW STATEMENT**  
**April 30, 2014**

	Current Period	Period Budget	Current Year	YearTo Date Budg	Variance	Year Budget
<b>BRENTWOOD - OPERATING STATEMENT</b>						
<b>OPERATING INCOME</b>						
Total Operating Income	28,377.39	28,797.74	28,377.39	28,797.74	-420.35	345,573.00
<b>TOTAL OPERATING INCOME</b>	<u>28,377.39</u>	<u>28,797.74</u>	<u>28,377.39</u>	<u>28,797.74</u>	<u>-420.35</u>	<u>345,573.00</u>
<b>OPERATING EXPENSE</b>						
Total Administration Expenses	3,357.81	4,539.08	3,357.81	4,539.08	-1,181.27	54,469.00
Total Fee Expenses	5,354.82	5,310.00	5,354.82	5,310.00	44.82	63,720.00
Total Utilities Expenses	-372.06	2,049.99	-372.06	2,049.99	-2,422.05	24,600.00
Total Maintenance Expenses	5,855.38	11,667.09	5,855.38	11,667.09	-5,811.71	140,005.00
Total Taxes & Insurance Expense	2,533.99	2,491.39	2,533.99	2,491.39	42.60	29,896.65
Total Financial Expenses	2,621.29	2,650.00	2,621.29	2,650.00	-28.71	31,800.00
<b>TOTAL ROUTINE OPERATING EXPENSE</b>	<u>19,351.23</u>	<u>28,707.55</u>	<u>19,351.23</u>	<u>28,707.55</u>	<u>-9,356.32</u>	<u>344,490.65</u>
Total Amortization Expense	0.00	0.00	0.00	0.00	0.00	0.00
Total Provision for Reserve	0.00	0.00	0.00	0.00	0.00	0.00
Total Capital Expenditures	0.00	0.00	0.00	0.00	0.00	0.00
Total Vandalism Expenditures	0.00	0.00	0.00	0.00	0.00	0.00
Total Transfers In/Out	0.00	0.00	0.00	0.00	0.00	0.00
<b>TOTAL ALL EXPENSES BEFORE DEPRECIATION</b>	<u>19,351.23</u>	<u>28,707.55</u>	<u>19,351.23</u>	<u>28,707.55</u>	<u>-9,356.32</u>	<u>344,490.65</u>
<b>NET REVENUE PROFIT/-LOSS</b>	<u>9,026.16</u>	<u>90.19</u>	<u>9,026.16</u>	<u>90.19</u>	<u>8,935.97</u>	<u>1,082.35</u>
Total Depreciation Expense	5,316.50	4,500.00	5,316.50	4,500.00	816.50	54,000.00
<b>NET REVENUE w/Depreciation PROFIT/-LOSS</b>	<u>3,709.66</u>	<u>-4,409.81</u>	<u>3,709.66</u>	<u>-4,409.81</u>	<u>8,119.47</u>	<u>-52,917.65</u>

**Knox County Housing Authority**  
**BOARD - PRAIRIELAND CASH FLOW STATEMENT**  
**April 30, 2014**

	Current Period	Period Budget	Current Year	YearTo Date Budg	Variance	Year Budget
<b>PRAIRIELAND - OPERATING STATEMENT</b>						
<b>OPERATING INCOME</b>						
Total Opetating Income	24,881.77	25,121.59	24,881.77	25,121.59	-239.82	301,459.00
<b>TOTAL OPERATING INCOME</b>	<b>24,881.77</b>	<b>25,121.59</b>	<b>24,881.77</b>	<b>25,121.59</b>	<b>-239.82</b>	<b>301,459.00</b>
<b>OPERATING EXPENSE</b>						
Total Administration Expenses	3,271.40	4,566.60	3,271.40	4,566.60	-1,295.20	54,799.00
Total Fee Expenses	4,676.04	4,785.83	4,676.04	4,785.83	-109.79	57,430.00
Total Utilities Expenses	-4,352.78	2,085.00	-4,352.78	2,085.00	-6,437.78	25,020.00
Total Maintenance Expenses	5,622.71	9,030.39	5,622.71	9,030.39	-3,407.68	108,365.00
Total Taxes & Insurance Expense	2,494.17	2,153.73	2,494.17	2,153.73	340.44	25,844.70
Total Financial Expenses	2,621.28	2,500.00	2,621.28	2,500.00	121.28	30,000.00
<b>TOTAL ROUTINE OPERATING EXPENSE</b>	<b>14,332.82</b>	<b>25,121.55</b>	<b>14,332.82</b>	<b>25,121.55</b>	<b>-10,788.73</b>	<b>301,458.70</b>
Total Amortization Expense	0.00	0.00	0.00	0.00	0.00	0.00
Total Provision for Reserve	0.00	0.00	0.00	0.00	0.00	0.00
Total Capital Expenditures	0.00	0.00	0.00	0.00	0.00	0.00
Total Vandalism Expenditures	0.00	0.00	0.00	0.00	0.00	0.00
Total Transfers In/Out	0.00	0.00	0.00	0.00	0.00	0.00
<b>TOTAL ALL EXPENSES BEFORE DEPRECIATION</b>	<b>14,332.82</b>	<b>25,121.55</b>	<b>14,332.82</b>	<b>25,121.55</b>	<b>-10,788.73</b>	<b>301,458.70</b>
<b>NET REVENUE PROFIT/-LOSS</b>	<b>10,548.95</b>	<b>0.04</b>	<b>10,548.95</b>	<b>0.04</b>	<b>10,548.91</b>	<b>0.30</b>
Total Depreciation Expense	5,721.25	5,416.67	5,721.25	5,416.67	304.58	65,000.00
<b>NET REVENUE w/Depreciation PROFIT/-LOSS</b>	<b>4,827.70</b>	<b>-5,416.63</b>	<b>4,827.70</b>	<b>-5,416.63</b>	<b>10,244.33</b>	<b>-64,999.70</b>

**Knox County Housing Authority**  
**BOARD - AHP CASH FLOW STATEMENT**  
**April 30, 2014**

<b>BRENTWOOD &amp; PRAIRIELAND COMBINED</b>	<b>Current Period</b>	<b>Period Budget</b>	<b>Current Year</b>	<b>YearTo Date Budg</b>	<b>Variance</b>	<b>Year Budget</b>
<b>OPERATING INCOME</b>						
Total Operating Income	53,259.16	53,919.33	53,259.16	53,919.33	-660.17	647,032.00
<b>TOTAL OPERATING INCOME</b>	<b>53,259.16</b>	<b>53,919.33</b>	<b>53,259.16</b>	<b>53,919.33</b>	<b>-660.17</b>	<b>647,032.00</b>
<b>OPERATING EXPENSE</b>						
Total Administration Expenses	6,629.21	9,105.68	6,629.21	9,105.68	-2,476.47	109,268.00
Total Fee Expenses	10,030.86	10,095.83	10,030.86	10,095.83	-64.97	121,150.00
Total Utilities Expenses	-4,724.84	4,134.99	-4,724.84	4,134.99	-8,859.83	49,620.00
Total Maintenance Expenses	11,478.09	20,697.48	11,478.09	20,697.48	-9,219.39	248,370.00
Total Taxes & Insurance Expense	5,028.16	4,645.12	5,028.16	4,645.12	383.04	55,741.35
Total Financial Expenses	5,242.57	5,150.00	5,242.57	5,150.00	92.57	61,800.00
<b>TOTAL ROUTINE OPERATING EXPENSE</b>	<b>33,684.05</b>	<b>53,829.10</b>	<b>33,684.05</b>	<b>53,829.10</b>	<b>-20,145.05</b>	<b>645,949.35</b>
Total Amortization Expense	0.00	0.00	0.00	0.00	0.00	0.00
Total Provision for Reserve	0.00	0.00	0.00	0.00	0.00	0.00
Total Capital Expenditures	0.00	0.00	0.00	0.00	0.00	0.00
Total Vandalism Expenditures	0.00	0.00	0.00	0.00	0.00	0.00
Total Transfers In/Out	0.00	0.00	0.00	0.00	0.00	0.00
<b>TOTAL ALL EXPENSES BEFORE DEPRECIATION</b>	<b>33,684.05</b>	<b>53,829.10</b>	<b>33,684.05</b>	<b>53,829.10</b>	<b>-20,145.05</b>	<b>645,949.35</b>
<b>NET REVENUE PROFIT/-LOSS</b>	<b>19,575.11</b>	<b>90.23</b>	<b>19,575.11</b>	<b>90.23</b>	<b>19,484.88</b>	<b>1,082.65</b>
Total Depreciation Expense	11,037.75	9,916.67	11,037.75	9,916.67	1,121.08	119,000.00
<b>NET REVENUE w/Depreciation PROFIT/-LOSS</b>	<b>8,537.36</b>	<b>-9,826.44</b>	<b>8,537.36</b>	<b>-9,826.44</b>	<b>18,363.80</b>	<b>-117,917.35</b>

**Knox County Housing Authority**  
**BOARD - HCV CASH FLOW STATEMENT**  
**April 30, 2014**

	Current Period	Period Budget	Current Year	YearTo Date Budg	Variance	Year Budget
<b>HCV - OPERATING STATEMENT</b>						
<b>ADMIN OPERATING INCOME</b>						
Total Admin Operating Income	8,977.67	9,856.74	8,977.67	9,856.74	-879.07	118,281.00
<b>TOTAL ADMIN OPERATING INCOME</b>	<b>8,977.67</b>	<b>9,856.74</b>	<b>8,977.67</b>	<b>9,856.74</b>	<b>-879.07</b>	<b>118,281.00</b>
<b>OPERATING EXPENSES</b>						
Total Admin Expenses	6,393.15	7,064.58	6,393.15	7,064.58	-671.43	84,775.00
Total Fees Expenses	3,958.50	4,103.16	3,958.50	4,103.16	-144.66	49,238.00
Total General Expenses	640.33	656.08	640.33	656.08	-15.75	7,873.00
<b>TOTAL OPERATING EXPENSES</b>	<b>10,991.98</b>	<b>11,823.82</b>	<b>10,991.98</b>	<b>11,823.82</b>	<b>-831.84</b>	<b>141,886.00</b>
Total Surplus Adjustments	0.00	0.00	0.00	0.00	0.00	0.00
Total Provision for Reserve	0.00	-2,300.42	0.00	-2,300.42	2,300.42	-27,605.00
Total Capital Expenditures	0.00	0.00	0.00	0.00	0.00	0.00
<b>TOTAL EXPENSES</b>	<b>10,991.98</b>	<b>9,523.40</b>	<b>10,991.98</b>	<b>9,523.40</b>	<b>1,468.58</b>	<b>114,281.00</b>
<b>NET REVENUE PROFIT/-LOSS</b>	<b>-2,014.31</b>	<b>333.34</b>	<b>-2,014.31</b>	<b>333.34</b>	<b>-2,347.65</b>	<b>4,000.00</b>
Total Depreciation Expense	18.75	0.00	18.75	0.00	18.75	0.00
<b>NET REVENUE w/Deprecitation PROFIT/-LOSS</b>	<b>-2,033.06</b>	<b>333.34</b>	<b>-2,033.06</b>	<b>333.34</b>	<b>-2,366.40</b>	<b>4,000.00</b>
<b>HAP - OPERATING STATEMENT</b>						
<b>HAP INCOME</b>						
Total Income	79,977.00	81,274.33	79,977.00	81,274.33	-1,297.33	975,292.00
<b>TOTAL HAP INCOME</b>	<b>79,977.00</b>	<b>81,274.33</b>	<b>79,977.00</b>	<b>81,274.33</b>	<b>-1,297.33</b>	<b>975,292.00</b>
<b>HAP EXPENSES</b>						
Total HAP Expenses	75,472.00	81,274.33	75,472.00	81,274.33	-5,802.33	975,292.00
Total General HAP Expenses	0.00	0.00	0.00	0.00	0.00	0.00
<b>TOTAL HAP EXPENSES</b>	<b>75,472.00</b>	<b>81,274.33</b>	<b>75,472.00</b>	<b>81,274.33</b>	<b>-5,802.33</b>	<b>975,292.00</b>
Total Prior Year Adj HAP	0.00	0.00	0.00	0.00	0.00	0.00
<b>REMAINING HAP from RESERVE +/-LOSS</b>	<b>4,505.00</b>	<b>0.00</b>	<b>4,505.00</b>	<b>0.00</b>	<b>4,505.00</b>	<b>0.00</b>

**Knox County Housing Authority**  
**CLAIMS REPORT - LOW RENT**  
*April, 2014*

	Current Period	Last Year Same P	Variance	Current Year
<b>AMP001 - MOON TOWERS</b>				
Salaries	21,082.79	20,815.37	267.42	21,082.79
Employee W/H Payments	0.00	0.00	0.00	0.00
Management Fees	14,558.16	8,825.00	5,733.16	14,558.16
Administrative Expenses	2,784.03	1,250.93	1,533.10	2,784.03
Teneant Services	0.00	0.00	0.00	0.00
Utilities	-1,582.08	-25.97	-1,556.11	-1,582.08
Maintenance Supplies/Contracts	-4,295.65	3,823.92	-8,119.57	-4,295.65
Mileage	0.00	0.00	0.00	0.00
General Expenses	6,736.01	5,862.01	874.00	6,736.01
Non-Routine Expense	0.00	86.42	-86.42	0.00
<b>TOTAL MOON TOWERS CLAIMS</b>	<b>39,283.26</b>	<b>40,637.68</b>	<b>-1,354.42</b>	<b>39,283.26</b>
<b>AMP002 - FAMILY</b>				
Salaries	38,811.03	40,145.82	-1,334.79	38,811.03
Employee W/H Payments	0.00	0.00	0.00	0.00
Management Fees	15,427.36	9,696.60	5,730.76	15,427.36
Administrative Expenses	2,240.81	2,468.53	-227.72	2,240.81
Teneant Services	-13.98	0.00	-13.98	-13.98
Utilities	-223.30	-82.02	-141.28	-223.30
Maintenance Supplies/Contracts	2,238.60	3,060.62	-822.02	2,238.60
Mileage	0.00	0.00	0.00	0.00
General Expenses	5,712.01	5,112.40	599.61	5,712.01
Non-Routine Expenses	0.00	0.00	0.00	0.00
<b>TOTAL FAMILY CLAIMS</b>	<b>64,192.53</b>	<b>60,401.95</b>	<b>3,790.58</b>	<b>64,192.53</b>
<b>AMP003 - BLUEBELL</b>				
Salaries	8,552.54	8,473.54	79.00	8,552.54
Employee W/H Payments	0.00	0.00	0.00	0.00
Management Fees	4,205.34	2,677.50	1,527.84	4,205.34
Administrative Expenses	1,068.49	988.84	79.65	1,068.49
Teneant Services	0.00	0.00	0.00	0.00
Utilities	-994.71	0.00	-994.71	-994.71
Maintenance Supplies/Contracts	1,099.21	1,001.31	97.90	1,099.21
Mileage	74.58	37.68	36.90	74.58
General Expenses	2,626.56	2,096.52	530.04	2,626.56
Non-Routine Expenses	0.00	6,688.26	-6,688.26	0.00
<b>TOTAL BLUEBELL CLAIMS</b>	<b>16,632.01</b>	<b>21,963.65</b>	<b>-5,331.64</b>	<b>16,632.01</b>
<b>COCC</b>				
Salaries	26,429.49	29,675.08	-3,245.59	26,429.49
Employee W/H Payments	-3,375.78	-1,207.80	-2,167.98	-3,375.78
Management Fees	0.00	143.51	-143.51	0.00
Administrative Expenses	6,274.67	4,111.77	2,162.90	6,274.67
Teneant Services	0.00	0.00	0.00	0.00
Utilities	-70.95	0.00	-70.95	-70.95
Maintenance Supplies/Contracts	147.64	488.67	-341.03	147.64
Mileage	0.00	0.00	0.00	0.00
General Expenses	1,283.55	2,137.93	-854.38	1,283.55
Non-Routine Expenses	0.00	0.00	0.00	0.00
<b>TOTAL COCC CLAIMS</b>	<b>30,688.62</b>	<b>35,349.16</b>	<b>-4,660.54</b>	<b>30,688.62</b>
<b>COMBINED - AMP1, AMP2, AMP3, &amp; COCC</b>				
Salaries	94,875.85	99,109.81	-4,233.96	94,875.85
Employee W/H Payments	-3,375.78	-1,207.80	-2,167.98	-3,375.78
Management Fees	34,190.86	21,342.61	12,848.25	34,190.86
Administrative Expenses	12,368.00	8,820.07	3,547.93	12,368.00
Teneant Services	-13.98	0.00	-13.98	-13.98
Utilities	-2,871.04	-107.99	-2,763.05	-2,871.04
Maintenance Supplies	-810.20	8,374.52	-9,184.72	-810.20
Mileage	74.58	37.68	36.90	74.58
General Expenses	16,358.13	15,208.86	1,149.27	16,358.13
Non-Routine Expenses	0.00	6,774.68	-6,774.68	0.00
<b>TOTAL LOW RENT CLAIMS</b>	<b>150,796.42</b>	<b>158,352.44</b>	<b>-7,556.02</b>	<b>150,796.42</b>

**Knox County Housing Authority**  
**CLAIMS REPORT - AHP / HCV**  
*April, 2014*

	Current Period	Last Year Same Period	Variance
<b>BRENTWOOD</b>			
Salaries	7,797.23	7,691.89	105.34
Employee W/H Payments	0.00	0.00	0.00
Management Fees	5,354.82	3,168.00	2,186.82
Administrative Expenses	457.07	738.16	-281.09
Utilities	-372.06	0.00	-372.06
Maintenance Supplies/Contracts	958.89	2,214.64	-1,255.75
<b>TOTAL BRENTWOOD CLAIMS</b>	<b>14,195.95</b>	<b>13,812.69</b>	<b>383.26</b>

<b>PRAIRIELAND</b>			
Salaries	7,797.01	7,691.67	105.34
Employee W/H Payments	0.00	0.00	0.00
Management Fees	4,676.04	2,816.00	1,860.04
Administrative Expenses	370.68	558.13	-187.45
Utilities	-4,352.78	0.00	-4,352.78
Maintenance Supplies/Contracts	726.42	1,637.48	-911.06
<b>TOTAL PRAIRIELAND CLAIMS</b>	<b>9,217.37</b>	<b>12,703.28</b>	<b>-3,485.91</b>

<b>AHP - BRENTWOOD &amp; PRAIRIELAND</b>			
Salaries	15,594.24	15,383.56	210.68
Employee W/H Payments	0.00	0.00	0.00
Management Fees	10,030.86	5,984.00	4,046.86
Administrative Expenses	827.75	1,296.29	-468.54
Utilities	-4,724.84	0.00	-4,724.84
Maintenance Supplies	1,685.31	3,852.12	-2,166.81
<b>TOTAL AHP CLAIMS</b>	<b>23,413.32</b>	<b>26,515.97</b>	<b>-3,102.65</b>

<b>HOUSING CHOICE VOUCHER - HCV</b>			
Salaries	5,708.77	5,173.72	535.05
Employee W/H Payments	0.00	0.00	0.00
Management Fees	3,958.50	4,309.50	-351.00
Administrative Expenses	684.38	959.56	-275.18
<b>TOTAL HCV CLAIMS</b>	<b>10,351.65</b>	<b>10,442.78</b>	<b>-91.13</b>



**Knox County Housing Authority**  
**CLAIMS REPORT - GRANT PROGRAMS**  
*April, 2014*

	Current Period	Last Year Same	Variance	Cumulative
<b>CFG 2014 - \$??? ???</b>				
Admin. / Operations	0.00	0.00	0.00	0.00
Fees & Costs	0.00	0.00	0.00	0.00
Site Improvement	0.00	0.00	0.00	0.00
Dwelling Structure	0.00	0.00	0.00	0.00
Dwelling Equipment	0.00	0.00	0.00	0.00
Non Dwelling Equipment	0.00	0.00	0.00	0.00
<b>TOTAL CFG 2014 CLAIMS</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>CFG 2013 - \$584 976</b>				
Admin. / Operations	0.00	0.00	0.00	98,498.00
Fees & Costs	0.00	0.00	0.00	2,046.50
Site Improvement	0.00	0.00	0.00	0.00
Dwelling Structure	0.00	0.00	0.00	415,297.85
Dwelling Equipment	-4,078.23	0.00	-4,078.23	1,510.00
Non-Dwelling Equipment	0.00	0.00	0.00	1,329.85
<b>TOTAL CFG 2013 CLAIMS</b>	<b>-4,078.23</b>	<b>0.00</b>	<b>-4,078.23</b>	<b>518,682.20</b>
<b>CFG 2012 - \$668 600</b>				
Admin. / Operations	0.00	0.00	0.00	133,460.00
Fees & Costs	0.00	0.00	0.00	87,231.00
Site Improvement	0.00	0.00	0.00	20,743.44
Dwelling Structure	0.00	4,173.96	-4,173.96	319,532.27
Dwelling Equipment	0.00	0.00	0.00	97,528.28
Non-Dwelling Equipment	0.00	0.00	0.00	10,105.01
<b>TOTAL CFG 2012 CLAIMS</b>	<b>0.00</b>	<b>4,173.96</b>	<b>-4,173.96</b>	<b>668,600.00</b>
<b>TOTAL CFG GRANT(S) CLAIMS</b>	<b>-4,078.23</b>	<b>4,173.96</b>	<b>-8,252.19</b>	<b>1,187,282.20</b>
<b>ROSS SC GRANT - \$240 000</b>				
Salaries	5,727.86	4,785.92	941.94	164,028.16
Administrative	235.56	0.00	235.56	22,931.95
<b>TOTAL ROSS SC CLAIMS</b>	<b>5,963.42</b>	<b>4,785.92</b>	<b>1,177.50</b>	<b>186,960.11</b>

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**Knox County Housing Authority**  
**CLAIMS REPORT TOTALS**  
*April, 2014*

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	Current Period	Last Year Same P	Variance	Current Year
<b>TOTALS</b>				
<u>LOW RENT</u>				
AMP001 - MOON TOWERS	39,283.26	40,637.68	-1,354.42	39,283.26
AMP002 - FAMILY	64,192.53	60,401.95	3,790.58	64,192.53
AMP003 - BLUEBELL	16,632.01	21,963.65	-5,331.64	16,632.01
COCC	30,688.62	35,349.16	-4,660.54	30,688.62
<b>TOTAL LOW RENT</b>	<b>150,796.42</b>	<b>158,352.44</b>	<b>-7,556.02</b>	<b>150,796.42</b>
<u>A.H.P.</u>				
BRENTWOOD	14,195.95	13,812.69	383.26	14,195.95
PRAIRIELAND	9,217.37	12,703.28	-3,485.91	9,217.37
<b>TOTAL A.H.P.</b>	<b>23,413.32</b>	<b>26,515.97</b>	<b>-3,102.65</b>	<b>23,413.32</b>
<u>HOUSING CHOICE VOUCHER - HCV</u>				
HCV (Administrative Only)	10,351.65	10,442.78	-91.13	10,351.65
<b>TOTAL HCV</b>	<b>10,351.65</b>	<b>10,442.78</b>	<b>-91.13</b>	<b>10,351.65</b>
<u>GRANTS</u>				
CAPITAL FUND GRANT '14	0.00	0.00	0.00	0.00
CAPITAL FUND GRANT '13	-4,078.23	0.00	-4,078.23	-4,078.23
CAPITAL FUND GRANT '12	0.00	4,173.96	-4,173.96	0.00
ROSS SC GRANT '11	5,963.42	4,785.92	1,177.50	5,963.42
<b>TOTAL GRANTS</b>	<b>1,885.19</b>	<b>8,959.88</b>	<b>-7,074.69</b>	<b>1,885.19</b>
<b>TOTAL CLAIMS FOR MONTH</b>	<b>186,446.58</b>	<b>204,271.07</b>	<b>-17,824.49</b>	<b>186,446.58</b>

**Knox County Housing Authority**  
**BOARD - COCC CASH FLOW STATEMENT**  
**May 31, 2014**

	Current Period	Period Budget	Current Year	YearTo Date Budg	Variance	Year Budget
<b>COCC - OPERATING STATEMENT</b>						
<b>OPERATING INCOME</b>						
Total Operating Income	48,205.54	52,322.50	96,468.50	104,645.00	-8,176.50	627,870.00
<b>TOTAL OPERATING INCOME</b>	<u><b>48,205.54</b></u>	<u><b>52,322.50</b></u>	<u><b>96,468.50</b></u>	<u><b>104,645.00</b></u>	<u><b>-8,176.50</b></u>	<u><b>627,870.00</b></u>
<b>OPERATING EXPENSE</b>						
Total Administration Expenses	30,493.17	35,910.41	63,197.33	71,820.82	-8,623.49	430,925.00
Total Tenant Services	0.00	0.00	0.00	0.00	0.00	0.00
Total Utilities Expenses	502.87	425.00	431.92	850.00	-418.08	5,100.00
Total Maintenance Expenses	115.43	399.99	263.07	799.98	-536.91	4,800.00
General Expense	1,283.55	1,283.75	2,567.10	2,567.50	-0.40	15,405.00
<b>TOTAL ROUTINE OPERATING EXPENSES</b>	<u><b>32,395.02</b></u>	<u><b>38,019.15</b></u>	<u><b>66,459.42</b></u>	<u><b>76,038.30</b></u>	<u><b>-9,578.88</b></u>	<u><b>456,230.00</b></u>
Total Non-Routine Expense	0.00	0.00	0.00	0.00	0.00	0.00
Total Other Credit & Charges	0.00	0.00	0.00	0.00	0.00	0.00
Total Surplus Adjustments	0.00	0.00	0.00	0.00	0.00	0.00
Total Prov. for Operating Reserve	0.00	0.00	0.00	0.00	0.00	0.00
Total Capital Expenditures	0.00	0.00	0.00	0.00	0.00	0.00
Total Vandalism Expenditures	0.00	0.00	0.00	0.00	0.00	0.00
<b>TOTAL OPERATING EXPENSES</b>	<u><b>32,395.02</b></u>	<u><b>38,019.15</b></u>	<u><b>66,459.42</b></u>	<u><b>76,038.30</b></u>	<u><b>-9,578.88</b></u>	<u><b>456,230.00</b></u>
<b>NET REVENUE/-EXPENSE PROFIT/-LOSS</b>	<u><b>15,810.52</b></u>	<u><b>14,303.35</b></u>	<u><b>30,009.08</b></u>	<u><b>28,606.70</b></u>	<u><b>1,402.38</b></u>	<u><b>171,640.00</b></u>
Total Depreciation Expense	181.66	458.33	363.32	916.66	-553.34	5,500.00
<b>NET REVENUE W/DEPRECIATION PROFIT/-LOSS</b>	<u><b>15,628.86</b></u>	<u><b>13,845.02</b></u>	<u><b>29,645.76</b></u>	<u><b>27,690.04</b></u>	<u><b>1,955.72</b></u>	<u><b>166,140.00</b></u>

**Knox County Housing Authority**  
**BOARD - AMP001 CASH FLOW STATEMENT**  
**May 31, 2014**

<b>MOON TOWERS - OPERATING STATEMENT</b>	<b>Current Period</b>	<b>Period Budget</b>	<b>Current Year</b>	<b>YearTo Date Budg</b>	<b>Variance</b>	<b>Year Budget</b>
<b>OPERATING INCOME</b>						
Total Operating Income	63,704.26	62,452.69	123,438.83	124,905.38	-1,466.55	749,432.10
<b>TOTAL OPERATING INCOME</b>	<b>63,704.26</b>	<b>62,452.69</b>	<b>123,438.83</b>	<b>124,905.38</b>	<b>-1,466.55</b>	<b>749,432.10</b>
<b>OPERATING EXPENSE</b>						
Total Administration Expenses	23,034.53	23,907.49	47,677.90	47,814.98	-137.08	286,890.00
Total Tenant Services	0.00	279.16	0.00	558.32	-558.32	3,350.00
Total Utilities Expenses	12,283.57	5,583.34	10,701.49	11,166.68	-465.19	67,000.00
Total Maintenance Expenses	30,954.60	18,908.32	40,440.56	37,816.64	2,623.92	226,900.00
General Expense	5,313.24	6,323.08	12,049.25	12,646.16	-596.91	75,877.00
<b>TOTAL ROUTINE OPERATING EXPENSES</b>	<b>71,585.94</b>	<b>55,001.39</b>	<b>110,869.20</b>	<b>110,002.78</b>	<b>866.42</b>	<b>660,017.00</b>
Total Non-Routine Expense	8,667.36	83.33	8,667.36	166.66	8,500.70	1,000.00
Total Other Credit & Charges	0.00	0.00	0.00	0.00	0.00	0.00
Total Surplus Adjustments	0.00	0.00	0.00	0.00	0.00	0.00
Total Prov. for Operating Reserve	0.00	0.00	0.00	0.00	0.00	0.00
Total Capital Expenditures	0.00	0.00	0.00	0.00	0.00	0.00
Total Vandalism Expenditures	0.00	0.00	0.00	0.00	0.00	0.00
<b>TOTAL OPERATING EXPENSES</b>	<b>80,253.30</b>	<b>55,084.72</b>	<b>119,536.56</b>	<b>110,169.44</b>	<b>9,367.12</b>	<b>661,017.00</b>
<b>NET REVENUE/EXPENSE PROFIT/-LOSS</b>	<b>-16,549.04</b>	<b>7,367.97</b>	<b>3,902.27</b>	<b>14,735.94</b>	<b>-10,833.67</b>	<b>88,415.10</b>
Total Depreciation Expense	33,584.00	35,791.67	67,168.00	71,583.34	-4,415.34	429,500.00
<b>NET REVENUE W/DEPRECIATION PROFIT/-LOSS</b>	<b>-50,133.04</b>	<b>-28,423.70</b>	<b>-63,265.73</b>	<b>-56,847.40</b>	<b>-6,418.33</b>	<b>-341,084.90</b>

**Knox County Housing Authority**  
**BOARD - AMP002 CASH FLOW STATEMENT**  
**May 31, 2014**

	Current Period	Period Budget	Current Year	YearTo Date Budg	Variance	Year Budget
<b>FAMILY - OPERATING STATEMENT</b>						
<b>OPERATING INCOME</b>						
Total Operating Income	82,015.50	77,581.03	160,694.30	155,162.06	5,532.24	930,972.45
<b>TOTAL OPERATING INCOME</b>	<b>82,015.50</b>	<b>77,581.03</b>	<b>160,694.30</b>	<b>155,162.06</b>	<b>5,532.24</b>	<b>930,972.45</b>
<b>OPERATING EXPENSE</b>						
Total Administration Expenses	24,527.01	29,141.00	50,267.51	58,282.00	-8,014.49	349,692.20
Total Tenant Services	5,368.04	4,458.35	9,891.91	8,916.70	975.21	53,500.00
Total Utilities Expenses	1,378.93	1,931.25	1,155.63	3,862.50	-2,706.87	23,175.00
Total Maintenance Expenses	37,364.06	36,804.15	65,803.51	73,608.30	-7,804.79	441,650.00
General Expense	3,788.89	5,569.88	9,500.90	11,139.76	-1,638.86	66,838.50
<b>TOTAL ROUTINE OPERATING EXPENSES</b>	<b>72,426.93</b>	<b>77,904.63</b>	<b>136,619.46</b>	<b>155,809.26</b>	<b>-19,189.80</b>	<b>934,855.70</b>
Total Non-Routine Expense	0.00	0.00	0.00	0.00	0.00	0.00
Total Other Credit & Charges	0.00	0.00	0.00	0.00	0.00	0.00
Total Surplus Adjustments	0.00	0.00	0.00	0.00	0.00	0.00
Total Prov. for Operating Reserve	0.00	-323.60	0.00	-647.20	647.20	-3,883.25
Total Capital Expenditures	0.00	0.00	0.00	0.00	0.00	0.00
Total Vandalism Expenditures	0.00	0.00	0.00	0.00	0.00	0.00
<b>TOTAL OPERATING EXPENSES</b>	<b>72,426.93</b>	<b>77,581.03</b>	<b>136,619.46</b>	<b>155,162.06</b>	<b>-18,542.60</b>	<b>930,972.45</b>
<b>NET REVENUE/EXPENSE PROFIT/-LOSS</b>	<b>9,588.57</b>	<b>0.00</b>	<b>24,074.84</b>	<b>0.00</b>	<b>24,074.84</b>	<b>0.00</b>
Total Depreciation Expense	31,303.00	38,958.33	62,606.00	77,916.66	-15,310.66	467,500.00
<b>NET REVENUE W/DEPRECIATION PROFIT/-LOSS</b>	<b>-21,714.43</b>	<b>-38,958.33</b>	<b>-38,531.16</b>	<b>-77,916.66</b>	<b>39,385.50</b>	<b>-467,500.00</b>

**Knox County Housing Authority**  
**BOARD - AMP003 CASH FLOW STATEMENT**  
**May 31, 2014**

<b>BLUEBELL - OPERATING STATEMENT</b>	<b>Current Period</b>	<b>Period Budget</b>	<b>Current Year</b>	<b>YearTo Date Budg</b>	<b>Variance</b>	<b>Year Budget</b>
<b>OPERATING INCOME</b>						
Total Operating Income	20,542.37	21,303.34	40,993.43	42,606.68	-1,613.25	255,640.00
<b>TOTAL OPERATING INCOME</b>	<b>20,542.37</b>	<b>21,303.34</b>	<b>40,993.43</b>	<b>42,606.68</b>	<b>-1,613.25</b>	<b>255,640.00</b>
<b>OPERATING EXPENSE</b>						
Total Administration Expenses	9,623.11	9,992.59	19,350.33	19,985.18	-634.85	119,911.00
Total Tenant Services	0.00	41.67	0.00	83.34	-83.34	500.00
Total Utilities Expenses	3,056.43	2,195.84	2,061.72	4,391.68	-2,329.96	26,350.00
Total Maintenance Expenses	7,960.84	5,896.67	13,233.78	11,793.34	1,440.44	70,760.00
General Expense	2,213.75	2,749.08	4,840.31	5,498.16	-657.85	32,989.00
<b>TOTAL ROUTINE OPERATING EXPENSES</b>	<b>22,854.13</b>	<b>20,875.85</b>	<b>39,486.14</b>	<b>41,751.70</b>	<b>-2,265.56</b>	<b>250,510.00</b>
Total Non-Routine Expense	0.00	500.01	0.00	1,000.02	-1,000.02	6,000.00
Total Other Credit & Charges	0.00	0.00	0.00	0.00	0.00	0.00
Total Surplus Adjustments	0.00	0.00	0.00	0.00	0.00	0.00
Total Prov. for Operating Reserve	0.00	-70.83	0.00	-141.66	141.66	-850.00
Total Capital Expenditures	0.00	0.00	0.00	0.00	0.00	0.00
Total Vandalism Expenditures	0.00	0.00	0.00	0.00	0.00	0.00
<b>TOTAL OPERATING EXPENSES</b>	<b>22,854.13</b>	<b>21,305.03</b>	<b>39,486.14</b>	<b>42,610.06</b>	<b>-3,123.92</b>	<b>255,660.00</b>
<b>NET REVENUE/EXPENSE PROFIT/-LOSS</b>	<b>-2,311.76</b>	<b>-1.69</b>	<b>1,507.29</b>	<b>-3.38</b>	<b>1,510.67</b>	<b>-20.00</b>
Total Depreciation Expense	11,654.00	10,833.33	23,308.00	21,666.66	1,641.34	130,000.00
<b>NET REVENUE W/DEPRECIATION PROFIT/-LOSS</b>	<b>-13,965.76</b>	<b>-10,835.02</b>	<b>-21,800.71</b>	<b>-21,670.04</b>	<b>-130.67</b>	<b>-130,020.00</b>

**Knox County Housing Authority**  
**BOARD - LOW RENT CASH FLOW STATEMENT**  
**May 31, 2014**

COCC, MT, FAMILY, BB COMBINED OS	Current Period	Period Budget	Current Year	YearTo Date Budg	Variance	Year Budget
<b>OPERATING INCOME</b>						
Total Operating Income	214,467.67	213,659.56	421,595.06	427,319.12	-5,724.06	2,563,914.55
<b>TOTAL OPERATING INCOME</b>	<b>214,467.67</b>	<b>213,659.56</b>	<b>421,595.06</b>	<b>427,319.12</b>	<b>-5,724.06</b>	<b>2,563,914.55</b>
<b>OPERATING EXPENSE</b>						
Total Administration Expenses	87,677.82	98,951.49	180,493.07	197,902.98	-17,409.91	1,187,418.20
Total Tenant Services	5,368.04	4,779.18	9,891.91	9,558.36	333.55	57,350.00
Total Utilities Expenses	17,221.80	10,135.43	14,350.76	20,270.86	-5,920.10	121,625.00
Total Maintenance Expenses	76,394.93	62,009.13	119,740.92	124,018.26	-4,277.34	744,110.00
General Expense	12,599.43	15,925.79	28,957.56	31,851.58	-2,894.02	191,109.50
<b>TOTAL ROUTINE OPERATING EXPENSES</b>	<b>199,262.02</b>	<b>191,801.02</b>	<b>353,434.22</b>	<b>383,602.04</b>	<b>-30,167.82</b>	<b>2,301,612.70</b>
Total Non-Routine Expense	8,667.36	583.34	8,667.36	1,166.68	7,500.68	7,000.00
Total Other Credit & Charges	0.00	0.00	0.00	0.00	0.00	0.00
Total Surplus Adjustments	0.00	0.00	0.00	0.00	0.00	0.00
Total Prov. for Operating Reserve	0.00	-394.43	0.00	-788.86	788.86	-4,733.25
Total Capital Expenditures	0.00	0.00	0.00	0.00	0.00	0.00
Total Vandalism Expenditures	0.00	0.00	0.00	0.00	0.00	0.00
<b>TOTAL OPERATING EXPENSES</b>	<b>207,929.38</b>	<b>191,989.93</b>	<b>362,101.58</b>	<b>383,979.86</b>	<b>-21,878.28</b>	<b>2,303,879.45</b>
<b>NET REVENUE/EXPENSE PROFIT/-LOSS</b>	<b>6,538.29</b>	<b>21,669.63</b>	<b>59,493.48</b>	<b>43,339.26</b>	<b>16,154.22</b>	<b>260,035.10</b>
Total Depreciation Expense	76,722.66	86,041.66	153,445.32	172,083.32	-18,638.00	1,032,500.00
<b>NET REVENUE W/DEPRECIATION PROFIT/-LOSS</b>	<b>-70,184.37</b>	<b>-64,372.03</b>	<b>-93,951.84</b>	<b>-128,744.06</b>	<b>34,792.22</b>	<b>-772,464.90</b>

**Knox County Housing Authority**  
**BOARD - BRENTWOOD CASH FLOW STATEMENT**  
**May 31, 2014**

	Current Period	Period Budget	Current Year	YearTo Date Budg	Variance	Year Budget
<b>BRENTWOOD - OPERATING STATEMENT</b>						
<b>OPERATING INCOME</b>						
Total Operating Income	27,501.76	28,797.74	55,879.15	57,595.48	-1,716.33	345,573.00
<b>TOTAL OPERATING INCOME</b>	<u>27,501.76</u>	<u>28,797.74</u>	<u>55,879.15</u>	<u>57,595.48</u>	<u>-1,716.33</u>	<u>345,573.00</u>
<b>OPERATING EXPENSE</b>						
Total Administration Expenses	3,314.79	4,539.08	6,672.60	9,078.16	-2,405.56	54,469.00
Total Fee Expenses	5,203.98	5,310.00	10,558.80	10,620.00	-61.20	63,720.00
Total Utilities Expenses	534.73	2,049.99	162.67	4,099.98	-3,937.31	24,600.00
Total Maintenance Expenses	10,614.15	11,667.09	16,469.53	23,334.18	-6,864.65	140,005.00
Total Taxes & Insurance Expense	2,490.67	2,491.39	5,024.66	4,982.78	41.88	29,896.65
Total Financial Expenses	2,529.87	2,650.00	5,151.16	5,300.00	-148.84	31,800.00
<b>TOTAL ROUTINE OPERATING EXPENSE</b>	<u>24,688.19</u>	<u>28,707.55</u>	<u>44,039.42</u>	<u>57,415.10</u>	<u>-13,375.68</u>	<u>344,490.65</u>
Total Amortization Expense	0.00	0.00	0.00	0.00	0.00	0.00
Total Provision for Reserve	0.00	0.00	0.00	0.00	0.00	0.00
Total Capital Expenditures	0.00	0.00	0.00	0.00	0.00	0.00
Total Vandalism Expenditures	0.00	0.00	0.00	0.00	0.00	0.00
Total Transfers In/Out	0.00	0.00	0.00	0.00	0.00	0.00
<b>TOTAL ALL EXPENSES BEFORE DEPRECIATION</b>	<u>24,688.19</u>	<u>28,707.55</u>	<u>44,039.42</u>	<u>57,415.10</u>	<u>-13,375.68</u>	<u>344,490.65</u>
<b>NET REVENUE PROFIT/-LOSS</b>	<u>2,813.57</u>	<u>90.19</u>	<u>11,839.73</u>	<u>180.38</u>	<u>11,659.35</u>	<u>1,082.35</u>
Total Depreciation Expense	5,316.50	4,500.00	10,633.00	9,000.00	1,633.00	54,000.00
<b>NET REVENUE w/Depreciation PROFIT/-LOSS</b>	<u>-2,502.93</u>	<u>-4,409.81</u>	<u>1,206.73</u>	<u>-8,819.62</u>	<u>10,026.35</u>	<u>-52,917.65</u>



**Knox County Housing Authority**  
**BOARD - PRAIRIELAND CASH FLOW STATEMENT**  
**May 31, 2014**

	Current Period	Period Budget	Current Year	YearTo Date Budg	Variance	Year Budget
<b>PRAIRIELAND - OPERATING STATEMENT</b>						
<b>OPERATING INCOME</b>						
Total Opetating Income	24,864.80	25,121.59	49,746.57	50,243.18	-496.61	301,459.00
<b>TOTAL OPERATING INCOME</b>	<b>24,864.80</b>	<b>25,121.59</b>	<b>49,746.57</b>	<b>50,243.18</b>	<b>-496.61</b>	<b>301,459.00</b>
<b>OPERATING EXPENSE</b>						
Total Administration Expenses	3,366.12	4,566.60	6,637.52	9,133.20	-2,495.68	54,799.00
Total Fee Expenses	4,676.04	4,785.83	9,352.08	9,571.66	-219.58	57,430.00
Total Utilities Expenses	4,945.10	2,085.00	592.32	4,170.00	-3,577.68	25,020.00
Total Maintenance Expenses	6,865.24	9,030.39	12,487.95	18,060.78	-5,572.83	108,365.00
Total Taxes & Insurance Expense	2,037.67	2,153.73	4,531.84	4,307.46	224.38	25,844.70
Total Financial Expenses	2,529.87	2,500.00	5,151.15	5,000.00	151.15	30,000.00
<b>TOTAL ROUTINE OPERATING EXPENSE</b>	<b>24,420.04</b>	<b>25,121.55</b>	<b>38,752.86</b>	<b>50,243.10</b>	<b>-11,490.24</b>	<b>301,458.70</b>
Total Amortization Expense	0.00	0.00	0.00	0.00	0.00	0.00
Total Provision for Reserve	0.00	0.00	0.00	0.00	0.00	0.00
Total Capital Expenditures	0.00	0.00	0.00	0.00	0.00	0.00
Total Vandalism Expenditures	0.00	0.00	0.00	0.00	0.00	0.00
Total Transfers In/Out	0.00	0.00	0.00	0.00	0.00	0.00
<b>TOTAL ALL EXPENSES BEFORE DEPRECIATION</b>	<b>24,420.04</b>	<b>25,121.55</b>	<b>38,752.86</b>	<b>50,243.10</b>	<b>-11,490.24</b>	<b>301,458.70</b>
<b>NET REVENUE PROFIT/-LOSS</b>	<b>444.76</b>	<b>0.04</b>	<b>10,993.71</b>	<b>0.08</b>	<b>10,993.63</b>	<b>0.30</b>
Total Depreciation Expense	5,721.25	5,416.67	11,442.50	10,833.34	609.16	65,000.00
<b>NET REVENUE w/Depreciation PROFIT/-LOSS</b>	<b>-5,276.49</b>	<b>-5,416.63</b>	<b>-448.79</b>	<b>-10,833.26</b>	<b>10,384.47</b>	<b>-64,999.70</b>

**Knox County Housing Authority**  
**BOARD - AHP CASH FLOW STATEMENT**  
**May 31, 2014**

<b>BRENTWOOD &amp; PRAIRIELAND COMBINED</b>	<b>Current Period</b>	<b>Period Budget</b>	<b>Current Year</b>	<b>YearTo Date Budg</b>	<b>Variance</b>	<b>Year Budget</b>
<b>OPERATING INCOME</b>						
Total Operating Income	52,366.56	53,919.33	105,625.72	107,838.66	-2,212.94	647,032.00
<b>TOTAL OPERATING INCOME</b>	<b>52,366.56</b>	<b>53,919.33</b>	<b>105,625.72</b>	<b>107,838.66</b>	<b>-2,212.94</b>	<b>647,032.00</b>
<b>OPERATING EXPENSE</b>						
Total Administration Expenses	6,680.91	9,105.68	13,310.12	18,211.36	-4,901.24	109,268.00
Total Fee Expenses	9,880.02	10,095.83	19,910.88	20,191.66	-280.78	121,150.00
Total Utilities Expenses	5,479.83	4,134.99	754.99	8,269.98	-7,514.99	49,620.00
Total Maintenance Expenses	17,479.39	20,697.48	28,957.48	41,394.96	-12,437.48	248,370.00
Total Taxes & Insurance Expense	4,528.34	4,645.12	9,556.50	9,290.24	266.26	55,741.35
Total Financial Expenses	5,059.74	5,150.00	10,302.31	10,300.00	2.31	61,800.00
<b>TOTAL ROUTINE OPERATING EXPENSE</b>	<b>49,108.23</b>	<b>53,829.10</b>	<b>82,792.28</b>	<b>107,658.20</b>	<b>-24,865.92</b>	<b>645,949.35</b>
Total Amortization Expense	0.00	0.00	0.00	0.00	0.00	0.00
Total Provision for Reserve	0.00	0.00	0.00	0.00	0.00	0.00
Total Capital Expenditures	0.00	0.00	0.00	0.00	0.00	0.00
Total Vandalism Expenditures	0.00	0.00	0.00	0.00	0.00	0.00
Total Transfers In/Out	0.00	0.00	0.00	0.00	0.00	0.00
<b>TOTAL ALL EXPENSES BEFORE DEPRECIATION</b>	<b>49,108.23</b>	<b>53,829.10</b>	<b>82,792.28</b>	<b>107,658.20</b>	<b>-24,865.92</b>	<b>645,949.35</b>
<b>NET REVENUE PROFIT/-LOSS</b>	<b>3,258.33</b>	<b>90.23</b>	<b>22,833.44</b>	<b>180.46</b>	<b>22,652.98</b>	<b>1,082.65</b>
Total Depreciation Expense	11,037.75	9,916.67	22,075.50	19,833.34	2,242.16	119,000.00
<b>NET REVENUE w/Depreciation PROFIT/-LOSS</b>	<b>-7,779.42</b>	<b>-9,826.44</b>	<b>757.94</b>	<b>-19,652.88</b>	<b>20,410.82</b>	<b>-117,917.35</b>

**Knox County Housing Authority**  
**BOARD - HCV CASH FLOW STATEMENT**  
**May 31, 2014**

	Current Period	Period Budget	Current Year	YearTo Date Budg	Variance	Year Budget
<b>HCV - OPERATING STATEMENT</b>						
<b>ADMIN OPERATING INCOME</b>						
Total Admin Operating Income	8,974.33	9,856.74	17,952.00	19,713.48	-1,761.48	118,281.00
<b>TOTAL ADMIN OPERATING INCOME</b>	<b>8,974.33</b>	<b>9,856.74</b>	<b>17,952.00</b>	<b>19,713.48</b>	<b>-1,761.48</b>	<b>118,281.00</b>
<b>OPERATING EXPENSES</b>						
Total Admin Expenses	6,658.99	7,064.58	13,052.14	14,129.16	-1,077.02	84,775.00
Total Fees Expenses	3,978.00	4,103.16	7,936.50	8,206.32	-269.82	49,238.00
Total General Expenses	705.23	656.08	1,345.56	1,312.16	33.40	7,873.00
<b>TOTAL OPERATING EXPENSES</b>	<b>11,342.22</b>	<b>11,823.82</b>	<b>22,334.20</b>	<b>23,647.64</b>	<b>-1,313.44</b>	<b>141,886.00</b>
Total Surplus Adjustments	0.00	0.00	0.00	0.00	0.00	0.00
Total Provision for Reserve	0.00	-2,300.42	0.00	-4,600.84	4,600.84	-27,605.00
Total Capital Expenditures	0.00	0.00	0.00	0.00	0.00	0.00
<b>TOTAL EXPENSES</b>	<b>11,342.22</b>	<b>9,523.40</b>	<b>22,334.20</b>	<b>19,046.80</b>	<b>3,287.40</b>	<b>114,281.00</b>
<b>NET REVENUE PROFIT/-LOSS</b>	<b>-2,367.89</b>	<b>333.34</b>	<b>-4,382.20</b>	<b>666.68</b>	<b>-5,048.88</b>	<b>4,000.00</b>
Total Depreciation Expense	18.75	0.00	37.50	0.00	37.50	0.00
<b>NET REVENUE w/Deprecitation PROFIT/-LOSS</b>	<b>-2,386.64</b>	<b>333.34</b>	<b>-4,419.70</b>	<b>666.68</b>	<b>-5,086.38</b>	<b>4,000.00</b>
<b>HAP - OPERATING STATEMENT</b>						
<b>HAP INCOME</b>						
Total Income	79,546.00	81,274.33	159,523.00	162,548.66	-3,025.66	975,292.00
<b>TOTAL HAP INCOME</b>	<b>79,546.00</b>	<b>81,274.33</b>	<b>159,523.00</b>	<b>162,548.66</b>	<b>-3,025.66</b>	<b>975,292.00</b>
<b>HAP EXPENSES</b>						
Total HAP Expenses	79,819.00	81,274.33	155,291.00	162,548.66	-7,257.66	975,292.00
Total General HAP Expenses	0.00	0.00	0.00	0.00	0.00	0.00
<b>TOTAL HAP EXPENSES</b>	<b>79,819.00</b>	<b>81,274.33</b>	<b>155,291.00</b>	<b>162,548.66</b>	<b>-7,257.66</b>	<b>975,292.00</b>
Total Prior Year Adj HAP	0.00	0.00	0.00	0.00	0.00	0.00
<b>REMAINING HAP from RESERVE +/-LOSS</b>	<b>-273.00</b>	<b>0.00</b>	<b>4,232.00</b>	<b>0.00</b>	<b>4,232.00</b>	<b>0.00</b>

**Knox County Housing Authority**  
**CLAIMS REPORT - LOW RENT**  
*May, 2014*

	Current Period	Last Year Same P	Variance	Current Year
<b>AMP001 - MOON TOWERS</b>				
Salaries	20,454.22	30,230.30	-9,776.08	41,537.01
Employee W/H Payments	0.00	0.00	0.00	0.00
Management Fees	14,779.92	8,782.50	5,997.42	29,338.08
Administrative Expenses	430.54	1,789.17	-1,358.63	3,214.57
Teneant Services	0.00	93.45	-93.45	0.00
Utilities	12,283.57	10,913.05	1,370.52	10,701.49
Maintenance Supplies/Contracts	18,324.45	4,463.05	13,861.40	14,028.80
Mileage	0.00	0.00	0.00	0.00
General Expenses	5,313.24	5,329.50	-16.26	12,049.25
Non-Routine Expense	8,667.36	0.00	8,667.36	8,667.36
<b>TOTAL MOON TOWERS CLAIMS</b>	<b>80,253.30</b>	<b>61,601.02</b>	<b>18,652.28</b>	<b>119,536.56</b>
<b>AMP002 - FAMILY</b>				
Salaries	40,620.99	57,850.97	-17,229.98	79,432.02
Employee W/H Payments	0.00	0.00	0.00	0.00
Management Fees	15,279.52	9,815.77	5,463.75	30,706.88
Administrative Expenses	1,166.97	2,951.40	-1,784.43	3,407.78
Teneant Services	204.39	359.16	-154.77	190.41
Utilities	1,378.93	1,732.10	-353.17	1,155.63
Maintenance Supplies/Contracts	9,987.24	5,147.87	4,839.37	12,225.84
Mileage	0.00	24.88	-24.88	0.00
General Expenses	3,788.89	5,396.99	-1,608.10	9,500.90
Non-Routine Expenses	0.00	0.00	0.00	0.00
<b>TOTAL FAMILY CLAIMS</b>	<b>72,426.93</b>	<b>83,279.14</b>	<b>-10,852.21</b>	<b>136,619.46</b>
<b>AMP003 - BLUEBELL</b>				
Salaries	8,329.00	12,247.40	-3,918.40	16,881.54
Employee W/H Payments	0.00	0.00	0.00	0.00
Management Fees	4,453.24	2,752.14	1,701.10	8,658.58
Administrative Expenses	861.76	978.37	-116.61	1,930.25
Teneant Services	0.00	0.00	0.00	0.00
Utilities	3,056.43	2,333.11	723.32	2,061.72
Maintenance Supplies/Contracts	3,654.81	1,383.29	2,271.52	4,754.02
Mileage	285.14	37.32	247.82	359.72
General Expenses	2,213.75	2,153.11	60.64	4,840.31
Non-Routine Expenses	0.00	0.00	0.00	0.00
<b>TOTAL BLUEBELL CLAIMS</b>	<b>22,854.13</b>	<b>21,884.74</b>	<b>969.39</b>	<b>39,486.14</b>
<b>COCC</b>				
Salaries	26,039.45	42,679.65	-16,640.20	52,468.94
Employee W/H Payments	3,967.09	1,470.85	2,496.24	591.31
Management Fees	0.00	0.00	0.00	0.00
Administrative Expenses	4,453.72	6,541.21	-2,087.49	10,728.39
Teneant Services	0.00	0.00	0.00	0.00
Utilities	502.87	434.42	68.45	431.92
Maintenance Supplies/Contracts	115.43	3.78	111.65	263.07
Mileage	0.00	0.00	0.00	0.00
General Expenses	1,283.55	2,137.93	-854.38	2,567.10
Non-Routine Expenses	0.00	0.00	0.00	0.00
<b>TOTAL COCC CLAIMS</b>	<b>36,362.11</b>	<b>53,267.84</b>	<b>-16,905.73</b>	<b>67,050.73</b>
<b>COMBINED - AMP1, AMP2, AMP3, &amp; COCC</b>				
Salaries	95,443.66	143,008.32	-47,564.66	190,319.51
Employee W/H Payments	3,967.09	1,470.85	2,496.24	591.31
Management Fees	34,512.68	21,350.41	13,162.27	68,703.54
Administrative Expenses	6,912.99	12,260.15	-5,347.16	19,280.99
Teneant Services	204.39	452.61	-248.22	190.41
Utilities	17,221.80	15,412.68	1,809.12	14,350.76
Maintenance Supplies	32,081.93	10,997.99	21,083.94	31,271.73
Mileage	285.14	62.20	222.94	359.72
General Expenses	12,599.43	15,017.53	-2,418.10	28,957.56
Non-Routine Expenses	8,667.36	0.00	8,667.36	8,667.36
<b>TOTAL LOW RENT CLAIMS</b>	<b>211,896.47</b>	<b>220,032.74</b>	<b>-8,136.27</b>	<b>362,692.89</b>

**Knox County Housing Authority**  
**CLAIMS REPORT - AHP / HCV**  
*May, 2014*

	Current Period	Last Year Same Period	Variance
<b>BRENTWOOD</b>			
Salaries	7,776.13	11,116.43	-3,340.30
Employee W/H Payments	0.00	0.00	0.00
Management Fees	5,203.98	3,124.00	2,079.98
Administrative Expenses	446.98	830.86	-383.88
Utilities	534.73	519.39	15.34
Maintenance Supplies/Contracts	5,705.83	2,532.58	3,173.25
<b>TOTAL BRENTWOOD CLAIMS</b>	<b>19,667.65</b>	<b>18,123.26</b>	<b>1,544.39</b>

<b>PRAIRIELAND</b>			
Salaries	7,775.84	11,116.14	-3,340.30
Employee W/H Payments	0.00	0.00	0.00
Management Fees	4,676.04	2,728.00	1,948.04
Administrative Expenses	498.40	831.68	-333.28
Utilities	4,945.10	5,004.11	-59.01
Maintenance Supplies/Contracts	1,957.12	2,056.68	-99.56
<b>TOTAL PRAIRIELAND CLAIMS</b>	<b>19,852.50</b>	<b>21,736.61</b>	<b>-1,884.11</b>

<b>AHP - BRENTWOOD &amp; PRAIRIELAND</b>			
Salaries	15,551.97	22,232.57	-6,680.60
Employee W/H Payments	0.00	0.00	0.00
Management Fees	9,880.02	5,852.00	4,028.02
Administrative Expenses	945.38	1,662.54	-717.16
Utilities	5,479.83	5,523.50	-43.67
Maintenance Supplies	7,662.95	4,589.26	3,073.69
<b>TOTAL AHP CLAIMS</b>	<b>39,520.15</b>	<b>39,859.87</b>	<b>-339.72</b>

<b>HOUSING CHOICE VOUCHER - HCV</b>			
Salaries	5,564.09	7,407.95	-1,843.86
Employee W/H Payments	0.00	0.00	0.00
Management Fees	3,978.00	4,251.00	-273.00
Administrative Expenses	1,094.90	1,445.70	-350.80
<b>TOTAL HCV CLAIMS</b>	<b>10,636.99</b>	<b>13,104.65</b>	<b>-2,467.66</b>

**Knox County Housing Authority**  
**CLAIMS REPORT - GRANT PROGRAMS**  
*May, 2014*

	Current Period	Last Year Same	Variance	Cumulative
<b>CFG 2014 - \$??? ???</b>				
Admin. / Operations	0.00	0.00	0.00	0.00
Fees & Costs	0.00	0.00	0.00	0.00
Site Improvement	0.00	0.00	0.00	0.00
Dwelling Structure	0.00	0.00	0.00	0.00
Dwelling Equipment	0.00	0.00	0.00	0.00
Non Dwelling Equipment	0.00	0.00	0.00	0.00
<b>TOTAL CFG 2014 CLAIMS</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>CFG 2013 - \$584 976</b>				
Admin. / Operations	0.00	0.00	0.00	98,498.00
Fees & Costs	0.00	0.00	0.00	2,046.50
Site Improvement	0.00	0.00	0.00	0.00
Dwelling Structure	4,374.32	0.00	4,374.32	419,672.17
Dwelling Equipment	3,276.96	0.00	3,276.96	4,786.96
Non-Dwelling Equipment	0.00	0.00	0.00	1,329.85
<b>TOTAL CFG 2013 CLAIMS</b>	<b>7,651.28</b>	<b>0.00</b>	<b>7,651.28</b>	<b>526,333.48</b>
<b>CFG 2012 - \$668 600</b>				
Admin. / Operations	0.00	0.00	0.00	133,460.00
Fees & Costs	0.00	9,346.29	-9,346.29	87,231.00
Site Improvement	0.00	0.00	0.00	20,743.44
Dwelling Structure	0.00	46,822.38	-46,822.38	319,532.27
Dwelling Equipment	0.00	0.00	0.00	97,528.28
Non-Dwelling Equipment	0.00	0.00	0.00	10,105.01
<b>TOTAL CFG 2012 CLAIMS</b>	<b>0.00</b>	<b>56,168.67</b>	<b>-56,168.67</b>	<b>668,600.00</b>
<b>TOTAL CFG GRANT(S) CLAIMS</b>	<b>7,651.28</b>	<b>56,168.67</b>	<b>-48,517.39</b>	<b>1,194,933.48</b>
<b>ROSS SC GRANT - \$240 000</b>				
Salaries	4,673.82	6,847.17	-2,173.35	168,701.98
Administrative	390.02	0.00	390.02	23,321.97
<b>TOTAL ROSS SC CLAIMS</b>	<b>5,063.84</b>	<b>6,847.17</b>	<b>-1,783.33</b>	<b>192,023.95</b>

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**Knox County Housing Authority**  
**CLAIMS REPORT TOTALS**  
*May, 2014*

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	Current Period	Last Year Same P	Variance	Current Year
<b>TOTALS</b>				
<u>LOW RENT</u>				
AMP001 - MOON TOWERS	80,253.30	61,601.02	18,652.28	119,536.56
AMP002 - FAMILY	72,426.93	83,279.14	-10,852.21	136,619.46
AMP003 - BLUEBELL	22,854.13	21,884.74	969.39	39,486.14
COCC	36,362.11	53,267.84	-16,905.73	67,050.73
<b>TOTAL LOW RENT</b>	<b>211,896.47</b>	<b>220,032.74</b>	<b>-8,136.27</b>	<b>362,692.89</b>
<u>A.H.P.</u>				
BRENTWOOD	19,667.65	18,123.26	1,544.39	33,863.60
PRAIRIELAND	19,852.50	21,736.61	-1,884.11	29,069.87
<b>TOTAL A.H.P.</b>	<b>39,520.15</b>	<b>39,859.87</b>	<b>-339.72</b>	<b>62,933.47</b>
<u>HOUSING CHOICE VOUCHER - HCV</u>				
HCV (Administrative Only)	10,636.99	13,104.65	-2,467.66	20,988.64
<b>TOTAL HCV</b>	<b>10,636.99</b>	<b>13,104.65</b>	<b>-2,467.66</b>	<b>20,988.64</b>
<u>GRANTS</u>				
CAPITAL FUND GRANT '14	0.00	0.00	0.00	0.00
CAPITAL FUND GRANT '13	7,651.28	0.00	7,651.28	3,573.05
CAPITAL FUND GRANT '12	0.00	56,168.67	-56,168.67	0.00
ROSS SC GRANT '11	5,063.84	6,847.17	-1,783.33	11,027.26
<b>TOTAL GRANTS</b>	<b>12,715.12</b>	<b>63,015.84</b>	<b>-50,300.72</b>	<b>14,600.31</b>
<b>TOTAL CLAIMS FOR MONTH</b>	<b>274,768.73</b>	<b>336,013.10</b>	<b>-61,244.37</b>	<b>461,215.31</b>

**MINUTES OF THE MONTHLY MEETING  
OF THE FINANCE COMMITTEE  
OF THE KNOX COUNTY HOUSING AUTHORITY  
June 20, 2014**

**ROLL CALL**

The regular meeting of the Finance Committee of the Knox County Housing Authority was called at 11:10 by Commissioner Allen. Attendance for the meeting was as follows:

KCHA Commissioners:

Present: Wayne Allen and Tom Dunker

Excused: Ben Burgland

Housing Authority Members:

Present: Derek Antoine, Executive Director  
Lee Lofing, Finance Coordinator

**FINANCIAL REPORT**

The only item on the agenda was to review April and May's 2014 Financial Reports. The committee received the operating statements for COCC, Moon Towers, Family, Bluebell, Brentwood, Prairieland, and Housing Choice Voucher along with the Notes for both months. The committee then had a brief questioning and answering discussion of each of these statements (see the "Notes" attachment). After the discussion and review of the financial reports, they were said to look good and that nothing out of the ordinary stood out.

**ADJOURN**

11:43

Respectfully submitted,

*Lee J Lofing*

Finance Coordinator



# FINANCE COMMITTEE NOTES - 6/20/2014

April 2015

## COCC

	<u>Apr-15</u>	<u>Current YTD</u>	<u>Notes:</u>
Operating Income	\$48,262.96	\$48,262.96	Maintenance/Management Clinic Training
Operating Expenses	\$34,064.40	\$34,064.40	
<b>Net Revenue Income/(loss)</b>	<b>\$14,198.56</b>	<b>\$14,198.56</b>	

Operating in black for month

*If shows a loss, loss will be funded by COCC's reserve .*

COCC's Cash/Reserve      \$477,152.35

## MOON TOWERS

	<u>Apr-15</u>	<u>Current YTD</u>	<u>Notes:</u>
Operating Income	\$59,734.57	\$59,734.57	Maintenance/Management Clinic Training
Operating Expenses	\$39,283.26	\$39,283.26	Some Expenses paid were recorded in March for YE that's why (-)
<b>Net Revenue Income/(loss)</b>	<b>\$20,451.31</b>	<b>\$20,451.31</b>	Paid quarterly extermination fee

Operating in black for month

*MT's Income will help cover some of Family's Loss.*

Moon Tower's Cash/Reserve      \$610,512.28

## FAMILY

	<u>Apr-15</u>	<u>Current YTD</u>	<u>Notes:</u>
Operating Income	\$78,678.80	\$78,678.80	Maintenance/Management Clinic Training
Operating Expenses	\$64,192.53	\$64,192.53	Some Expenses paid were recorded in March for YE that's why (-)
<b>Net Revenue Income/(loss)</b>	<b>\$14,486.27</b>	<b>\$14,486.27</b>	

\$0.00

Operating in black for month

\$0.00

\$14,486.27

*Loss will be funded by Family's reserve*

Family Cash/Reserve      \$123,936.59

## BLUEBELL

	<u>Apr-15</u>	<u>Current YTD</u>	<u>Notes:</u>
Operating Income	\$20,451.06	\$20,451.06	Maintenance/Management Clinic Training
Operating Expenses	\$16,632.01	\$16,632.01	Some Expenses paid were recorded in March for YE that's why (-)
<b>Net Revenue Income/(loss)</b>	<b>\$3,819.05</b>	<b>\$3,819.05</b>	Pd utilities

Operating in black for month

*BB's Income will help cover some of Family's Loss*

Bluebell's Cash/Reserve      \$156,080.58

# FINANCE COMMITTEE NOTES - 6/20/2014

April 2015

## BRENTWOOD

	<u>Apr-15</u>	<u>Current YTD</u>
Operating Income	\$28,377.39	\$28,377.39
Operating Expenses	\$19,351.23	\$19,351.23
<b>Net Revenue Income/(loss)</b>	<b><u>\$9,026.16</u></b>	<b><u>\$9,026.16</u></b>

### Notes:

Maintenance/Management Clinic Training

Some Expenses paid were recorded in March for YE that's why (-)

Operating in black for month

Brentwood's Cash/Reserve \$308,368.70

## PRAIRIELAND

	<u>Apr-15</u>	<u>Current YTD</u>
Operating Income	\$24,881.77	\$24,881.77
Operating Expenses	\$14,332.82	\$14,332.82
<b>Net Revenue Income/(loss)</b>	<b><u>\$10,548.95</u></b>	<b><u>\$10,548.95</u></b>

### Notes:

Maintenance/Management Clinic Training

Some Expenses paid were recorded in March for YE that's why (-)

Operating in black for month

<i>Prairieland's Cash</i>	<i>(\$51,343.89)</i>
<i>Security Deposits</i>	<i>\$2,930.00</i>
<i>Replacement Reserve</i>	<i>\$84,312.06</i>
<i>Residual Receipts</i>	<i><u>\$119,815.84</u></i>
<b>PL's Total Cash</b>	<b>\$155,714.01</b>

## HOUSING CHOICE VOUCHERS

<u>Admin.</u>	<u>Apr-15</u>	<u>Current YTD</u>
Operating Income	\$8,966.49	\$8,966.49
Operating Expenses	\$11,010.73	\$11,010.73
<b>Net Revenue Income/(loss)</b>	<b><u>(\$2,044.24)</u></b>	<b><u>(\$2,044.24)</u></b>

### Notes:

Maintenance/Management Clinic Training

Deficit covered by the UNA.

**Unrestricted Net Assets (UNA) \$281,500.70**

*as of 3-31-14*

Investment in Fixed Assets	\$787.31
Net Revenue Income/(Loss)	<u>(\$2,044.24)</u>
<b>UNA Balance</b>	<b><u>\$280,243.77</u></b>

**For Admin Expenses and Hap (if needed)**

<u>HAP</u>	<u>Apr-15</u>	<u>Current YTD</u>
Operating Income	\$79,988.18	\$79,988.18
Operating Expenses	\$75,472.00	\$75,472.00
<b>Net Revenue Income/(loss)</b>	<b><u>\$4,516.18</u></b>	<b><u>\$4,516.18</u></b>

Voucher costs less than amount funded for the month.

<b>Net Restricted Assets</b>	<b>\$27,718.43</b>
Current YTD Profit/(Loss)	<u>\$4,516.18</u>
<b>NRA Balance</b>	<b><u>\$32,234.61</u></b>
<b>HUD Held Reserves</b>	<b>\$0.00</b>
<b>Extra Funds Available for HAP</b>	<b><u>\$32,234.61</u></b>

*as of 3-31-13*

**For HAP Expenses (Only)**

**For HAP Expenses (Only)**

# FINANCE COMMITTEE NOTES - 6/20/2014

## May 2014

### COCC

	<u>May-14</u>	<u>Current YTD</u>	<u>Notes:</u>
Operating Income	\$48,262.96	\$96,525.92	Paid Utilities
Operating Expenses	\$34,064.40	\$68,128.80	Paid April & May legal fees (Jack Ball)
<b>Net Revenue Income/(loss)</b>	<b>\$14,198.56</b>	<b>\$28,397.12</b>	

Operating in black for month & year

COCC's Cash/Reserve \$442,819.11

### MOON TOWERS

	<u>May-14</u>	<u>Current YTD</u>	<u>Notes:</u>
Operating Income	\$59,734.57	\$119,469.14	Received \$1500 grant for Garden (some will be applied to AHP)
Operating Expenses	\$39,283.26	\$78,566.52	Paid Utilities, Bedbugs, and death clean up
<b>Net Revenue Income/(loss)</b>	<b>\$20,451.31</b>	<b>\$40,902.62</b>	replace/repair water pump and couplings; water main break
			Elevator Maintenance Contract

Operating in red for month and black for year

*MT's Income will help cover some of Family's Loss if Family shows a loss.*

Moon Tower's Cash/Reserve \$575,366.07

### FAMILY

	<u>May-14</u>	<u>Current YTD</u>	<u>Notes:</u>
Operating Income	\$78,678.80	\$157,357.60	Received \$2,256.50 in payments from IDROP
Operating Expenses	\$64,192.53	\$128,385.06	Paid Utilities & quarterly Protective Services
<b>Net Revenue Income/(loss)</b>	<b>\$14,486.27</b>	<b>\$28,972.54</b>	Repaired Vehicle #6 (tie rod, rocker pinion, etc.)
		\$0.00	Installed 2 water heaters and replace gas valve
		\$0.00	
		<b>\$28,972.54</b>	<i>Loss to be funded by Family's reserve and MT &amp; BB's Income</i>
<b>Family Cash/Reserve</b>		<b>\$120,506.92</b>	

### BLUEBELL

	<u>May-14</u>	<u>Current YTD</u>	<u>Notes:</u>
Operating Income	\$20,451.06	\$40,902.12	Paid Utilities
Operating Expenses	\$16,632.01	\$33,264.02	Elevator Maintenance Contract
<b>Net Revenue Income/(loss)</b>	<b>\$3,819.05</b>	<b>\$7,638.10</b>	Purchased Maintenance and Janitorial Supplies

Operating in red for month and black for year

*If BB has an Income, some of the income will help cover part of Family's Loss if any.*

Bluebell's Cash/Reserve \$137,302.60

# FINANCE COMMITTEE NOTES - 6/20/2014

May 2014

## BRENTWOOD

	<u>May-14</u>	<u>Current YTD</u>	<u>Notes:</u>
Operating Income	\$28,377.39	\$56,754.78	Paid Utilities
Operating Expenses	\$19,351.23	\$38,702.46	Replaced carpet in units 21 & 63
<b>Net Revenue Income/(loss)</b>	<b>\$9,026.16</b>	<b>\$18,052.32</b>	

Operating in black for month & year

Brentwood's Cash/Reserve \$296,084.35

## PRAIRIELAND

	<u>May-14</u>	<u>Current YTD</u>	<u>Notes:</u>
Operating Income	\$24,881.77	\$49,763.54	Paid Utilities
Operating Expenses	\$14,332.82	\$28,665.64	Replaced carpet in units 21 & 63
<b>Net Revenue Income/(loss)</b>	<b>\$10,548.95</b>	<b>\$21,097.90</b>	

Operating in black for month & year

*Prairieland's Cash (\$21,278.43)*  
*Security Deposits \$1,634.00*  
*Replacement Reserve \$44,911.91*  
*Residual Receipts \$119,818.79*  
**PL's Total Cash \$145,236.27**

## HOUSING CHOICE VOUCHERS

<u>Admin.</u>	<u>May-14</u>	<u>Current YTD</u>	<u>Notes:</u>
Operating Income	\$8,966.49	\$17,932.98	Paid Salaries, Inspections, and admin. expenses
Operating Expenses	\$11,010.73	\$22,021.46	
<b>Net Revenue Income/(loss)</b>	<b>(\$2,044.24)</b>	<b>(\$4,088.48)</b>	Deficit covered by the UNA.

**Unrestricted Net Assets (UNA) \$280,243.77** *4/30/2014 Balance*

Investment in Fixed Assets \$0.00  
Net Revenue Income/(Loss) (\$4,088.48)  
**UNA Balance \$276,155.29**

For Admin Expenses and Hap (if needed)

<u>HAP</u>	<u>May-14</u>	<u>Current YTD</u>	
Operating Income	\$79,988.18	\$159,976.36	HAP payments
Operating Expenses	\$75,472.00	\$150,944.00	
<b>Net Revenue Income/(loss)</b>	<b>\$4,516.18</b>	<b>\$9,032.36</b>	Voucher costs less then amount funded for the month.

**Net Restricted Assets \$27,718.43** *as of 3-31-13*

Current YTD Profit/(Loss) \$9,032.36  
**NRA Balance \$36,750.79**

For HAP Expenses (Only)

**HUD Held Reserves \$0.00**

**Extra Funds Available for HAP \$36,750.79**

For HAP Expenses (Only)

## BOARD MEMO

216 W. Simmons St.  
Galesburg, IL 61401

O: (309) 342-8129  
F: (309) 342-7206

[www.knoxcountyhousing.org](http://www.knoxcountyhousing.org)

**TO:** Board of Commissioners  
Knox County Housing Authority

**DATE:** 06/19/2014

**FROM:** Derek Antoine  
Executive Director



**BOARD MEETING:** 06/24/2014

**SUBJECT:** Review of Physical Needs Assessment Options

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### Executive Summary

All public housing agencies (PHAs) that do not meet the definition of a "qualified" agency must submit a Five Year Plan every fifth year. The Five Year Plan comprises mission, goals and objectives of each housing agency for the forthcoming five-year period of time. The Five Year Plan is based on fiscal year beginning dates. The Knox County Housing Authority is considered a "non-qualified" agency and, as such, is subject to this requirement. The KCHA's current five year plan submitted for fiscal year beginning 04/01/2010 will expire 03/31/2015. The next five year plan will be due for fiscal year beginning 04/1/2015.

Regulatory requirements for this are set forth at 24 CFR § 903.4(a)(1). Additionally, 24 CFR § 903.7(g) stipulates a statement of capital improvements, which describes the capital improvements necessary to ensure long-term physical and social viability of the PHAs public housing developments, is required to be part of the submission process. 24 CFR § 905.300(a) requires PHAs to conduct physical needs assessments (PNA) as part of the capital fund submission process, and 24 CFR § 905.505(g) states that PHAs must complete a physical needs assessment at the project level, in the form and manner prescribed by HUD that covers the PHA's entire public housing portfolio. 24 CFR § 905.505(h)(4) mandates PHAs CFP Plan submission includes a copy of the physical needs assessment.

Planning is a hallmark of a well-managed property, and the PNA is a key planning tool. The PNA will help the agency identify the most pressing capital needs, and allow for developing a strategy to address and pay for the improvement, rehabilitation, and modernization of the KCHA public housing portfolio.

HUD has issued a proposed rule to revise existing regulations governing PNAs undertaken by PHAs. A PNA identifies all of the work that a PHA would need to undertake to bring each of its projects up to the applicable modernization and energy conservation standards. The proposed rule requires PHAs to project the

current modernization and life-cycle replacement repair needs of its projects over a 20-year period, rather than the existing requirement for a 5-year period, because the 20-year period coincides better with the useful life of individual properties and their building components and systems, helping to ensure the long-term viability of the property. Federal Register /Vol. 76, No. 139 /Wednesday, July 20, 2011 / Proposed Rule, and Federal Register/Vol. 76, No. 222/November 17, 2011/Public Housing Energy Audits/Proposed Rule provide further clarification, and are attached for review. Basically stated, these proposed rules integrate the performance of the PNA with the performance of an energy audit to form a Green Physical Needs Assessment (GPNA). The GPNA must contain detailed data from a current energy audit (within 3 years) which meets the standards of the new rule, including the energy audit be conducted by certified energy auditor, expected useful life of systems, benchmarking consumptions, projected savings by physical components, and categorized energy conservation measures (ECMs). ECMs include both core measures (building envelope, HVAC, water conservation, electrical, appliances) and advanced measures (fuel conversion, conservation technologies, energy-generating technologies, and renewable energy systems.)

Marketed benefits of conducting a GPNA include:

- An enhanced strategic planning tool;
- Considers the long term viability of the agency's public housing portfolio, with annual review and update;
- Implementation of ECMs that reduce an agency's "footprint" on the environment and accrue utility savings;
- Advance identification of capital expenditures far enough in advance to consider the most efficient method of payment;
- Increased occupancy and enhanced health and safety as a result of more habitable units.

Currently, HUD is proceeding with preparations for implementation of the Physical Needs Assessment requirement and revised energy audit standards outlined in the aforementioned proposed rules. However, as with other agency operations, sequestration has impacted the implementation timeline, and the final rule has been delayed. At this time there is only speculation regarding the finalization of the rule, though housing authorities are being encouraged by HUD to use the available time to familiarize themselves with the tools available. HUD continues to encourage PHAs to learn about the new standards and to consider the new standards as local need to perform PNAs and energy audits arise prior to the effectiveness of the new rules. HUD is accepting submittals of PNA data from those PHAs that elect to proceed on a voluntary basis in advance of the final rules.

Summarizing the above information, the Knox County Housing Authority will prepare and submit its Five Year Plan on or before 01/16/2015 and, as such, the agency will be

required to conduct a physical needs assessment. The decision before the agency, then, is whether to conduct a PNA under current requirements or to conduct a PNA in accordance with the proposed rules. To that end, the agency has received quotes for both services to be provided by Alliance Architects, the current A&E vendor under contract with the KCHA. Both proposals are attached for consideration, with the cost for each as follows:

- Standard PNA: \$16,950.00; NTE \$500.00 Reimbursable Expense
- Green PNA: \$28,500.00; NTE \$500.00 Reimbursable Expense

Alliance Architects has experience in the performance of residential building assessment and has knowledge of energy efficiency & green capital upgrade and construction practices, and meets requirements for PNA provider set forth in Federal Register /Vol. 76, No. 139 /Wednesday, July 20, 2011 / Proposed Rule. A benefit to conducting the GPNA at this time is the agency previously conducted an Energy Audit in March of 2013, and we'll be able to utilize that data to meet the requirements of the proposed rule. This cost saving measure is expected to save the agency \$6,000.00 as opposed to having to conduct a new Energy Audit in conjunction with the PNA completion and submission.

While no timeline is currently in place for the GPNA final rule, once the proposed rules become final, housing authorities will need to conduct PNAs under the new requirements. Thus, if the agency opts to conduct a PNA under current requirements, and the rule becomes final before the expiration of the Five Year Plan, we would be required to conduct a GPNA to bring the PHA Plan and CFP Plan submissions into compliance.

In either case, the PNA would be scheduled to be completed on or before 09/30/2014 to ensure the agency has sufficient time to collect and analyze the data prior to preparation of the PHA Plan and CFP Plan submissions which will be due 01/16/2015, 75 days prior to the agency's fiscal year end.

#### **Fiscal Impact**

The expense for either the PNA or GPNA will come from the 2014 Capital Fund.

#### **Recommendation**

It is the recommendation of the Executive Director the Board of Commissioners approve the proposal from Alliance Architects in the amount of \$28,500.00 to conduct a green physical needs assessment for the Knox County Housing Authority Five Year Plan and CFP Plan submissions due 01/16/2015 and effective 04/01/2015 through 03/31/2020.

# ALLIANCE

ARCHITECTURE

April 28, 2014

Mr. Derek Antoine  
Executive Director  
Knox County Housing Authority  
255 West Tompkins Street  
Galesburg, Illinois 61401

VIA E-MAIL  
dantoine@knoxhousing.org

RE: Physical Needs Assessment  
Bluebell & Moon Towers, Scattered Sites, Office Building  
Knox County Housing Authority

Dear Derek:

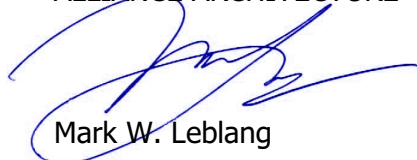
We are pleased to submit our proposal to perform a Physical Needs Assessment (PNA) for each AMP, as well as your main office located at 216 W. Simmons. We understand that the PNA will be prepared utilizing a 20-year period. We plan to inspect at a minimum 10% of your total unit count, 20% of building exteriors (100% at Bluebell and Moon Towers), and 100% of each site and common/public spaces. Note the HUD proposed GPNA template will not be used per your request.

We propose to provide these services for the lump sum amount of \$16,950. Reimbursable expenses (photographs, long-distance phone calls and photocopying) should not exceed \$500. As we previously discussed, we would expect the on-site inspections to begin in June of 2014. If you find this proposal acceptable, sign and return one copy of this letter which will serve as our agreement.

Thank you, we are excited about the prospect of continuing our relationship!

Sincerely,

ALLIANCE ARCHITECTURE



Mark W. Leblang

MWL/dc

KNOX COUNTY HOUSING AUTHORITY

Accepted by:

\_\_\_\_\_  
Derek Antoine, Executive Director

Date: \_\_\_\_\_



# ALLIANCE

ARCHITECTURE

June 16, 2014

Mr. Derek Antoine  
Executive Director  
Knox County Housing Authority  
255 West Tompkins Street  
Galesburg, Illinois 61401

VIA E-MAIL  
dantoine@knoxhousing.org

RE: Green Physical Needs Assessment (GPNA)  
Bluebell & Moon Towers, Scattered Sites, Office Building  
Knox County Housing Authority

Dear Derek:

We are pleased to submit our proposal to perform a Green Physical Needs Assessment (GPNA) for each AMP, as well as your main office located at 216 W. Simmons. We understand that the GPNA will be prepared utilizing a 20-year period. We plan to inspect, at a minimum, 10% of your total unit count, 20% of building exteriors (100% at Bluebell and Moon Towers), and 100% of each site and common/public spaces. Note that the 20 year cost projection will be produced by the HUD proposed GPNA template. Energy Conservation Measures (ECM's) identified in the Water and Energy Audit provided by Alliance Architecture (March 2013) will also be integrated into the GPNA template.

We propose to provide these services for the lump sum amount of \$28,500. Reimbursable expenses (photographs, long-distance phone calls and photocopying) should not exceed \$500. Our current schedule would allow on-site inspections to begin mid to late summer. If you find this proposal acceptable, please sign and return one copy of this letter which will serve as our agreement.

Thank you, we are excited about the prospect of continuing our relationship!

Sincerely,

ALLIANCE ARCHITECTURE



Mark W. Leblang

MWL/dc

KNOX COUNTY HOUSING AUTHORITY

Accepted by:

\_\_\_\_\_  
Derek Antoine, Executive Director

Date: \_\_\_\_\_

provide agency flexibility. GSA is leading three working groups comprised of representatives from Federal agencies to revise those areas of the FTR which pertain to Temporary Duty (TDY) Travel Allowances that include special conveyances, per diem and air transportation. The purpose of this notice is to announce that the working groups will hold a public meeting to receive information from industry and the public on best practices in the aforementioned areas.

**DATES:** The meeting will take place on September 7, 2011 and September 8, 2011.

**FOR FURTHER INFORMATION CONTACT:** Ms. Marcerto Barr, GSA, 1275 First Street, NE., Washington, DC 20417; telephone: (202) 208-7654; or e-mail: [Marcerto.Barr@gsa.gov](mailto:Marcerto.Barr@gsa.gov).

#### SUPPLEMENTARY INFORMATION:

##### Background

The U.S. General Services Administration under applicable authorities, such as 5 U.S.C. 5707; 20 U.S.C. 905(a); 31 U.S.C. 1353; 40 U.S.C. 121(c); 49 U.S.C. 40118; E.O. 11609, as amended; 3 CFR 1971-1975 Comp., p. 586; and E.O. 13563, is currently addressing the following categories of the FTR Chapter 301- TDY Allowances and related appendices: special conveyances (includes ground transportation and rental cars), per diem (includes meals, incidental expenses, and lodging), and air transportation (includes common carriage transportation). GSA is leading three working groups comprised of Federal agency representatives to address these categories. The last major rewrite of the FTR took place in 1998.

##### Meeting Details

**Place:** The 2-day public meetings will be held at the GSA Auditorium, 1800 F Street, NW., Washington, DC 20405. The meeting is open to industry and the general public beginning at 10 a.m. EST through 4 p.m. EST.

**Attendance:** The event is open to the public based upon space availability. Attendees and speakers must pre-register. A limited number of speakers will be allowed to make oral presentations based upon space and on a first-come, first-serve basis. Additionally individuals are welcome to submit written materials to the working groups.

**Pre-Registration:** To pre-register, as an attendee or speaker contact Ms. Barr as detailed above. Participants interested in speaking should indicate the category you would like to address, your name, company name or organization (if

applicable), telephone number and email no later than the close of business on August 23, 2011.

**Agenda:** Presentations from industry and the public will be time limited. Each registered presenter will be allotted a total of 20 minutes.

**Statements and Presentations:** Send written or electronic statements and requests to make oral presentations to the contact person listed above. Submissions must be provided to Ms. Barr at [Marcerto.Barr@gsa.gov](mailto:Marcerto.Barr@gsa.gov) no later than the close of business on August 23, 2011.

**Information on Services for Individuals with Disabilities:** Individuals requiring special accommodations at the meeting, please contact Ms. Barr no later than the close of business on August 23, 2011.

Dated: July 14, 2011.

**Janet C. Dobbs,**

*Director, Office of Travel, Transportation & Asset Mgmt.*

[FR Doc. 2011-18305 Filed 7-19-11; 8:45 am]

**BILLING CODE 6820-14-P**

## DEPARTMENT OF HEALTH AND HUMAN SERVICES

### 45 CFR Part 156

[CMS-9983-P]

RIN 0938-AQ98

### Patient Protection and Affordable Care Act; Establishment of Consumer Operated and Oriented Plan (CO-OP) Program

**AGENCY:** Department of Health and Human Services.

**ACTION:** Proposed rule.

**SUMMARY:** This proposed rule would implement the Consumer Operated and Oriented Plan (CO-OP) program, which provides loans to foster the creation of consumer-governed, private, nonprofit health insurance issuers to offer qualified health plans in the Affordable Insurance Exchanges (Exchanges). The purpose of this program is to create a new CO-OP in every State in order to expand the number of health plans available in the Exchanges with a focus on integrated care and greater plan accountability.

**DATES:** To be assured consideration, comments must be received at one of the addresses provided below, no later than 5 p.m. on September 16, 2011.

**ADDRESSES:** In commenting, please refer to file code CMS-9983-P. Because of staff and resource limitations, we cannot accept comments by facsimile (FAX) transmission.

You may submit comments in one of four ways (please choose only one of the ways listed):

1. *Electronically.* You may submit electronic comments on this regulation to <http://www.regulations.gov>. Follow the "Submit a comment" instructions.

2. *By regular mail.* You may mail written comments to the following address only:

Centers for Medicare & Medicaid Services, Department of Health and Human Services, *Attention:* CMS-9983-P, P.O. Box 8010, Baltimore, MD 21244-8010.

Please allow sufficient time for mailed comments to be received before the close of the comment period.

3. *By express or overnight mail.* You may send written comments to the following address only:

Centers for Medicare & Medicaid Services, Department of Health and Human Services, *Attention:* CMS-9983-P, Mail Stop C4-26-05, 7500 Security Boulevard, Baltimore, MD 21244-1850.

4. *By hand or courier.* Alternatively, you may deliver (by hand or courier) your written comments only to the following addresses prior to the close of the comment period:

a. For delivery in Washington, DC—

Centers for Medicare & Medicaid Services, Department of Health and Human Services, Room 445-G, Hubert H. Humphrey Building, 200 Independence Avenue, SW., Washington, DC 20201.

(Because access to the interior of the Hubert H. Humphrey Building is not readily available to persons without Federal government identification, commenters are encouraged to leave their comments in the CMS drop slots located in the main lobby of the building. A stamp-in clock is available for persons wishing to retain a proof of filing by stamping in and retaining an extra copy of the comments being filed.)

b. For delivery in Baltimore, MD—

Centers for Medicare & Medicaid Services, Department of Health and Human Services, 7500 Security Boulevard, Baltimore, MD 21244-1850.

If you intend to deliver your comments to the Baltimore address, call telephone number (410) 786-9994 in advance to schedule your arrival with one of our staff members.

**Submission of comments on paperwork requirements.** You may submit comments on this document's paperwork requirements by following the instructions at the end of the

“Collection of Information Requirements” section in this document. Comments erroneously mailed to the addresses indicated as appropriate for hand or courier delivery may be delayed and received after the comment period.

For information on viewing public comments, see the beginning of the **SUPPLEMENTARY INFORMATION** section.

#### FOR FURTHER INFORMATION CONTACT:

Anne Bollinger, (301) 492–4395 for issues related to eligibility and CO–OP standards. Catherine Demmerle, (301) 492–4156 for issues related to conversions and program integrity. Meghan Elrington, (301) 492–4388 for general issues and issues related to loan terms.

#### SUPPLEMENTARY INFORMATION:

##### Acronym List

Because of the many terms to which we refer by acronym in this proposed rule, we are listing the acronyms used and their corresponding meanings in alphabetical order below:

CCIO Center for Consumer Information & Insurance Oversight  
 CMS Centers for Medicare & Medicaid Services  
 CO–OP Consumer Operated and Oriented Plan  
 FACA Federal Advisory Committee Act  
 HHS Department of Health and Human Services  
 OIG Office of Inspector General  
 OMB Office of Management and Budget  
 PHS Act Public Health Service Act  
 QHP Qualified Health Plan  
 RFC Request for Comment  
 SHOP Small Business Health Options Program

**Executive Summary:** The Patient Protection and Affordable Care Act, Public Law 111–148, enacted on March 23, 2010 and the Health Care and Education Reconciliation Act of 2010, Public Law 111–152, enacted on March 30, 2010, are collectively referred to in this proposed rule as the “Affordable Care Act.” The Department of Defense and Full-Year Continuing Appropriations Act, 2011, Public Law 112–10, which amended the Affordable Care Act, was enacted on April 15, 2011. Section 1322 of the Affordable Care Act created the Consumer Operated and Oriented Plan program (CO–OP program) to foster the creation of new consumer-governed, private, nonprofit health insurance issuers, known as “CO–OPs.” In addition to improving consumer choice and plan accountability, the CO–OP program also seeks to promote integrated models of care and enhance competition in the Affordable Insurance Exchanges

established under sections 1311 and 1321 of the Affordable Care Act.

The statute provides loans to capitalize eligible prospective CO–OPs with a goal of having at least one CO–OP in each State. The statute permits the funding of multiple CO–OPs in any State, provided that there is sufficient funding to capitalize at least one CO–OP in each State. Congress provided budget authority of \$3.8 billion for the program.

This proposed rule: (1) Sets forth the eligibility standards for the CO–OP program; (2) establishes some terms for loans; and (3) provides certain basic standards that organizations must meet to participate in this program and become a CO–OP. The overall approach and intent of this proposed rule is to provide flexibility for organizations to develop and create a CO–OP. Acknowledging the significant variation in market conditions and populations served that CO–OPs will face, CMS encourages diversity in the organizational design and approach.

Starting in 2014, individuals and small businesses will be able to purchase private health insurance through State-based competitive marketplaces called Affordable Insurance Exchanges. Exchanges will offer Americans competition, choice, and clout. Insurance companies will compete for business on a level playing field, driving down costs. Consumers will have a choice of health plans to fit their needs. Exchanges will give individuals and small businesses the same purchasing clout as big businesses. The Departments of Health and Human Services, Labor, and the Treasury (the Departments) are issuing regulations implementing Exchanges in several phases. The first in this series was a Request for Comment relating to Exchanges, published in the **Federal Register** on August 3, 2010. Second, Initial Guidance to States on Exchanges was published issued on November 18, 2010. Third, a proposed rule for the application, review, and reporting process for waivers for State innovation was published in the **Federal Register** on March 14, 2011 (76 FR 13553). Fourth, on July 15, 2011, two proposed regulations were published in the **Federal Register** to implement components of the Exchange and health insurance premium stabilization policies in the Affordable Care Act including one entitled, “Patient Protection and Affordable Care Act; Establishment of Qualified Health Plans and Exchanges,” hereinafter referred to as “Exchanges proposed rule.” Fifth, additional regulations, including this one, are being published in the **Federal**

**Register** to implement Exchange related components of the Affordable Care Act.

**Submitting Comments:** Comments from the public are welcome on all issues set forth in this proposed rule to assist CMS in fully considering issues and developing policies. Comments should reference the file code CMS–9983–P and the specific section on which a comment is made.

**Inspection of Public Comments:** All comments received before the close of the comment period are available for viewing by the public, including any personally identifiable or confidential business information that is included in a comment. We post all comments received before the close of the comment period as soon as possible after they have been received, on the following *Web site*: <http://www.regulations.gov>. Follow the search instructions on that Web site to view public comments.

Comments received in a timely manner will also be available for public inspection as they are received, generally beginning approximately 3 weeks after publication of a document, at the headquarters of the Centers for Medicare & Medicaid Services, 7500 Security Boulevard, Baltimore, Maryland 21244, Monday through Friday of each week from 8:30 a.m. to 4 p.m. To schedule an appointment to view public comments, phone 1–800–743–3951.

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## I. Background

### A. Overview

The CO-OP program provides Federal loans to foster and encourage the creation of new consumer-run, private health insurers in every State that will provide consumers and small businesses with greater choice in the Exchanges starting in 2014. These new consumer-run, private, nonprofit insurers will be a vehicle for providing higher quality care that is affordable, coordinated, and responsive.

### B. Statutory Basis for the Consumer Operated and Oriented Plan (CO-OP) Program

Section 1322(a) of the Affordable Care Act directs CMS to establish the CO-OP program to foster the creation of member-governed qualified nonprofit health insurance issuers to offer CO-OP qualified health plans in the individual and small group markets in the States in which they are licensed to offer such plans.

Section 1322(b)(1) of the Affordable Care Act provides that CMS shall provide two types of loans to organizations applying to become qualified nonprofit health insurance issuers: Start-up Loans and repayable grants (Solvency Loans). Start-up Loans will provide assistance with start-up costs and Solvency Loans will provide assistance in meeting solvency requirements in the States in which the organization is licensed to issue CO-OP qualified health plans.

Section 1322(b)(2) provides that in making awards, CMS must take into account the recommendations of the Advisory board further described in section 1322(b)(4) of the Affordable Care Act and give priority to applicants that offer CO-OP qualified health plans on a statewide basis, use integrated care models, and have significant private support.

Section 1322(b)(2) of the Affordable Care Act also directs CMS to ensure that there is sufficient funding to establish at least one qualified nonprofit health insurance issuer in each State and the District of Columbia. It permits CMS to fund additional qualified nonprofit health insurance issuers in any State if the funding is sufficient to do so. If no entities in a State apply, CMS may use funds to encourage the establishment of

a qualified nonprofit health insurance issuer in the State or the expansion of another qualified nonprofit health insurance issuer from another State to that State.

Section 1322(b)(2) of the Affordable Care Act also directs any organization receiving a loan to enter into an agreement to meet the standards to become a qualified nonprofit health insurance issuer and any other terms and conditions of the loan awards.

Section 1322(b)(2)(c)(iii) of the Affordable Care Act provides that, if CMS determines that an organization has failed to meet any provisions of the loan agreement or failed to correct such failure within a reasonable period of time, the organization must repay an amount equal to the sum of:

- 110 percent of the aggregate amount of loans received; plus
- Interest on the aggregate amount of loans for the period the loans were outstanding starting from the date of drawdown.

CMS must notify the Department of the Treasury of any determination of a failure to comply with the CO-OP program standards that may affect an issuer's tax-exempt status under section 501(c)(29) of the Code.

Under section 1322(b)(3), Start-up Loans must be repaid within 5 years, and Solvency Loans must be repaid within 15 years. Repayment terms in the award of loans must take into consideration any appropriate State reserve requirements, solvency regulations, and requisite surplus note arrangements that must be constructed by a qualified health insurance issuer in a State to receive and maintain licensure.

Section 1322(c)(1) of the Affordable Care Act defines "qualified nonprofit health insurance issuer" as an organization that:

- Is organized under State law as a private, nonprofit, member corporation;
- Conducts activities of which substantially all consist of the issuance of CO-OP qualified health plans in the individual and small group markets in each State in which it is licensed to issue such plans; and
- Meets the other requirements in subsection 1322(c) of the Affordable Care Act.

Section 1322(c)(2) of the Affordable Care Act states that an organization is not eligible to become a qualified nonprofit health insurance issuer if the organization or a related entity (or any predecessor of either) was a health insurance issuer on July 16, 2009. In addition, an organization cannot be treated as eligible to apply for a loan under the CO-OP program if it is

sponsored by a State or local government, any political subdivision thereof, or any instrumentality of such government or political subdivision. A CO-OP must be a private, nonprofit health insurance issuer.

Section 1322(c)(3) of the Affordable Care Act establishes governance requirements for a qualified nonprofit health insurance issuer. To ensure consumer control, the governance of the organization must be subject to a majority vote of its members. The organization's governing documents must incorporate ethics and conflict of interest standards to protect CO-OP members against insurance industry involvement and interference. To ensure consumer orientation, the organization is required to operate with a strong consumer focus, including timeliness, responsiveness, and accountability to members.

Section 1322(c)(4) of the Affordable Care Act directs the organization to use any profits to lower premiums, improve benefits, or for other programs intended to improve the quality of health care delivered to its members.

Section 1322(c)(5) of the Affordable Care Act directs that the organization must meet all the State standards for licensure that other issuers of qualified health plans must meet in any State where the issuer offers a CO-OP qualified health plan, including solvency and licensure requirements and any other State law described in section 1324(b) of the Affordable Care Act.

Section 1322(c)(6) of the Affordable Care Act prohibits a qualified nonprofit health insurance issuer from offering a health plan in a State until that State has in effect (or CMS has implemented for the State) the market reforms outlined in part A of title XXVII of the Public Health Service Act (as amended by subtitles A and C of title I of the Affordable Care Act) including but not limited to, the requirements for guaranteed issue and limitations on premium variation.

Section 1322(e) of the Affordable Care Act prohibits representatives of any Federal, State, or local government (or of any political subdivision or instrumentality thereof), and representatives of an organization that was an existing issuer or a related entity (or predecessor of either) on July 16, 2009, from serving on the board of directors of the qualified nonprofit health insurance issuer or a private purchasing council established under section 1322(d) of the Affordable Care Act.

Together, these provisions form the statutory basis for the CO-OP program established under this rule.

#### *C. Purpose of the Consumer-Operated and Oriented Plan Program*

Section 1322 of the Affordable Care Act established the CO-OP program to provide loans to foster the creation of new consumer-governed nonprofit health insurance issuers (referred to as CO-OPs) that will operate with a strong consumer focus. The statute divides the loans into two types: loans for start-up costs to be repaid in 5 years ("Start-up Loans") and loans to enable CO-OPs to meet State insurance solvency and reserve requirements to be repaid in 15 years ("Solvency Loans"). Section 1322(b)(2)(A) of the Affordable Care Act directs CMS to ensure that there is sufficient funding to establish at least one CO-OP in each State and to give priority to organizations capable of offering CO-OP qualified health plans on a Statewide basis. To further ensure the presence of CO-OPs in the Exchanges, section 1301(a)(2) of the statute deems CO-OP qualified health plans offered by a qualified nonprofit health insurance issuer eligible to participate in the Exchanges.

The CO-OP program also seeks to promote improved models of care. Existing health insurance cooperatives and other business cooperatives provide possible models for the successful development of CO-OPs around the country. One major barrier to continued development of this model has been the difficulty of obtaining adequate capitalization for start-up costs and State reserve requirements. The CO-OP program is designed to help overcome this major barrier to new issuer formation by providing funding for these critical activities.

Pursuant to section 1322(b)(4) of the Affordable Care Act, the Comptroller General announced the appointment of a 15 member CO-OP Program Advisory Board to make recommendations to CMS on awarding loans on June 23, 2010. Section 1322(b)(2)(A) directs the Secretary to consider the recommendations of the Advisory Board when awarding loans under the CO-OP program. After taking comments in three day-long public hearings from January through March, 2011 and written comments, the Advisory Board approved its final recommendations and report on April 15, 2011. The Advisory Board's final report is available at: [http://cciio.hhs.gov/resources/files/coop\\_faca\\_finalreport\\_04152011.pdf](http://cciio.hhs.gov/resources/files/coop_faca_finalreport_04152011.pdf). The Advisory Board generally advised the Department to develop flexible criteria that recognize the diversity of

market conditions around the country to enable the development of various CO-OP models and allow different types of sponsorship. It also strongly encouraged the Department to provide technical assistance at all stages of the process in order to enhance the viability of individual CO-OPs and the success of the program.

The Advisory Board developed four major principles for awarding loans. CMS concurs with those principles:

(1) Consumer operation, control, and focus must be the salient features of the CO-OP and must be sustained over time;

(2) Solvency and the financial stability of coverage should be maintained and promoted;

(3) CO-OPs should encourage care coordination, quality and efficiency to the extent feasible in local provider and health plan markets; and

(4) Initial loans should be rolled out as expeditiously as possible so that CO-OPs can compete in the Exchanges in the critical first open enrollment period.

CMS also concurs with the Advisory Board in recognizing that potential CO-OPs will initially present different capabilities and levels of development. This proposed rule incorporates the principles endorsed by the Advisory Board by allowing diversity among CO-OPs and maintaining the vision outlined in the Advisory Board Final Report. The CO-OP program will offer an entry point to eligible organizations that seek to provide more consumer-focused coverage and create additional competition for insurance that will make high-quality care more affordable. By creating more health plan choices, CO-OPs can benefit all consumers.

#### *D. Request for Comment*

On February 2, 2011, CMS published a Request for Comment (RFC) in the **Federal Register** (76 FR 5774) seeking public comment on the rules that will govern the CO-OP program. The comment period closed on March 4, 2011. CMS has considered and incorporated the comments received in developing specific regulatory proposals.

The public response to the RFC yielded 55 unique comment submissions. A total of 65 unique entities submitted comments, including entities that submitted stand-alone comments and multiple individuals who signed onto one comment submission. The 65 total unique commenters included consumers and consumer advocacy organizations, medical and health care professional trade associations and societies, health insurers and insurance trade

associations, health benefits consultants, and actuaries. The majority of the comments related to the types of organizations that would likely become successful CO-OPs and the criteria CMS should use in awarding loans.

#### *E. Structure of the Proposed Rule*

The regulations outlined in this Notice of Proposed Rulemaking will be codified in the new 45 CFR part 156 subpart F. The major subjects covered in this proposed rule under subpart F of part 156 are described below.

- Section 156.500 describes the statutory basis of the CO-OP program and the scope of this proposed rule;
- Section 156.505 sets forth definitions for the terms applied in subpart F;
- Section 156.510 specifies the criteria to be eligible for a loan under the CO-OP program;
- Section 156.515 sets forth the standards for a CO-OP; and
- Section 156.520 sets forth the terms for loans awarded under the CO-OP program including repayment terms and interest rates.

## **II. Provisions of the Proposed Regulations**

### *A. Basis and scope (§ 156.500)*

Section 156.500 specifies the general statutory authority for and scope of standards proposed in subpart F. The CO-OP program fosters the creation of qualified nonprofit health insurance issuers to offer CO-OP qualified health plans in the individual and small group markets. Subpart F establishes certain governance requirements for CO-OPs and the terms for loans awarded under the CO-OP program. Applicants may apply for loans to help fund start-up costs and meet the solvency requirements of States in which the applicant seeks to be licensed to issue CO-OP qualified health plans.

### *B. Definitions (§ 156.505)*

Section 156.505 sets forth definitions for terms that are used throughout subpart F. Many of the definitions presented in § 156.505 are taken directly from the Affordable Care Act, but new definitions were created when necessary. All definitions proposed are intended to apply only to subpart F.

Several of the terms used in subpart F are defined elsewhere in Parts 155 and 156, which have been proposed previously (76 FR 41866). The terms "individual market," "small group market," "SHOP," and "Exchange" are defined in § 155.20. "Individual market" is defined as the market for health insurance coverage offered to

individuals other than in connection with a group health plan. “Small group market” is defined as the health insurance market under which individuals obtain health insurance coverage (directly or through any arrangement) on behalf of themselves (and their dependents) through a group health plan maintained by a small employer. “SHOP” is defined as a Small Business Health Options Program operated by an Exchange through which a qualified employer can provide its employees and their dependents with access to one or more QHPs.

“Exchange” is defined as a governmental agency or non-profit entity that meets the applicable requirements of this part and makes QHPs available to qualified individuals and qualified employers. Unless otherwise identified, this term refers to State Exchanges, regional Exchanges, subsidiary Exchanges, and a Federally-facilitated Exchange.

CMS proposes that a “CO-OP qualified health plan” means a health plan that has in effect a certification that it meets the standards described in subpart C of part 156, which has been previously proposed (76 FR 41866), except that the plan can be deemed certified by CMS or an entity designated by CMS as described in 156.520(e).

“Applicant” is defined as an entity eligible to apply for a loan described in § 156.520.

A “qualified nonprofit health insurance issuer” is a loan recipient, which satisfies or can reasonably be expected to satisfy the standards in section 1322(c) of the Affordable Care Act and § 156.515 within the time frames specified in this subpart, until such time as CMS determines the loan recipient does not satisfy or cannot reasonably be expected to satisfy these standards. This ensures that loan recipients can receive the benefits of section 1322(h), addressing the tax exemption for qualified nonprofit health insurance issuers, at the appropriate time, as determined by the Internal Revenue Service. CMS proposes that the term “consumer operated and oriented plan (CO-OP)” means a loan recipient that satisfies the standards in section 1322(c) of the Affordable Care Act and § 156.515 within the time frames specified in this subpart. Thus, to be considered a CO-OP, a loan recipient must meet the governance and health plan issuance standards described in § 156.515 within the timeframes established in this subpart. In addition, the loan recipient must comply with State insurance laws and State insurance reforms and ensure that revenues in excess of expenses inure to

the benefit of its members in accordance with section 1322(c)(4) of the Affordable Care Act.

We define a “*nonprofit member corporation*” (also referred to as a “nonprofit member organization”) as a nonprofit, not-for-profit, public benefit, or similar membership entity organized as appropriate under State law. For the purposes of this subpart, as defined in section 1304(d) of the Affordable Care Act, “State” means each of the 50 States and the District of Columbia. CMS proposes that in order for an organization to be eligible for CO-OP loans (and become an “applicant”) it would first have to meet the definition of a nonprofit member organization.

CMS proposes to adopt the Advisory Board’s recommendation to use the terms “*formation board*” and “*operational board*” when discussing the governance requirements for a CO-OP. The term “formation board” means the initial board of directors of the applicant or loan recipient before it has begun accepting enrollment and conducted an election to the board of directors. “Operational board” means the board of directors elected by the members of the CO-OP after it has begun accepting enrollment. A “member” is an individual covered under health insurance policies issued by a CO-OP.

Section 1322(c)(2)(A) of the Affordable Care Act prohibits an organization from participating as a “*qualified nonprofit health insurance issuer*” in the CO-OP program “if the organization or a related entity (or any predecessor of either) was a health insurance issuer on July 16, 2009.” Consistent with section 1551 of the Affordable Care Act, we propose that an entity is an “issuer” under this subpart if it satisfies the definition in section 2791(b)(2) of the Public Health Service Act: an insurance company, insurance service, or insurance organization (including a health maintenance organization) which is licensed to engage in the business of insurance in a State and which is subject to State law which regulates insurance. Additionally, “*pre-existing issuer*” means (for the purposes of this subpart) a health insurance issuer that was in existence on July 16, 2009. We seek comments on this definition.

CMS proposes the definition of “related entity” to mean an organization that shares common ownership or control with a pre-existing issuer or a trade association whose members consist of pre-existing issuers, and satisfies at least one of the following conditions: (1) Retains responsibilities for the services to be provided by the

issuer; (2) furnishes services to the issuer’s enrollees under an oral or written agreement; or (3) performs some of the issuer’s management functions under contract or delegation. Thus, CMS would permit a nonprofit organization that is not an issuer or the representative of an issuer but shares control with an existing issuer to “sponsor” or facilitate the creation of a CO-OP if the applicant (and resulting CO-OP) and the existing issuer do not share the same chief executive or any of the board of directors. We seek comment on this interpretation.

“Sponsor” is defined as an organization or individual that is involved in the development, creation, or organization of the CO-OP or provides financial support to a CO-OP. We propose that a “*predecessor*” means any entity that participates in a merger, consolidation, purchase or acquisition of property or stock, corporate separation, or other similar business transaction that results in the formation of the new entity.

Section 1322(b)(1) of the Affordable Care Act directs CMS to award to applicants loans to provide assistance in meeting start-up costs and any State solvency requirements in the States in which the applicant seeks to be licensed to issue CO-OP qualified health plans. “*Start-up Loan*” means a loan provided by CMS to a loan recipient for costs associated with creating and developing a CO-OP. The term “*Solvency Loan*” means a loan provided by CMS to a loan recipient in order to meet State solvency and reserve requirements.

#### C. Eligibility (§ 156.510)

Section 156.510 outlines the minimum standards that an organization must meet to be eligible to receive a loan from the CO-OP program to create a new private consumer-operated insurer.

##### 1. General

In paragraph (a), we propose that the applicant declare its intention to become a CO-OP. Since the loan recipient may not meet all of the conditions to be considered a CO-OP at the time of the application, it is important that the organization intend to meet all of the standards and demonstrate the likelihood of being able to meet such requirements by the time periods established in this subpart before the award is made, especially those related to consumer focus and consumer governance of the organization.

Consistent with the recommendation of the Advisory Board, CMS proposes the applicant have formed a nonprofit

member organization under State law prior to applying for a loan. This means that the new nonprofit member corporation, and not an organization that is sponsoring the creation of a CO-OP, would be the applicant for and recipient of a loan.

## 2. Exclusions From Eligibility

Paragraph (b) codifies the conditions in section 1322(c)(2) of the Affordable Care Act under which an organization will not be eligible to participate in the CO-OP program. Paragraph (b)(1)(i) codifies that if an organization is a pre-existing issuer, a related entity, or any predecessor of either, it is not eligible for loans under the CO-OP program and therefore, cannot become a CO-OP. In addition, an organization is not eligible for the CO-OP program if the organization or a related entity (or any predecessor of either) is a trade association whose members consist of pre-existing issuers. We seek comment on this interpretation.

Paragraph (b)(1)(ii) codifies that, if an organization is sponsored by a State or local government, any political subdivision thereof, or any instrumentality of such government or political subdivision, it is not eligible to be a CO-OP and cannot apply for a loan under the CO-OP program. CMS considered whether this prohibition should apply to provider organizations that are associated with State university medical centers and concluded that medical centers, physician practices, hospitals, and other organizations that are part of a State university system are instrumentalities of the State. We believe that the prohibition against sponsorship by State or local government, and their political subdivisions and instrumentalities, must also apply to medical centers that are part of State or local governments and to medical practice groups that are created and overseen by a medical center owned by State or local government. This prohibition would not apply to Indian tribes. We invite comment on these interpretations.

As incorporated in section 1551 of the Affordable Care Act, section 2791(b)(2) of the PHS Act defines a "health insurance issuer" as "an insurance company, insurance service, or insurance organization \* \* \* which is licensed to engage in the business of insurance in a State and which is subject to State law which regulates insurance (within the meaning of section 514(b)(2) of the Employee Retirement Income Security Act of 1974)." CMS believes that the following types of entities are examples of organizations that are not "issuers" and

would be eligible to sponsor applicants for loans under the CO-OP program provided that they otherwise meet the requirements for eligibility:

- (1) A prospective applicant not licensed by its State as a health insurance issuer on July 16, 2009, but which has subsequently achieved a State license,
- (2) Self-funded and Taft-Hartley group health plans, and
- (3) Church plans that were not licensed issuers on July 16, 2009, and
- (4) Three-share or multi-share programs not licensed by their State insurance regulator.

CMS invites comment on how these organizations and others like them would sponsor an applicant.

Taking into account comments received on the RFC and the recommendations of the Advisory Board, in paragraph (b)(2)(i) CMS proposes that a nonprofit organization that is not an issuer but that currently sponsors an issuer would remain eligible to sponsor an applicant for a CO-OP loan in certain circumstances. Specifically a nonprofit non-issuer organization that currently sponsors a pre-existing issuer and meets other eligibility parameters may sponsor an applicant for a CO-OP loan provided that the pre-existing issuer does not share any of the board or the same chief executive with the applicant. We seek comment on this interpretation.

In paragraph (b)(2)(ii), we are further proposing that an organization that has purchased assets from a preexisting issuer in an arm's-length transaction where neither party was in a position to exert undue influence on the other is eligible to apply for a CO-OP loan. Therefore, an organization is eligible for CO-OP loans if it contracts for services, including health provider network access, premium billing, and case management from a health insurance issuer that existed on July 16, 2009, as long as the existing issuer has no control over the new private nonprofit issuer. Conversely, an applicant and a pre-existing issuer could have common control by a non-issuer organization. The applicant and pre-existing issuer would not be related entities unless the pre-existing issuer also provided the CO-OP's services or management functions.

## D. CO-OP Standards (§ 156.515)

### 1. General

A CO-OP must satisfy the standards set forth in all statutory, regulatory, or other requirements as applicable. CMS proposes additional standards that a CO-OP must meet in § 156.515, many of

which are recommendations made by the Advisory Board in the final report dated April 15, 2011. We invite comment on these proposed standards, which are set forth below.

## 2. Governance Requirements

In response to the RFC, provider organizations submitted comments that suggested that providers may be in the best position to sponsor CO-OPs and encouraged CMS to impose no additional standards related to governance beyond those in the statute. In contrast, other commenters suggested that CMS set specific standards for the composition of the governing body, such as those to avoid conflicts and to encourage diverse representation on governing bodies that are representative of the local population. Other commenters expressed concern that in some markets providers could create a CO-OP and control pricing in the market.

Section 1322(c)(3)(C) of the Affordable Care Act directs the Secretary to promulgate regulations requiring the organization to operate with a strong consumer focus, including timeliness, responsiveness, and accountability to members. Pursuant to this authority and taking into account the comments, CMS proposes additional governance requirements in paragraph (b). These proposed standards reflect the recommendations of the Advisory Board.

Paragraph (b)(1) proposes that a CO-OP implement policies and procedures to foster and ensure member control of the organization. Section 1322(c)(3) of the Affordable Care Act states that the governance of the organization be subject to a majority vote of its members. Paragraph (b)(1)(i) proposes that the organization be governed by an operational board with each of its directors elected by a majority vote of its members. In paragraph (b)(1)(ii), we propose that every member of the CO-OP be eligible to vote for each director of the CO-OP during the elections described in (b)(1)(iv). In paragraph (b)(1)(iii), we propose that each member of the organization have one vote in the elections of directors.

Paragraph (b)(1)(iv) proposes that the first election of the operational board of directors occur no later than one year after the effective date on which the CO-OP provides coverage to its first member. The Advisory Board recommended that this election should take place within the first year after enrollment begins or when a certain designated membership level is reached, but should occur no later than two years after the organization enrolls its first



member, recognizing that a certain level of membership is necessary for meaningful elections. CMS is concerned that the Advisory Board's recommendation of an election date of the start-up period plus two years after enrollment will delay the introduction of consumer governance beyond a point where it can have an impact on the strategic direction of the CO-OP. We do not believe that holding an election one year after coverage begins will burden the formation board or CO-OP operations since the formation board will have the full start-up period plus one year to plan for this transition. We solicit comments on the proposed timeline.

Paragraph (b)(1)(v) proposes that the elections for the board of directors of the organization be contested and that there be more candidates for open positions on the board than there are positions. We are not specifying the mechanism by which the CO-OP will achieve this standard, but we believe that the CO-OP's bylaws should address this standard, most likely by creating a nominating committee that will ensure that this standard is met. This standard will help ensure that consumer members of the organization have a choice of candidates for the board of directors, provide an opportunity for a change in directors, and help prevent a group of directors from exerting disproportionate control over the organization. CMS believes that the operation of contested elections will provide safeguards against the long-term entrenchment or undue influence of any individual director while protecting the members' choice of directors.

Consistent with the recommendations of the Advisory Board and commenters to the RFC, paragraph (b)(1)(vi) proposes that a majority of the voting directors must be members of the organization. While all directors must be elected by the members, a CO-OP may want to reserve positions for directors who have certain types of expertise that are essential to the governance of the organization, such as providers or individuals with experience in health care operations or finance. CMS recognizes that it may not be possible to find members of the CO-OP with the desired expertise who are willing to serve as directors. The purpose of this provision is to recognize the need to allow for directors who are not members, but to ensure that members who are consumers of the services of the organization are the majority of the board of directors and that the governance of the organization is accountable to consumers.

Standards for the operational board of directors, consistent with the recommendations of the Advisory Board are included in (b)(2). Paragraph (b)(2)(i) specifies that each director must meet ethical, conflict-of-interest, and disclosure standards. Specifically, each director must act in the sole interest of the CO-OP and its members, avoid self-dealing, and act prudently and consistently with the terms of the CO-OP's governance documents and applicable State and Federal law.

Paragraph (b)(2)(ii) specifies that each voting director has only one vote on matters before the board. This standard also recognizes that a CO-OP may choose to have directors who provide expertise but do not vote. Non-voting directors must bring specific expertise or be members of the management team of the CO-OP, whose participation in the board of directors is considered essential.

Paragraph (b)(2)(iii) acknowledges that positions on the board of directors may be designated for individuals with certain types of expertise or experience. The type of expertise that is needed may vary over time and the CO-OP may choose to enlist candidates for the board with certain types of expertise through its nominating process.

Paragraph (b)(2)(iv) specifies that positions on the board that are designated for individuals with specialized expertise, experience, or affiliation (for example, providers, employers, labor representatives) cannot constitute a majority of the operational board even if the individuals serving in designated seats are members of the CO-OP. This standard should be addressed in the bylaws of the CO-OP, in the conflict of interest standard for board members, and in the nominating procedures of the CO-OP.

Paragraph (b)(2)(v) codifies the limitation in section 1322(e) of the Affordable Care Act that no representative of any Federal, State or local government (or of any political subdivision or instrumentality thereof) and no representative of any organization described in § 156.510(b)(i) may serve on the board of directors.

Paragraph (b)(3) codifies the provision that an organization must have governing documents that incorporate ethics and conflict of interest standards protecting against insurance industry involvement and interference. At a minimum, the standards must establish procedures for identifying potential conflicts of interest and addressing any violation of the standards.

Paragraph (b)(4) codifies the provision that the CO-OP must operate with a strong consumer focus, including

timeliness, responsiveness, and accountability to members. Finally, the CO-OP must demonstrate financial viability and the ability to meet all other statutory, legal, or other requirements.

### 3. Requirements to Issue Health Plans and Become a CO-OP

In paragraph (c)(1), CMS codifies section 1322(c)(1)(B) of the Affordable Care Act that provides that substantially all of the activities of the CO-OP consist of the issuance of CO-OP qualified health plans in the individual and small group markets in each State in which it is licensed to issue such plans. CMS proposes that a CO-OP will satisfy this standard if at least two-thirds of the contracts for health insurance coverage issued by a CO-OP are CO-OP qualified health plans offered in the individual and small group markets in the States in which the CO-OP operates. An organization must continually meet this requirement to be considered a CO-OP. Members of the Advisory Board noted that State insurance regulations generally refer to the contracts for insurance, not the number of lives covered under each contract, when referring to policy issuance. The Advisory Board therefore recommended that: the interpretation of "substantially all" refer to contracts issued; the proportion of contracts that must meet the "substantially all" test be interpreted to provide CO-OPs maximum flexibility; and CO-OPs be allowed to meet that standard over time to build enrollment gradually in the individual and small group market. Consistent with the Advisory Board recommendations on this issue and public comment received in response to the RFC, CMS interprets the statute to mean that each insurance policy or contract that an issuer sells constitutes a single activity. We solicit comments on whether two-third is the appropriate threshold for this standard.

This proposed standard would allow providers wishing to sponsor CO-OPs to enroll their own employees in the CO-OP and thereby encourage provider participation. It would also permit CO-OPs to participate in Medicaid and Children's Health Insurance Program (CHIP), which would enable individuals and families to remain with the same health insurance issuer and providers if they move between the Exchange and these programs.

In paragraph (c)(2), CMS proposes that a CO-OP applicant receiving a Start-up Loan or Solvency Loan offer at least one CO-OP qualified health plan at both the silver and gold benefit levels, as defined in section 1302(d) of the Affordable Care Act, in every individual



market Exchange that serves the geographic market in which it is licensed and intends to provide health care coverage (market area). In addition, CMS proposes that if a CO-OP chooses to offer coverage in the small group market outside the Exchange, a CO-OP must commit to offering at least one CO-OP qualified health plan at both the silver and gold benefit levels in the SHOP of any market area where the CO-OP is licensed. Note that it is a choice for a CO-OP to offer coverage in the small group market, but if it does so, it must also offer coverage through SHOP to prevent adverse selection against SHOP. These standards are consistent with section 1301 of the Affordable Care Act providing that health insurance issuers that participate in the Exchanges offer qualified health plans at both the silver and gold benefit levels.

In paragraph (c)(3) CMS proposes that within the earlier of thirty-six months following the initial drawdown of a Start-up Loan or six months following the initial drawdown of the Solvency Loan, a loan recipient be licensed in a State and offer at least one CO-OP qualified health plan at the silver and gold benefit levels (as defined in section 1302(d) of the Affordable Care Act) in an individual market Exchange and, if offering a health plan in the small group market, in a SHOP. Thus, the loan recipient must satisfy the requirements of title XXVII of the Public Health Service Act applicable to health insurance coverage in the individual market and small group market, if applicable and comply with all standards generally applicable to qualified health plan issuers. To continue offering CO-OP qualified health plans in the Exchanges, a CO-OP must continue to meet these standards.

Due to concerns regarding the ability of a CO-OP to establish sufficient enrollment to make its health plans viable, CMS proposes that when offering a CO-OP qualified health plan in an Exchange for the first time, loan recipients may only begin to offer health plans and accept enrollment during an open enrollment period for the applicable Exchange. We seek comment on this proposal.

In paragraph (d), CMS proposes that a loan recipient must satisfy the requirements of section 1322(c) of the Affordable Care Act and § 156.515 and become a CO-OP within fifty-four months following the first drawdown of a Start-up Loan or eighteen months following the initial drawdown of a Solvency Loan.

These provisions will ensure that loan recipients actively work toward becoming a CO-OP that offers CO-OP

qualified health plans in the Exchanges. Commenters to the RFC indicated that it could take from 6 months to 3 years for a new CO-OP to become operational and begin accepting enrollment, with most commenters stating that 18 to 24 months would be needed to become operational. CMS believes that the proposed timeframes provide sufficient time for a loan recipient to offer CO-OP qualified health plans in the Exchanges and become a new CO-OP that meets all of the governance requirements of the CO-OP program. We request comment on these proposed standards.

#### *E. Loan Terms (§ 156.520)*

##### **1. Overview of Loans**

Paragraph (a)(1), proposes that organizations that meet eligibility standards according to § 156.510 can apply for Start-up Loans and Solvency Loans (pursuant to a separate CO-OP program Funding Opportunity Announcement (FOA)). Organizations may apply for Start-up Loans to assist with start-up costs associated with establishing a CO-OP. In addition, CMS proposes that organizations that meet the eligibility standards may apply for Solvency Loans to assist in meeting the solvency requirements of States in which the applicant seeks to be licensed to issue CO-OP qualified health plans.

Section § 156.520 outlines the terms of the loans awarded under the CO-OP program. Other than the 5-year and 15-year repayment periods, the statute leaves the specific terms of the loans to CMS's discretion but requires that CMS take into consideration State solvency requirements. Accordingly, CMS proposes loan terms that are consistent with the goals of the CO-OP program, most likely to encourage successful CO-OPs, and protect the Federal investment.

The Advisory Board strongly recommended that CMS begin awarding loans in late 2011 or early 2012 to provide sufficient time for CO-OPs to become operational and accept enrollment during the first Exchange open enrollment period to compete for membership and gain the level of enrollment needed to be viable. Commenters to the RFC generally agreed that it is important for CMS to provide startup funding to CO-OPs as soon as possible. Accordingly, we intend to begin awarding CO-OP loans in this timeframe.

As a condition of licensure as a health insurer, State insurance departments require that an insurer maintain an amount of capital that is consistent with its size and risk profile. This measure of reserve is called risk-based capital

(RBC). State law establishes a variety of required regulatory actions if an insurer's RBC falls below established levels or percent of RBC. These regulatory interventions can range from a corrective action plan to liquidation of the insurer if it is insolvent. Solvency and the financial health of insurers is historically a State-regulated function.

Solvency Loans are intended to help loan recipients meet the reserve requirements, solvency regulations, and requisite surplus note arrangements in each State. Since Solvency Loans must be repaid to the Federal government within 15 years, the Advisory Board expressed a concern that they will be treated by States as debt rather than capital that satisfies State solvency and reserve requirements.

A loan is considered a liability and typically would not assist an organization in meeting solvency requirements, since the liability would have to be subtracted from the calculation of reserves in order to determine the net protection afforded to enrollees. In order to assist CO-OPs in meeting State solvency requirements, the loans will be structured so that premiums would go to pay claims and meet cash reserve requirements before repayment to CMS. The goal of this provision is to satisfy the reserve requirements of the individual insurance department in the States in which each CO-OP seeks licensure. The Advisory Board proposed that CO-OPs discuss the appropriate mechanisms with their insurance regulators for structuring the loans to meet reserve requirements and include a description of those mechanisms in their applications so that loan and repayment terms for that applicant conform to the State's requirements.

CMS proposes in § 156.520(a)(3) to structure Solvency Loans to each loan recipient in a manner that meets State reserve and solvency requirements so that the loan recipient can fund its required capital reserves. This ensures that they are recognized as contributing to State reserve and solvency requirements in the States in which the applicant intends to offer CO-OP qualified health plans. We request comment on this provision.

##### **2. Repayment Period**

Section 1322(b)(3) of the Affordable Care Act states that loans awarded must be repaid within 5 years and 15 years respectively, taking into consideration any appropriate State reserve requirements, solvency regulations, and requisite surplus note arrangements that must be constructed in a State. This standard is codified in § 156.520(b).

Loan recipients must make loan payments consistent with the repayment schedule approved by CMS and agreed to by the loan recipient until the loans have been paid in full. Recognizing that it would be difficult for a loan recipient to begin repaying the loans before it has enrolled members and received premiums, the Advisory Board recommended that loan repayment begin after the loan recipient has begun receiving enrollment. Commenters to the RFC generally recommended repayment schedules for loans that are flexible. Most commenters indicated that preventing the failure of a CO-OP should take priority over repayment because insolvency of a CO-OP would harm its members and create disruption in insurance markets.

CMS agrees with the commenters and believes that a flexible repayment approach would promote the growth of CO-OPs, serve the interests of the CO-OP members and the public, and enhance the likelihood of full repayment. Flexibility in the repayment schedule helps address the diversity in each CO-OP's local market conditions, projected member risk profiles, business strategy, and projected enrollment size. CMS proposes to permit individualized repayment schedules to be submitted with the application with features such as a grace period, graduated repayments, or balloon payments at the end of the repayment period.

The Advisory Board recommended an enhanced oversight process for cases where a loan recipient is not meeting the terms and conditions of its loan but where CMS has concluded that discontinuing funding is not in the best interest of the members, the public, or the government. Consistent with the Advisory Board's recommendation, CMS may execute a loan modification or workout when a loan recipient is having difficulty making loan repayments. If a loan recipient is unable to (1) make repayments or meet other conditions of the loan without adversely affecting coverage stability, member control, quality of care, or the public interest generally or (2) meet State reserve and solvency requirements, CMS would have the option to execute a loan modification or workout.

### 3. Interest Rates

In § 156.520(c), CMS proposes that loan recipients pay an interest rate benchmarked to the average interest rate on marketable Treasury securities of similar maturity. These interest rates are tied to prevailing market conditions while providing low cost loans that are consistent with the statute's direction to foster the development of viable private

nonprofit CO-OPs. CMS is considering reductions to the benchmarked rate for Start-Up Loans and Solvency Loans to make it easier for new CO-OPs to repay their loans.

Section 1322(b)(2)(C)(iii) of the Affordable Care Act states that if CMS determines that a loan recipient has failed to meet any of its contractual obligations, or has used Federal funds in a prohibited or improper manner, the loan recipient must repay to CMS 110 percent of the aggregate amount of loans received under this section, plus interest. This provision is codified in § 156.520(c) so that if a loan recipient's loan agreement is terminated by CMS, the loan recipient would be charged the statutory penalty and an interest rate equal to the average interest rate on marketable Treasury securities of similar maturity. We request public comment on the proposed interest rates and the structure of the debt instrument.

### 4. Failure to Pay

In § 156.520(d), CMS proposes to use any and all remedies available to it under law to collect loan payments or penalty payments if a loan recipient fails to make payments consistent with the repayment schedule in its loan agreement or in a loan modification or workout.

### 5. Deeming of CO-OP Qualified Health Plans

In § 156.520(e) we codify the "deeming" provisions of section 1301(a)(2) of the Affordable Care Act. To be deemed certified to participate in an Exchange, we propose that a loan recipient must be in compliance with the terms of the CO-OP program, the Federal standards for CO-OP qualified health plans set forth pursuant to section 1311(c) of the Affordable Care Act and State standards. CMS or an entity designated by CMS will make a determination regarding whether or not a loan recipient meets these standards based on evidence provided by the loan recipient. CMS or its designee will notify the Exchange in which the loan recipient proposes to operate that the loan recipient is deemed certified to participate. Similarly, if a loan recipient loses its deemed status for any reason, CMS or its designee will provide notice to the applicable Exchanges.

A loan recipient that is deemed certified to participate in the Exchange would be exempt from the certification procedures for each applicable Exchange. However, the loan recipient must still meet any standards established by CMS for all qualified health plans participating in an Exchange, along with all State

requirements in the case where a State is operating the Exchange.

### 6. Conversions

The Advisory Board expressed a concern about the potential for successful CO-OPs to become targets for conversion to for-profit, non-consumer operated entities. Such an outcome could reduce consumer control, limit choice, and weaken competition in the insurance marketplace. Accordingly, the Advisory Board recommended imposing conditions on conversions that would create strong disincentives for a company to acquire a CO-OP and for a CO-OP to pursue such offers. Because allowing conversions to a for-profit or non-consumer operated entity would be contrary to the goals of the CO-OP program, CMS proposes to prohibit such conversions. This prohibition on conversions and sales to for-profit or non-consumer operated entities would ensure that loans awarded under this program are used to sustain program goals over time.

CMS recognizes the potential for changes in CO-OP governance in circumstances other than conversions and sales to for-profit or non-consumer-operated entities. Since the goals of the CO-OP program are to make available new consumer-governed private nonprofit health plans and expand competition in the Exchanges, CMS proposes to prohibit any transaction by a CO-OP that would result in a change to a governance structure that does not meet the standards in § 156.515 or any other program standards. We request comment on these prohibitions.

## III. Collection of Information Requirements

Under the Paperwork Reduction Act of 1995, we are required to provide 60-day notice in the **Federal Register** and solicit public comment before an information collection request is submitted to the Office of Management and Budget (OMB) for review and approval. We will solicit comments on the information collection request in association with the implementation of the CO-OP program (for example, application, reporting) in one or more future 60-day notices.

## V. Regulatory Impact Analysis (RIA)

### A. Introduction

Executive Orders 12866 and 13563 direct agencies to assess all costs and benefits of available regulatory alternatives and, if regulation is necessary, to select regulatory approaches that maximize net benefits (including potential economic,

environmental, public health and safety effects, distributive impacts, and equity). An RIA must be prepared for rules with economically significant effects (\$100 million or more in any 1 year). This proposed rule is economically significant. Accordingly, the Office of Management and Budget has reviewed this proposed rule.

#### *B. Statement of Need, Health Insurance Markets, and CO-OP Plans*

The Affordable Care Act established the Consumer Operated and Oriented Plan (CO-OP) program. Section 1322(b)(3) of the Affordable Care Act requires CMS to promulgate regulations to implement this program. The purpose of this program is to create a new CO-OP in every State in order to expand the number of qualified health plans available in the Exchanges with a focus on integrated care and greater plan accountability.

Only a few States offer insurance choices sponsored and managed by entities primarily focused on meeting the health insurance needs and preferences of consumers, as determined directly by consumers or their elected representatives. Currently, we believe that there are four issuers in the country that meet this standard, located in the States of Washington, Idaho, Minnesota, and Wisconsin. While these issuers cover in excess of one million lives, their market share is only about one percent of private insurance coverage.

Congress has provided budget authority of \$3.8 billion to assist sponsoring organizations in creating such plans and to do so with enough capital and reserves to become licensed and ultimately effective competitors in State insurance markets. These funds will enable CO-OPs to use Federal government loans ("Solvency Loans") to meet the requirements for risk-based capital that State insurance commissions impose on health plans to ensure that they will be able to finance the services they have contractually promised their enrollees.

The Affordable Care Act, as implemented through this regulation, prohibits issuers that existed prior to July 16, 2009 from participating in the CO-OP program but allows CO-OPs to use experienced managers and health care organizations to manage the functions they have to perform in providing health insurance. Further, as indicated throughout the preamble to this proposed rule, the CO-OP Advisory Board in its advice to the Secretary, and the Department in its proposed provisions, have consistently favored provisions that would give CO-OP

flexibility, within the boundaries set by the statute, in setting up and operating these plans.

CO-OPs may not, however, enter the program unless their activities are limited primarily to issuing plans in the individual and small group markets. CO-OPs will therefore face the problem of being either brand new organizations or existing organizations facing a major change in purpose.

#### *C. Anticipated Federal Costs*

As previously explained, Congress has provided \$3.8 billion to assist sponsoring organizations in creating such plans and to do so with enough capital and reserves to become licensed and ultimately effective competitors in State insurance markets.<sup>1</sup> The capital requirements for CO-OPs would be financed, in part, by member premiums and in part by the \$3.8 billion dollars available for loans over the next five years. The net Federal costs of these loans to CO-OPs are "transfers." The net transfer costs resulting from default and loss of interest over the relevant 5 year (Start-up Loan) and 15 year (Solvency Loan) periods are estimated later in this analysis, in Table 1. We estimate that 65 percent of the Solvency Loans and 60 percent of the Start-up Loans will be repaid. Our estimates use one percent below the current yields for 5-year U.S. Treasury bonds as the repayment interest rate on Start-up Loans and two percent below the current yields for longer term U.S. Treasury Bonds as the repayment rate for the Solvency Loans.

#### *D. Anticipated Benefits*

CO-OPs also offer a unique opportunity to foster and spread emerging models of integrated delivery systems, both to improve health outcomes and to lower health costs (see, for example, testimony of Sara Collins before the Advisory Committee, *The Consumer Operated and Oriented Plan (CO-OP) Program Under the Affordable Care Act: Potential and Options for Spreading Mission-Driven Integrated Delivery Systems*, at [http://www.commonwealthfund.org/~media/Files/Publications/Testimony/2011/Jan/Collins\\_CoOp%20testimony\\_11311.pdf](http://www.commonwealthfund.org/~media/Files/Publications/Testimony/2011/Jan/Collins_CoOp%20testimony_11311.pdf)). CO-OPs can adopt new models and new arrangements that are

more patient-centered than the current fragmented delivery system. Improved delivery systems may provide better health outcomes due to coordinated care, better chronic disease management, and improved quality of care.

In addition, by adding competition in numerous local and State markets, CO-OPs have the potential to promote efficiency, reduce premiums or premium growth, and improve service and benefits to enrollees. By their nature, traditional cooperatives, on which the CO-OP program is modeled, focus on responsiveness to their members and accountability to member needs, which may create flexibility to reduce administrative costs. Direct savings could be substantial after the initial start-up period given the magnitude of the total spending that may be involved. Resulting attempts to regain market share by traditional insurance issuers competing with CO-OPs could lead to system-wide savings across millions of enrollees.

#### *E. Alternatives Considered*

Throughout this proposed rule we have presented and analyzed alternatives. The program is largely defined by the statute, but in this proposed rule, we have sought to identify options that would best enable newly formed CO-OPs to offer CO-OP qualified health plans. We welcome comments on any other alternatives that would improve the proposed rule and the likelihood of program success.

The most important alternatives to our proposed standards would be to impose either a higher or lower interest repayment on loans. Among the thousands of Federal programs providing financial assistance, the great majority make grants that are not repayable. The Federal government also provides financial assistance through loan programs. Borrower interest rates, in some cases, are higher than Treasury rates, while in other cases rates are subsidized by the Government (see the estimates in the Federal Credit Supplement volume of the Budget of the United States Government for FY 2012, at [http://www.gpoaccess.gov/usbudget/fy12/cr\\_supp.html](http://www.gpoaccess.gov/usbudget/fy12/cr_supp.html)).

There is also a tradeoff between the amount of a loan subsidy and the likely default rate. For example, if a 1 percent increase in the interest rate were to increase the likelihood of total default by 1 percent or more, the net effect would be to increase Federal costs. In the CO-OP program, substantially higher interest rates could threaten required solvency reserves. We cannot predict quantitatively the effects of

<sup>1</sup> We note that these capital requirements are not "cost" for the purpose of calculating the benefits and costs of this Federal program. Costs, in the context of this program, are the resources spent on applying for and complying with the terms of the loans. As noted above, we will solicit comments on the information collection requests associated with the implementation of the CO-OP program (for example, application, reporting) in one or more future 60-day notices.

interest charges on the willingness of organizations to sponsor CO-OPs, but substantially higher interest charges would clearly reduce the likelihood of CO-OPs being created in as many States. Higher interest charges could also reduce the ability of CO-OPs to expand and correspondingly reduce the benefits of the program.

#### F. Accounting Statement

As required by OMB Circular A-4, we have prepared an accounting statement. The transfer costs shown are the net

costs resulting from default and loss of interest over the relevant 5 year (Start-up Loan) and 15 year (Solvency Loan) periods. We have estimated that \$600 million would be used for Start-up Loans and \$3,200 million would be used for Solvency Loans. As previously presented, for purposes of this calculation our primary estimate is that 65 percent of the Solvency Loans and 60 percent of the Start-up Loans are repaid. We have used a low-cost estimate that assumes 80 percent repayment of all

loans and a high-cost estimate that assumes 50 percent repayment of all loans. Our estimates use one percent below the current yields for 5-year U.S. Treasury bonds as the repayment interest rate on Start-up loans and two percent below the current yields for the average of 10-year and 20-year U.S. Treasury Bonds as the repayment rate for the Solvency Loans (see <http://www.treasury.gov/resource-center/data-chart-center/interest-rates/Pages/TextView.aspx?data=yield>).

TABLE 1—ACCOUNTING STATEMENT: CLASSIFICATION OF ESTIMATED COSTS AND SAVINGS  
[\$ in millions]

Category	Primary estimate	Low estimate	High estimate	Units		
				Year dollars	Discount rate (%)	Period covered
Benefits						
Qualitative: New CO–OP enrollees served may experience better health outcomes. There are also potential cost savings system-wide from competitive effects on other health care plans. Net benefits will depend on the extent to which CO–OP plans augment or substitute for other health care insurance and services.						
Costs						
Qualitative: Costs include administrative burdens associated with applying for and complying with the terms of the loans.						
Transfers						
Federal Government Costs .....	\$210 million	\$190 million	\$230 million	2012	7	2012–31
	\$110 million	\$80 million	\$140 million	2012	3	2012–31

## VI. Other Requirements for Analysis of Economic Effects

The Regulatory Flexibility Act (RFA) requires agencies to determine whether proposed rules would have a “significant economic impact on a substantial number of small entities” and, if so, to prepare a Regulatory Flexibility Analysis to identify options that could mitigate the impact of the proposed regulation on small businesses.

All CO-OPs established under the program will be private nonprofit organizations and hence qualify as small entities under the RFA. CMS interprets the requirement as applying only to regulations with negative impacts, but routinely prepares a voluntary Regulatory Flexibility Analysis for regulations with significant positive impacts.

The positive economic impacts of the program on CO-OPs will clearly be “significant,” particularly in the effects on thousands of small businesses that are likely to purchase insurance through the Exchanges and would benefit from the lower premium costs that CO-OPs will likely create. Moreover, small businesses will have the opportunity to

create consortia to help sponsor CO-OPs and may actively pursue these savings. In the light of the benefits to these small entities, the Department has prepared a voluntary Regulatory Flexibility Analysis. The preceding economic analysis, together with the remainder of this preamble, constitutes that analysis.

Section 1102(b) of the Social Security Act requires us to prepare a regulatory impact analysis if a rule may have a significant impact on the operations of a substantial number of small rural hospitals. We do not believe a regulatory impact analysis is required here because this proposed rule would not have a direct effect on small rural hospitals or other providers.

Section 202 of the Unfunded Mandates Reform Act of 1995 requires that agencies assess anticipated costs and benefits before issuing any rule whose mandates on State, local, or tribal governments in the aggregate, or on the private sector, require spending in any 1 year of \$100 million in 1995 dollars, updated annually for inflation. This proposed rule would impose no such mandates. Accordingly, no analysis under UMRA is required.

Executive Order 13132 on Federalism establishes requirements that an agency must meet when a proposed rule imposes substantial costs on State and local governments, preempts State law, or otherwise has Federalism implications. This proposed rule does not trigger these requirements.

#### List of Subjects in 45 CFR Part 156

Administrative practice and procedure, Advertising, Advisory committees, Brokers, Conflict of interest, Consumer protection, Grant programs—health, Grants administration, Health care, Health insurance, Health maintenance organization (HMO), Health records, Hospitals, Indians, Individuals with disabilities, Loan programs—health, Organization and functions (Government agencies), Medicaid, Public assistance programs, Reporting and recordkeeping requirements, Safety, State and local governments, Sunshine Act, Technical Assistance, Women, and Youth.

For the reasons set forth in the preamble, the Department of Health and Human Services proposes to further amend 45 CFR part 156, as proposed to

be added at 76 FR 41866, July 15, 2011, as set forth below:

**PART 156—HEALTH PLAN REQUIREMENTS UNDER THE PATIENT PROTECTION AND AFFORDABLE CARE ACT, INCLUDING REQUIREMENTS RELATED TO EXCHANGES**

1. The authority citation for part 156 continues to read as follows:

**Authority:** Title I of the Affordable Care Act, Sections 1301–1304, 1311–1312, 1321, 1322, 1324, 1334, 1342–1343, and 1401–1402.

2. Subpart F is added to read as follows:

**Subpart F—Consumer Operated and Oriented Plan Program**

Sec.

- 156.500 Basis and scope.
- 156.505 Definitions.
- 156.510 Eligibility.
- 156.515 CO–OP minimum standards.
- 156.520 Loan terms.

**Subpart F—Consumer Operated and Oriented Plan Program**

**§ 156.500 Basis and scope.**

This subpart implements section 1322 of the Affordable Care Act by establishing the Consumer Operated and Oriented Plan (CO–OP) program to foster the creation of new consumer-governed, private, nonprofit health insurance issuers, known as “CO–OPs.” Under this program, loans are awarded to encourage the development of CO–OPs. Applicants that meet the eligibility standards of the CO–OP program may apply to receive loans to help fund start-up costs and meet the solvency requirements of States in which the applicant seeks to be licensed to issue CO–OP qualified health plans. This subpart sets forth the governance requirements for the CO–OP program and the terms for loans awarded under the CO–OP program.

**§ 156.505 Definitions.**

The following definitions apply to this subpart:

*Applicant* means an entity eligible to apply for a loan described in § 156.520 of this subpart.

*Consumer operated and oriented plan (CO–OP)* means a loan recipient that satisfies the standards in section 1322(c) of the Affordable Care Act and § 156.515 of this subpart within the timeframes specified in this subpart.

*CO–OP qualified health plan* means a health plan that has in effect a certification that it meets the standards described in subpart C of part 156, except that the plan can be deemed

certified by CMS or an entity designated by CMS as described in § 156.520(e).

*Exchange* has the meaning given to the term in proposed § 155.20.

*Formation board* means the initial board of directors of the applicant or loan recipient before it has begun accepting enrollment and had an election by the members of the organization to the board of directors.

*Individual market* has the meaning given to the term in proposed § 155.20.

*Issuer* means an insurance company, insurance service, or insurance organization (including a health maintenance organization) which is licensed to engage in the business of insurance in a State and which is subject to State law which regulates insurance.

*Member* means an individual covered under health insurance policies issued by a loan recipient.

*Nonprofit member organization or nonprofit member corporation* means a nonprofit, not-for-profit, public benefit, or similar membership entity organized as appropriate under State law.

*Operational board* means the board of directors elected by the members of the loan recipient after it has begun accepting enrollment.

*Predecessor, with respect to a new entity*, means any entity that participates in a merger, consolidation, purchase or acquisition of property or stock, corporate separation, or other similar business transaction that results in the formation of the new entity.

*Pre-existing issuer* means a health insurance issuer that was in existence on July 16, 2009.

*Qualified nonprofit health insurance issuer* means a loan recipient, which satisfies or can reasonably be expected to satisfy the standards in section 1322(c) of the Affordable Care Act and § 156.515 of this subpart within the time frames specified in this subpart, until such time as CMS determines the loan recipient does not satisfy or cannot reasonably be expected to satisfy these standards.

*Related entity* means an entity that shares common ownership or control with a pre-existing issuer or a trade association whose members consist of pre-existing issuers, and satisfies at least one of the following conditions:

- (1) Retains responsibilities for the services to be provided by the issuer;
- (2) Furnishes services to the issuer's enrollees under an oral or written agreement; or
- (3) Performs some of the issuer's management functions under contract or delegation.

*SHOP* has the meaning given to the term in proposed § 155.20.

*Small group market* has the meaning given to the term in proposed § 155.20.

*Solvency Loan* means a loan provided by CMS to a loan recipient in order to meet State solvency and reserve requirements.

*Sponsor* means an organization or individual that is involved in the development, creation, or organization of the CO–OP or provides financial support to a CO–OP.

*Start-up Loan* means a loan provided by CMS to a loan recipient for costs associated with establishing a CO–OP.

*State* has the meaning given to the term in proposed § 155.20.

**§ 156.510 Eligibility.**

(a) *General*. In addition to the eligibility standards set forth in the CO–OP program Funding Opportunity Announcement (FOA), to be eligible to apply for and receive a loan under the CO–OP program, an organization must intend to become a CO–OP and be a nonprofit member organization.

(b) *Exclusions from eligibility*. (1) Subject to paragraph (b)(2) of this section, an organization is not eligible to apply for a loan if:

(i) The organization is a pre-existing issuer, a trade association whose members consist of pre-existing issuers, a related entity, or a predecessor of either; or

(ii) A State or local government, any political subdivision thereof, or any instrumentality of such government or political subdivision is a sponsor of the organization.

(2) The exclusion of pre-existing issuers in paragraph (b)(1)(i) of this section does not exclude from eligibility an applicant that:

(i) Has as a sponsor a nonprofit organization that is not an issuer or a trade association whose members consist of issuers and that also sponsors a pre-existing issuer, provided that the pre-existing issuer does not share any of its board or the same chief executive with the applicant; or

(ii) Has purchased assets from a preexisting issuer provided that it is an arm's-length transaction where neither party was in a position to exert undue influence on the other.

**§ 156.515 CO–OP standards.**

(a) *General*. A CO–OP must satisfy the standards in this section in addition to all other statutory, regulatory, or other requirements.

(b) *Governance requirements*. A CO–OP must meet the following governance requirements:

(1) *Member control*. A CO–OP must implement policies and procedures to foster and ensure member control of the

organization. Accordingly, a CO-OP must meet the following the requirements:

- (i) The CO-OP must be governed by an operational board with all of its directors elected by a majority vote of the CO-OP's members;
  - (ii) All members must be eligible to vote for each director on the organization's operational board;
  - (iii) Each member of the organization must have one vote in the elections of the directors of the organization's operational board;
  - (iv) Elections of the directors on the organization's operational board must occur no later than one year after the effective date on which the organization provides coverage to its first member;
  - (v) Elections of the directors on the organization's operational board must be contested so that the number of candidates for vacant positions on the operational board exceeds the number of vacant positions; and
  - (vi) The majority of the voting directors on the operational board must be members of the organization.
- (2) *Standards for board of directors.* The operational board for a CO-OP must meet the following standards:
- (i) Each director must meet ethical, conflict-of-interest, and disclosure standards including that each director act in the sole interest of the CO-OP;
  - (ii) Each director has one vote unless he or she is a non-voting director;
  - (iii) Positions on the board of directors may be designated for individuals with specialized expertise, experience, or affiliation (for example, providers, employers, and unions);
  - (iv) Positions on the operational board that are designated for individuals with specialized expertise, experience, or affiliation cannot constitute a majority of the operational board even if the individuals in those positions are members of the CO-OP. This provision does not prevent any individual from seeking election to the operational board based on being a member of the CO-OP; and
  - (v) Limitation on government and issuer participation. No representative of any Federal, State or local government (or of any political subdivision or instrumentality thereof) and no representative of any organization described in § 156.510(b)(1)(i) of this subpart may serve on the CO-OP's formation board or operational board.

(3) *Ethics and conflict of interest protections.* The CO-OP must have governing documents that incorporate ethics, conflict of interest, and disclosure standards. The standards must protect against insurance industry

involvement and interference. In addition, the standards must ensure that each director acts in the sole interest of the CO-OP and its members, avoids self dealing, and acts prudently and consistently with the terms of the CO-OP's governance documents and applicable State and Federal law. At a minimum, these standards must include:

- (i) A mechanism to identify potential ethical or other conflicts of interest;
- (ii) A duty on the CO-OP's executive officers and directors to disclose all potential conflicts of interest;
- (iii) A process to determine the extent to which a conflict exists;
- (iv) A process to address any conflict of interest; and
- (v) A process to be followed in the event a director or executive officer of the CO-OP violates these standards.

(4) *Consumer focus.* The CO-OP must operate with a strong consumer focus, including timeliness, responsiveness, and accountability to members.

(c) *Standards for health plan issuance.* A CO-OP must meet several standards for the issuance of health plans in the individual and small group market.

(1) At least two-thirds of the policies or contracts for health insurance coverage issued by a CO-OP in each State in which it is licensed must be CO-OP qualified health plans offered in the individual and small group markets.

(2) Loan recipients must offer a CO-OP qualified health plan at the silver and gold benefit levels, defined in section 1302(d) of the Affordable Care Act, in every individual market Exchange that serves the geographic regions in which the organization is licensed and intends to provide health care coverage. If offering at least one plan in the small group market, loan recipients must offer a CO-OP qualified health plan at both the silver and gold benefit levels, defined in section 1302(d) of the Affordable Care Act, in each SHOP that serves the geographic regions in which the organization offers coverage in the small group market.

(3) Within the earlier of thirty-six months following the initial drawdown of the Start-up Loan or 6 months following the initial drawdown of the Solvency Loan, loan recipients must be licensed in a State and offer at least one CO-OP qualified health plan at the silver and gold benefit levels, defined in section 1302(d) of the Affordable Care Act, in the individual market Exchanges and if the loan recipient offers coverage in the small group market, at the silver and gold benefit levels, defined in section 1302(d) of the Affordable Care Act, in the SHOPS. Loan recipients may

only begin offering plans and accepting enrollment in the Exchanges for new CO-OP qualified health plans during the open enrollment period for each applicable Exchange.

(d) *Requirement to become a CO-OP.* Loan recipients must meet the standards of § 156.515 of this subpart no later than fifty-four months following initial drawdown of the Start-up Loan or eighteen months following the initial drawdown of a Solvency Loan.

#### § 156.520 Loan terms.

(a) *Overview of Loans.* (1) Applicants may apply for the following loans under this section: Start-up Loans and Solvency Loans.

(2) All loans awarded under this subpart must be used in a manner that is consistent with the FOA, the loan agreement, and all other statutory, regulatory, or other requirements.

(3) Solvency Loans awarded under this subsection will be structured in a manner that ensures that the loan amount is recognized by State insurance regulators as contributing to the State-determined reserve requirements or other solvency requirements (rather than debt) consistent with the insurance regulations for the States in which the loan recipient will offer a CO-OP qualified health plan.

(b) *Repayment period.* The loan recipient must make loan payments consistent with the approved repayment schedule in the loan agreement until the loan is paid in full consistent with State reserve requirements, solvency regulations, and requisite surplus note arrangements. Subject to their ability to meet State reserve requirements, solvency regulations, or requisite surplus note arrangements, the loan recipient must repay its loans and, if applicable, penalties within the repayment periods in paragraphs (b)(1), (2), or (3) of this section.

(1) The contractual repayment period for Start-up Loans and any associated penalty is five years following each drawdown of loan funds consistent with the terms of the loan agreement.

(2) The contractual repayment period for Solvency Loans and any associated penalty is fifteen years following each drawdown of loan funds consistent with the terms of the loan agreement.

(3) Changes to the loan terms, including the repayment periods, may be executed if CMS determines that the loan recipient is unable to repay the loans as a result of State reserve requirements, solvency regulations, or requisite surplus note arrangements or without compromising coverage stability, member control, quality of care, or market stability. In the case of

a loan modification or workout, the repayment period for loans awarded under this subpart is the repayment period established in the loan modification or workout. The revised terms must meet all other regulatory, statutory, and other requirements.

(c) *Interest rates.* Loan recipients will be charged interest for the loans awarded under this subpart. Interest will be accrued starting from the date of drawdown on the loan amounts that have been drawn down and not yet repaid by the loan recipient. The interest rate will be determined based on the date of award.

(d) *Failure to pay.* Loan recipients that fail to make loan payments consistent with the repayment schedule or loan modification or workout approved by CMS will be subject to any and all remedies available to CMS under law to collect the debt.

(e) *Deeming of CO-OP qualified health plans.* Health plans offered by a loan recipient may be deemed certified as a CO-OP qualified health plan to participate in the Exchanges for up to 10 years following the life of any loan awarded to the loan recipient under this subpart, consistent with section 1301(a)(2) of the Affordable Care Act. An Exchange must recognize a health plan offered by a loan recipient as an eligible participant of the Exchange if it is deemed certified by CMS or an entity designated by CMS. To be deemed as certified to participate in the Exchanges, the loan recipient must comply with the standards for CO-OP qualified health plans set forth pursuant to section 1311(c) of the Affordable Care Act, all State-specific standards established by an Exchange for qualified health plans operating in that Exchange, and the standards of the CO-OP program as set forth in this subpart. If a loan recipient is deemed to be certified or loses its deemed status and is no longer deemed as certified to participate in the Exchanges, CMS or an entity designated by CMS will provide notice to the Exchanges in which the loan recipient offers CO-OP qualified health plans.

(f) *Conversions.* The loan recipient shall not convert or sell to a for-profit or non-consumer operated entity at any time after receiving a loan under this subpart. The loan recipient shall not undertake any transaction that would result in the CO-OP implementing a governance structure that does not meet the standards in this subpart.

(Catalog of Federal Domestic Assistance Program No. 93.773, Medicare—Hospital Insurance; and Program No. 93.774, Medicare—Supplementary Medical Insurance Program)

Dated: July 15, 2011.

**Marilyn Tavenner,**

*Principal Deputy Administrator and Chief Operating Officer, Centers for Medicare & Medicaid Services.*

Approved: July 15, 2011.

**Kathleen Sebelius,**

*Secretary, Department of Health and Human Services.*

[FR Doc. 2011–18342 Filed 7–18–11; 11:15 am]

**BILLING CODE 4120-01-P**

## DEPARTMENT OF COMMERCE

### National Oceanic and Atmospheric Administration

#### 50 CFR Part 654

[Docket No. 110707375–1374–01]

RIN 0648–BB07

#### Fisheries of the Caribbean, Gulf of Mexico, and South Atlantic; Stone Crab Fishery of the Gulf of Mexico; Removal of Regulations

**AGENCY:** National Marine Fisheries Service (NMFS), National Oceanic and Atmospheric Administration (NOAA), Commerce.

**ACTION:** Proposed rule; request for comments.

**SUMMARY:** NMFS proposes to repeal the Fishery Management Plan for the Stone Crab Fishery of the Gulf of Mexico (FMP) and remove its implementing regulations, as requested by the Gulf of Mexico Fishery Management Council (Council). The stone crab fishery takes place primarily in state waters (off the coast of Florida) and Florida's Fish and Wildlife Conservation Commission (FWC) is extending its management into Federal waters. Repealing the Federal regulations would eliminate duplication of management efforts, reduce costs, and align with the President's Executive Order 13563, "Improving Regulation and Regulatory Review," to ensure Federal regulations are more effective and less burdensome in achieving regulatory objectives. The intended effect of this action is to enhance the effectiveness and efficiency of managing the stone crab fishery in the Gulf of Mexico (Gulf).

**DATES:** Written comments must be received on or before August 19, 2011.

**ADDRESSES:** You may submit comments on the proposed rule identified by NOAA–NMFS–2011–0140 by any of the following methods:

- *Electronic submissions:* Submit electronic comments via the Federal e-Rulemaking Portal: <http://www.regulations.gov>.

Follow the instructions for submitting comments.

- *Mail:* Susan Gerhart, Southeast Regional Office, NMFS, 263 13th Avenue South, St. Petersburg, FL 33701.

*Instructions:* All comments received are a part of the public record and will generally be posted to <http://www.regulations.gov> without change. All Personal Identifying Information (for example, name, address, etc.) voluntarily submitted by the commenter may be publicly accessible. Do not submit Confidential Business Information or otherwise sensitive or protected information.

To submit comments through the Federal e-rulemaking portal: <http://www.regulations.gov>, click on "submit a comment," then enter "NOAA–NMFS–2011–0140" in the keyword search and click on "search." To view posted comments during the comment period, enter "NOAA–NMFS–2011–0140" in the keyword search and click on "search." NMFS will accept anonymous comments (enter N/A in the required field if you wish to remain anonymous). You may submit attachments to electronic comments in Microsoft Word, Excel, WordPerfect, or Adobe PDF file formats only.

Comments received through means not specified in this rule will not be considered.

Electronic copies of documents supporting this proposed rule, which include an environmental assessment and an initial regulatory flexibility analysis (IRFA), may be obtained from Southeast Regional Office Web site at <http://sero.nmfs.noaa.gov>.

#### FOR FURTHER INFORMATION CONTACT:

Susan Gerhart, telephone: 727–824–5305 or e-mail:

[Susan.Gerhart@noaa.gov](mailto:Susan.Gerhart@noaa.gov).

**SUPPLEMENTARY INFORMATION:** The stone crab fishery of the Gulf of Mexico (Gulf) is managed under the FMP. The FMP was prepared by the Council and implemented through regulations at 50 CFR part 654 under the authority of the Magnuson-Stevens Fishery Conservation and Management Act (Magnuson-Stevens Act).

#### Background

The commercial stone crab fishery is limited primarily to the coastal waters off the State of Florida, with a small amount of landings occurring off of Louisiana and Texas. Florida has actively managed the Florida stone crab fishery since 1929.

The Federal FMP, implemented in 1979, applies only to Federal Gulf waters adjacent to Florida waters. It was originally implemented to reduce gear



## DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

### 24 CFR Part 905

[Docket No. FR-5507-P-01]

RIN 2577-AC84

### Public Housing Energy Audits

**AGENCY:** Office of the Assistant Secretary for Public and Indian Housing, HUD.

**ACTION:** Proposed rule.

**SUMMARY:** This rule proposes to revise HUD's energy audit requirements applicable to HUD's public housing program for the purpose of clarifying such requirements, as well as identifying energy-efficient measures that need to be addressed in the audit and procedures for improved coordination with physical needs assessments. In addition, the rule moves the energy audit requirements to a different part of HUD's title of the Code of Federal Regulations.

**DATES:** *Comment Due Date:* January 17, 2012.

**ADDRESSES:** Interested persons are invited to submit comments regarding this proposed rule to the Regulations Division, Office of General Counsel, Department of Housing and Urban Development, 451 7th Street SW., Room 10276, Washington, DC 20410-0500. Communications must refer to the above docket number and title. There are two methods for submitting public comments. All submissions must refer to the above docket number and title.

1. *Submission of Comments by Mail.* Comments may be submitted by mail to the Regulations Division, Office of General Counsel, Department of Housing and Urban Development, 451 7th Street SW., Room 10276, Washington, DC 20410-0500.

2. *Electronic Submission of Comments.* Interested persons may submit comments electronically through the Federal eRulemaking Portal at <http://www.regulations.gov>. HUD strongly encourages commenters to submit comments electronically. Electronic submission of comments allows the commenter maximum time to prepare and submit a comment, ensures timely receipt by HUD, and enables HUD to make them immediately available to the public. Comments submitted electronically through the <http://www.regulations.gov> Web site can be viewed by other commenters and interested members of the public. Commenters should follow the instructions provided on that site to submit comments electronically.

**Note:** To receive consideration as public comments, comments must be submitted through one of the two methods specified above. Again, all submissions must refer to the docket number and title of the rule.

*No Facsimile Comments.* Facsimile (fax) comments are not acceptable.

*Public Inspection of Public Comments.* All properly submitted comments and communications submitted to HUD will be available for public inspection and copying between 8 a.m. and 5 p.m. weekdays at the above address. Due to security measures at the HUD Headquarters building, an advance appointment to review the public comments must be scheduled by calling the Regulations Division at (202) 402-3055 (this is not a toll-free number). Individuals with speech or hearing impairments may access this number via TTY by calling the Federal Relay Service, toll-free, at (800) 877-8339. Copies of all comments submitted are available for inspection and downloading at <http://www.regulations.gov>.

#### FOR FURTHER INFORMATION CONTACT:

Jeffrey Riddel, Director, Office of Capital Improvements, Office of Public and Indian Housing, Department of Housing and Urban Development, 451 7th Street SW., Washington, DC 20410-8000; *telephone number* (202) 402-7378 (this is not a toll-free number). Hearing- or speech-impaired individuals may access this number through TTY by calling the toll-free Federal Relay Service at (800) 877-8339.

#### SUPPLEMENTARY INFORMATION:

##### I. Background

Because of the increasing importance of energy conservation, HUD is taking a more proactive approach toward encouraging energy efficiency in its housing programs. In order for public housing agencies (PHAs) to improve their capital planning processes, HUD determined that there is a need for stronger energy audit data.

Under existing regulations, all PHAs must complete an energy audit for each PHA-owned project under management at least once every 5 years. The existing regulations also require that standards for energy audits be equivalent to state standards. However, state standards for energy audits are variable or nonexistent (see, for example, the map of state energy codes by the Department of Energy at <http://www.energycodes.gov/states/>). Accordingly, it is HUD's view that energy audit standards present an area where additional guidance will produce more useful results.

In this rule, HUD proposes the energy conservation measures (ECMs) that a

PHA must consider at a minimum when performing an energy audit. This rule also proposes certain minimum qualifications for energy auditors procured by PHAs to perform energy audits.

While this rule proposes ECMs that must be considered, as well as certain standards for energy audits and minimum qualifications for energy auditors, HUD specifically seeks public comment on whether there are other standards and qualifications that HUD should consider adopting.

HUD will be publishing separately a proposed rule on physical needs assessments (PNAs) that will require the completion of PNAs in conjunction with energy audits in order to integrate the audit properly with the PNA. The PNA rule proposes to require data derived from the energy audit to be included in a PNA, to facilitate the identification of cost-effective ECMs. ECMs also include water-related efficiency measures. If a PNA and energy audit are performed together, there could be cost savings to PHAs to the extent that many of the same components are reviewed for each. Through this rule and the PNA rule, HUD seeks to have PHAs move toward coordinating the performance of PNAs and energy audits with each other, to maximize the effective use of this type of information.

HUD specifically seeks comments from PHAs and other interested parties as to an appropriate time frame for performance and submission requirements.

Coordination between an energy auditor and PNA provider is considered to be important in the capital improvement decision-making process. As the consulting industry that services PHAs and the public housing program is introduced to coordinated or integrated PNAs and energy audits, the costs associated with performing both of these assessments may be reduced. Since energy conservation products are often newer technology whose prices tend to be reduced over time and because utility costs are more volatile than general costs, 2 years is considered by HUD to be the maximum time frame between the performance of an energy audit and a PNA that maintains cost and pricing alignment. In addition, coordination between an energy auditor and PNA provider is considered to be important for the evaluation of technical issues in the selection of component products and the sequencing of improvements. Coordination of the timing of these activities may reduce the possibility of additional cost to the PHA for consulting services outside of the contract cycle of professional providers.



HUD is interested in receiving feedback concerning the feasibility of requiring PHAs to coordinate the performance of energy audits and PNAs. HUD specifically invites comment on the potential benefits, feasibility, or challenges of preparing energy audits in conjunction with PNAs. HUD also specifically seeks public comment on how quickly energy audit information becomes obsolete for cost projection and strategic planning in a PNA.

## II. This Proposed Rule

### A. Overview of Changes

This proposed rule moves the regulations pertaining to energy audit requirements, which are currently codified in 24 CFR 965.302, to 24 CFR 905.300(b)(10)–905.300(b)(15), and clarifies HUD's requirements for energy audits performed in conjunction with PNAs.

Also through this rule, HUD proposes to modify these regulations to:

(1) Define an energy audit, ECMs, and “green” measures.

(2) Establish content and submission requirements for an energy audit, and facilitate the integration of the energy audit with the PNA that PHAs are required to conduct every 5 years. While many states have not adopted auditing standards (see <http://www.energycodes.gov/states/>), the PHA would still be required to comply with standards adopted for their state, where applicable. HUD is not at this time prescribing a specific energy audit form, so long as the required data is collected, and so long as energy auditing systems and formats are available from a number of sources, including the Department of Energy, Building Performance Institute (BPI), and the Residential Energy Services Network (RESNET).

(3) Define Core ECMs that must be considered and require further evaluation of those ECMs that have the potential for cost-effective implementation. Core ECMs generally represent commonplace conservation measures that have demonstrated track records of reducing energy and water consumption in a cost-effective manner and that can be routinely evaluated by an energy auditor. This rule defines Core ECMs in broad categories. Examples within the categories include: Changes to the building envelope such as insulation; energy-efficient mechanical equipment; low-flow water devices and other water conservation measures; energy-efficient lighting systems, including compact fluorescent lighting and motion controls; and Energy Star-certified appliances. As technology advances over time, HUD

will provide further examples of ECMs in guidance.

(4) Recognize Advanced ECMs that may be addressed. PHAs are encouraged, but not required to consider Advanced ECMs, which represent alternative measures comprising advanced or experimental technology which, compared to the Core ECMs, can be more challenging to evaluate and implement. These are not alternatives that auditors would normally consider unless directed to do so, or unless there were local precedents that caused the measures to become commonly accepted local alternatives. Examples of Advanced ECMs include renewable energy technologies, such as solar and geothermal power, and green construction.

(5) Require that ECMs identified in the energy audit as cost-effective be organized into those with: Paybacks of 12 years or less, paybacks of greater than 12 and less than or equal to 20 years, and paybacks of more than 20 years. The 12-year and 20-year benchmarks correspond with the benchmarks for an Energy Performance Contract (EPC).

(6) Establish minimum qualifications for an energy auditor, and

(7) Provide for extension of the requirement to complete an initial energy audit in instances where industry capacity is a constraint.

This rule would not require PHAs to implement particular ECMs; however, the energy audit must provide PHAs with accurate information about ECMs for the PHAs to consider. It is HUD's position that when PHAs capture the cost-effectiveness data for ECMs, PHAs will implement the measures more frequently.

The proposed rule would require payback analysis for Core ECMs. Current guidance for a payback analysis is contained in the HUD publication “Energy Conservation for Housing—A Workbook,” dated September, 1998 (available at [http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/public\\_indian\\_housing/programs/ph/phecc/resources](http://portal.hud.gov/hudportal/HUD?src=/program_offices/public_indian_housing/programs/ph/phecc/resources)), and this proposed rule would clarify and modify that guidance. The payback analysis in the proposed rule would recognize that for a replacement component, the incremental cost of a more efficient component should be used to determine cost-effectiveness. For example, if an Energy Star appliance costs \$100 more than a standard appliance with the same estimated life and the component has to be replaced, in order for the Energy Star appliance to be cost-effective, it must cost \$100 less to operate than the standard component over the designated payback period.

The result of a payback analysis would be considered in the context of this rule as a threshold for further evaluation of an ECM. A more detailed cost analysis may be conducted that includes complete lifecycle cost analysis; however, the baseline audit requires only that those lifecycle costs be generally identified, not that they be subjected to detailed cost analysis.

The proposed rule would not prevent PHAs from pursuing more advanced utility conservation and green measures, at their option. In making the distinction between Core ECMs and Advanced ECMs, HUD is recognizing extensive opportunities in public housing for simple cost-effective energy conservation improvements, while acknowledging that more advanced work may be possible in certain circumstances. The engineering and implementation costs of advanced technologies often make them impractical outside of the context of a comprehensive redevelopment, remodeling, or incentivized program, such as an EPC or targeted grant program. HUD's view is that it is preferable to concentrate limited funding on improvements that have been proven to be generally cost-effective and broadly available to PHAs. PHAs have different priorities and local requirements with respect to utility conservation and green improvements. Many improvements, while not providing monetary cost effectiveness, provide benefits in the form of an improved living environment for residents or a contribution to broader societal environmental goals. HUD recognizes those benefits, and encourages PHAs to consider a wide variety of measures. HUD's Office of Healthy Homes and Lead Hazard Control and the Environmental Protection Agency's Indoor Air Quality Standards, as well as Office of Public and Indian Housing (PIH) notices on green building, are useful resources for a PHA that is considering a program of green improvements.

While it is HUD's position that the performance of the energy audit at the same time as the PNA would be more efficient for PHAs, particularly in circumstances where a single provider can perform both services, HUD also recognizes that circumstances may not allow a PHA to perform both services together. Accordingly, this rule does not require the performance of the energy audit simultaneously with the PNA. HUD recognizes circumstances where an energy audit would be performed outside the 5-year cycle, such as an energy audit performed in relation to an EPC or another development project, or

to meet another HUD requirement. As in the case of a PNA, the first energy audit under the new final rule resulting from this proposed rule is likely to be the most costly and require the most intensive effort, with subsequent updates benefitting from the information collected in prior audits. HUD also recognizes that the capacity of the energy auditing industry might be limited in some areas, and allows for a delay in the performance of the audit in cases where local shortages in these professional services exist.

The rule does not propose to require an investment grade energy audit such as one that might be prepared for an energy performance contract or in order to evaluate a financial transaction. HUD is especially interested in receiving comments about appropriate energy audit requirements, as well as

certification requirements and professional standards for energy auditors. HUD is interested in hearing from both the energy auditing industry and entities that have experience managing a real estate portfolio and have integrated energy audits into their planning process. HUD is also interested in receiving comments about any multiple purposes for which portfolio managers have used energy audits. HUD also invites comments about the proposed categories of ECMs that should be addressed in an energy audit, and conservation measures that are appropriate for use on a nationwide basis. HUD further invites comments from public housing and other interested parties on the needed capacity for performing integrated energy audits and PNAs.

### III. Findings and Certifications

#### *Paperwork Reduction Act*

The information collection requirements contained in this proposed rule have been submitted to the Office of Management and Budget (OMB) under the Paperwork Reduction Act of 1995 (44 U.S.C. 3501–3520). In accordance with the Paperwork Reduction Act, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information, unless the collection displays a currently valid OMB control number.

The burden of the information collections in this proposed rule is estimated as follows:

Reporting and Recordkeeping Burden:

Section reference	Number of respondents	Number of responses per respondent	Estimated average time for requirement (in hours)	Estimated annual burden (in hours)
905.300(b)(10) <sup>1</sup>	620	1	65	40,300
905.300(b)(14) <sup>2</sup>	620	1	25	15,500
905.300(b)(14)(vii) <sup>3</sup>	62	1	45	2,790
900.300(b)(15) <sup>4</sup>	62	1	45	2,790
Total Paperwork Burden for the New Rule				61,380
Total Burden from Previous Rule (24 CFR 965.302) <sup>5</sup>				29,440
Total additional burden as a result of this rule				31,940

In accordance with 5 CFR 1320.8(d)(1), HUD is soliciting comments from members of the public and affected agencies concerning this collection of information to:

(1) Evaluate whether the proposed collection of information is necessary for the proper performance of the functions of the agency, including whether the information will have practical utility;

(2) Evaluate the accuracy of the agency's estimate of the burden of the proposed collection of information;

(3) Enhance the quality, utility, and clarity of the information to be collected; and

(4) Minimize the burden of the collection of information on those who are to respond, including through the use of appropriate automated collection techniques or other forms of information technology; *e.g.*, permitting electronic submission of responses.

Interested persons are invited to submit comments regarding the information collection requirements in this rule. Under the provisions of 5 CFR part 1320, OMB is required to make a decision concerning this collection of information between 30 and 60 days after today's publication date. Therefore, a comment on the information collection requirements is best assured of having its full effect if OMB receives the comment within 30 days of today's publication. This time frame does not affect the deadline for comments to the agency on the proposed rule, however. Comments must refer to the proposal by name and docket number (FR-5361) and must be sent to:

HUD Desk Officer, Office of Management and Budget, New Executive Office Building, Washington, DC 20503, *Fax number:* (202) 395-6947, and

Collette Pollard, Reports Liaison Officer, Department of Housing and Urban Development, 451 7th Street, SW., Room 4160, Washington, DC 20410.

Interested persons may submit comments regarding the information collection requirements electronically through the Federal eRulemaking Portal at <http://www.regulations.gov>. HUD strongly encourages commenters to submit comments electronically. Electronic submission of comments allows the commenter maximum time to prepare and submit a comment, ensures timely receipt by HUD, and enables HUD to make them immediately available to the public. Comments submitted electronically through the <http://www.regulations.gov> Web site can be viewed by other commenters and interested members of the public. Commenters should follow the instructions provided on that site to submit comments electronically.

#### *Regulatory Planning and Review*

OMB reviewed this proposed rule under Executive Order 12866 (entitled "Regulatory Planning and Review"). This rule was determined to be a

<sup>1</sup> Burden of energy audit performed once every 5 years for each of 3,200 PHAs, including data collection and site inspection.

<sup>2</sup> Burden of analysis and comprehensive report.

<sup>3</sup> Optional burden of expanded analysis as directed by PHA, estimated to be exercised by 10 percent of respondents.

<sup>4</sup> Optional burden of considering green measures as directed by PHA, estimated to be exercised by 10 percent of respondents.

<sup>5</sup> OMB Control No. 2577-0062.

“significant regulatory action,” as defined in 3(f) of the order (although not an economically significant regulatory action, as provided under section 3(f)(1) of the order). The docket file is available for public inspection between the hours of 8 a.m. and 5 p.m. weekdays in the Regulations Division, Office of General Counsel, Department of Housing and Urban Development, 451 7th Street SW., Room 10276, Washington, DC 20410–0500. Due to security measures at the HUD Headquarters building, an advance appointment to review the docket file must be scheduled by calling the Regulations Division at (202) 708–3055 (this is not a toll-free number). Hearing- or speech-impaired individuals may access this number through TTY by calling the toll-free Federal Information Relay Service at (800) 877–8339.

This proposed rule would revise HUD’s energy audit requirements applicable to HUD’s public housing program for the purpose of clarifying such requirements and defining energy-efficient measures and audit procedures. It is estimated that the cost burden to PHAs could be up to \$40 million every 5 years or \$8 million annually. Notwithstanding the relatively modest cost to perform energy audits, there is a potential for PHAs to realize substantial savings. Each year, about \$1.2 billion is budgeted for utilities for housing authorities. Assuming that this rule is effective and energy audits are successfully translated into energy savings, where, for example, only 10 percent efficiency and cost were achieved, it would translate into about \$120 million in budget savings annually that could be affected to other uses. When tenant-paid utilities are included, the annual savings may be up to \$173 million under the same conditions. Notwithstanding the potential benefit, this proposed rule is not economically significant as defined by Executive Order 12866 and OMB Circular A–4.

The potential costs of the rule are as follows. The new Energy Audit Rule does not change the current requirement that all PHAs perform an energy audit at least once every 5 years. However, there will be an economic impact to the extent that the new standards for performance exceed the standard of performance for the state in which each PHA is located.

The cost to perform the enhanced energy audit can be approximated using existing examples and HUD’s own experience. HUD’s Office of Affordable Housing Preservation (OAHP) manages the Green Retrofit Program (GRP), which involves OAHP direct engagement of providers to perform Physical Needs Assessment and Energy Audits for

affordable housing projects. The GRP energy audit includes all of the components generally understood to be found in a baseline energy audit. HUD is using the GRP format as a source for the development of energy audit standards to be used in public housing, and the energy audit standards in the new rule will be comparable in complexity/comprehensiveness. OAHP has shared a summary of its costs to perform PNAs during Fiscal Year 2009/10 using its format for a set of 66 projects nationwide. These projects averaged 96 units per project. The average cost for the energy audit portion of the GRP for these projects was reported as \$3,314 per project or \$32.86 per unit.

In the absence of detailed cost figures for the energy audits currently being performed by PHAs, the most conservative approach to estimating the burden is to use the GRP figure of \$32.86 per unit. Even without a mitigating adjustment for the current economic investment that PHAs are making to this activity, the economic burden to PHAs would be \$39,864,536 ( $\$32.86 \times 1,213,163$ ) every 5 years, or \$7,972,907 annually. A mitigating adjustment of 50 percent to account for the existing burden is not an unreasonable assumption. Such an adjustment would reduce the 5-year and annual additional burden to \$19,932,268 and \$3,986,453, respectively.

There are also benefits to the rule. Nationwide, PHA-paid utility costs total around \$1.3 billion annually, or about 25 percent of the costs to operate public housing. It is estimated that an additional \$430 million in utility costs are paid by residents, but indirectly are paid by PHAs in the form of utility allowances that reduce resident rents. Assuming that this rule is effective and, for example, only 10 percent efficiency were achieved, that would translate into about \$173 million in budget savings annually that could be realized and affected to other uses.

#### *Unfunded Mandates Reform Act*

Title II of the Unfunded Mandates Reform Act of 1995 (2 U.S.C. 1531–1538) (UMRA) establishes requirements for federal agencies to assess the effects of their regulatory actions on state, local, and tribal governments and the private sector. This rule does not impose any federal mandate on any state, local, or tribal government or the private sector within the meaning of UMRA.

#### *Environmental Impact*

This proposed rule that does not direct, provide for assistance or loan and mortgage insurance for, or otherwise govern, or regulate, real property acquisition, disposition, leasing, rehabilitation, alteration, demolition, or new construction, or establish, revise or provide for standards for construction or construction materials, manufactured housing, or occupancy. Accordingly, under 24 CFR 50.19(c)(1), this proposed rule is categorically excluded from environmental review under the National Environmental Policy Act of 1969 (42 U.S.C. 4321).

#### *Regulatory Flexibility Act*

The Regulatory Flexibility Act (RFA) (5 U.S.C. 601 *et seq.*) generally requires an agency to conduct a regulatory flexibility analysis of any rule subject to notice and comment rulemaking requirements, unless the agency certifies that the rule will not have a significant economic impact on a substantial number of small entities. All PHAs have been required to complete energy audits, which essentially review building systems for the purpose of assessing whether the project would benefit from energy conservation measures. This rule also clarifies the scope of the energy audit that would be made pursuant to the existing energy audit requirements, rather than creating a new requirement for PHAs. To the extent that the standards for the energy audit pursuant to this rule are more burdensome than the current state standards required for energy audits, there may be some incremental cost to some PHAs to perform audits to this standard. However, this cost would be minuscule fraction of each PHA’s capital grant, and so would not be a significant economic impact. For example, making the most conservative assumption—that each small PHA would be required to hire an independent auditor rather than using existing staff time—the incremental cost would be \$32.86 per unit per 5 years, or \$6.57 per unit per year. The capital fund grant averages \$1595 per unit, per year, so that the cost as a percentage of capital grant is only 0.4 percent. In actuality, the costs may be lower, because at least some small PHAs will have the staff resources to perform the audit in-house.

Notwithstanding the determination that this rule would not have a significant impact on PHAs, HUD specifically invites any comments regarding any less burdensome alternatives to this rule that will meet

HUD's objectives as described in this preamble.

#### *Executive Order 13132, Federalism*

Executive Order 13132 (entitled "Federalism") prohibits, to the extent practicable and permitted by law, an agency from promulgating a regulation that has federalism implications and either imposes substantial direct compliance costs on state and local governments and is not required by statute or preempts state law, unless the relevant requirements of section 6 of the Executive Order are met. This rule does not have federalism implications and does not impose substantial direct compliance costs on state and local governments or preempt state law within the meaning of the Executive Order.

#### *Catalog of Federal Domestic Assistance Number*

The Catalog of Federal Domestic Assistance number for 24 CFR part 905 is 14.872.

#### **List of Subjects in 24 CFR 905**

Grant programs—housing and community development, Public housing, Reporting and recordkeeping requirements.

Accordingly, for the reasons stated in the preamble, HUD proposes to amend 24 CFR part 905, as proposed to be revised at 76 FR 6661, February 7, 2011, as follows:

### **PART 905—THE PUBLIC HOUSING CAPITAL FUND PROGRAM**

1. The authority statement for part 905 continues to read as follows:

**Authority:** 42 U.S.C. 1437g, 42 U.S.C. 1437z–2, and 3535(d).

#### **Subpart C—General Program Requirements**

2. Amend § 905.300 by adding paragraphs (b)(10) through (b)(15) to read as follows:

#### **§ 905.300 Capital Fund submission requirements.**

\* \* \* \* \*

(b) \* \* \*

(10) *Energy audits.* All PHAs shall complete an energy audit for each PHA-owned project under management, not less than once every 5 years, unless otherwise specified in this part.

(i) Energy audits consist of reviews of building systems to evaluate and identify projected costs, savings, and payback periods related to implementing any of a variety of potential energy conservation measures. Energy audits required by this part may,

but are not required to, also identify green measures, or measures that do not result in energy savings, but which instead result in environmental benefits, such as improving indoor air quality.

(ii) The purpose of this subpart is to provide minimum standards with respect to the performance of energy audits. PHAs are not required to implement any specific energy conservation measure identified in an energy audit, except to the extent required by other statutes, rules, or regulations. An energy audit, however, must provide PHA staff with accurate information about the condition of the PHA's properties with respect to energy conservation measures and to the payback associated with energy conservation measures. The audit may also provide information about the environmental or potential health benefits of green measures.

(iii) PHAs shall integrate utility management with capital planning, to maximize energy conservation and efficiency measures in a comprehensive approach to building design, development, and maintenance. Energy audits shall be conducted in conjunction with HUD's required PNA. Any planned, ongoing, or completed energy, utility, and green improvements must be captured in the PNA in a form and manner prescribed by HUD.

(iv) PHAs shall not be required to complete an energy audit for any project that is less than 5 years old at the time the PHA is required to complete the energy audit. PHAs shall not be required to complete an energy audit for any project for which a removal from the public housing inventory has been approved by HUD, such as a demolition, disposition, conversion to homeownership, or other conversion action.

(v) The first two energy audits completed under this section shall be completed in accordance with a time frame delineated by HUD.

(vi) When a PHA is required to submit an energy audit pursuant to this part for the first time, a PHA has the option of submitting an existing audit completed within the last 2 years if:

(A) The audit meets the data requirements under this section; and

(B) The audit was completed by an auditor that meets the requirements of this section.

(vii) When a PHA is required to complete and submit an energy audit for the first time, a PHA may request an additional 2 years to submit the audit if it cannot find a qualified auditor. To obtain HUD's approval, a PHA must provide documentation to its field office that demonstrates it issued a well-

structured Request for Proposal (RFP) in accordance with 24 CFR 85.36, and received no bids from qualified respondents.

(11) *Energy and water conservation measures (ECMs).* ECMs are devices, systems, or processes that may reduce utility and energy consumption. For the purposes of this subpart, ECMs include "Core ECMs" and "Advanced ECMs."

(12) Core ECMs are defined as broadly available energy conservation measures that have proven track records of reducing energy and water consumption in a cost-effective manner. Core ECMs include, but are not limited to, the following ECM categories:

(i) Building envelope (ECMs such as, but not limited to, wall or attic insulation, roofs, storm doors, weatherization, radiant barriers, and windows);

(ii) Heating, cooling, and other mechanical equipment systems and controls (ECMs such as, but not limited to, energy efficient furnaces, air handlers, fans, condensers, boilers, hot water heaters, programmable thermostats, equipment refurbishment and commissioning, duct sealing, duct insulation, pipe insulation, water heating controls, and ventilation);

(iii) Water conservation (ECMs such as, but not limited to, low flow toilets, faucets, showerheads, and alternate irrigation);

(iv) Power, lighting systems, and controls (ECMs such as, but not limited to, compact fluorescent lighting, LED fixtures and exit signage, photocell controls, and motion controls);

(v) Appliances (ECMs such as, but not limited, to Energy Star-rated refrigerators, clothes washers, and dishwashers).

(13) Advanced ECMs are defined as alternative measures comprising advanced or experimental technology which, compared to Core ECMs, can be more challenging to evaluate and implement. These are not alternatives that auditors would normally consider unless directed to do so, or unless there were local precedents that caused the measures to become commonly accepted local alternatives. Advanced ECMs include, but are not limited to:

(i) Fuel conversions;

(ii) Conservation technologies (e.g., green construction techniques, building energy management systems, and xeriscaping<sup>6</sup>); and

<sup>6</sup> Xeriscaping is the conservation of landscape irrigation water through creative and efficient landscape design.

(iii) Energy generating technologies and renewable energy systems (e.g., solar, geothermal, and cogeneration<sup>7</sup>).

(14) *Energy audit technical requirements and reporting.* (i) An energy audit shall analyze utility consumption, review property and building data, and evaluate Core ECMs that could result in cost-effective energy and water conservation. At the option of the PHA, an energy audit may also evaluate Advanced ECMs and green measures.

(ii) Energy audits for public housing shall at a minimum consider the Core ECMs and provide a comprehensive assessment report that includes:

(A) A summary review of the findings of any previous energy audits;

(B) An assessment of the existing property physical components affecting energy consumption, including an evaluation of the performance and condition of components within the Core ECM categories.

(C) An assessment of building operations, maintenance, and resident education as it relates to energy conservation and green practices;

(D) Analysis of fuel, electricity, and water bills and usage for at least the PHA-held accounts for trend analysis and industry benchmarking, and for tenant-held accounts where usage information is in the possession of the PHA;

(E) Identification and evaluation of all energy conservation measures considered, which shall include at least those that have the potential for cost-effective implementation;

(F) Categorization of recommended energy conservation measures into improvements with payback periods of 12 years or less, greater than 12 and less than or equal to 20 years, and more than 20 years;

(G) Projected cost of ECMs, and where a standard (less energy-efficient) building component is available, the projected cost of the standard component and the incremental cost of the ECM;

(H) Projected annual savings in water consumption;

(I) Projected annual energy consumption savings in the appropriate unit of measurement (*i.e.*, kilowatt-hours, British Thermal Unit (BTU)),<sup>8</sup>

gallons, cubic feet etc.) for recommended ECMs;

(J) Projected annual savings in dollars for recommended ECMs;

(K) Expected useful life of all ECMs and green measures;

(L) Identification of life cycle costs or savings of ECMs and green measures, including disposal costs and maintenance costs; and

(M) Energy auditor recommendations for optimal sequencing of ECM implementation for maximum benefit.

(iii) The energy audit will identify related physical work items that must be implemented at the same time to assure that a specific ECM can provide the maximum savings calculated, as well as to maintain health and safety (e.g., the installation of an energy-efficient boiler may require that new, wider distribution lines be installed or rerouted to maximize the potential savings that could be realized from the boiler; and a weatherization project may require adjustments to ventilation systems to maintain adequate fresh air exchange). These complementary activities should be viewed as part of an improvement package required to achieve the overall energy savings.

(iv) Data and findings from prior energy audits that are deemed reliable and remain valid may be carried over to subsequent audits.

(v) Where ECMs would replace existing components at the end of their useful life, the payback period shall be calculated by dividing the incremental cost of replacement with an ECM as compared with a standard component, by the projected annual savings of the ECM as compared with a standard component. Where ECMs would replace existing components before the end of their useful life (early replacement), the payback period calculation shall be modified to add the value of the remaining useful life of the component being replaced to the incremental cost of the ECM. This payback period calculation shall be modified in a manner acceptable to HUD. Where ECMs would improve a project by adding new systems or new functionality, such as in the case of energy-generating equipment, the payback period shall be calculated by dividing the total cost of the ECM by the projected annual savings.

(vi) The energy audit shall differentiate between activities that are routine operating and maintenance activities and ECMs that are capital expenditures and can be financed with capital funds. Cleaning or changing air filters on certain mechanical equipment is a routine operational maintenance function that may result in energy

conservation but is not an eligible capital expense.

(vii) For purposes of this part, the potential for cost-effective implementation of an energy conservation measure must be evaluated when the payback period is equal to or less than the estimated useful life of the component or 12 years, whichever is less. Complete lifecycle cost analysis to refine cost impacts of energy conservation measures is recommended for those measures initially determined to be cost-effective.

(viii) The energy auditor shall report on a project-level basis. The energy auditor shall submit a baseline report to the PHA and may submit an expanded report, as noted below. The report shall include the elements in § 905.300(b)(14)(i) for at least the ECMs identified in § 905.300(b)(14)(i)(D). The baseline report shall include a recommendation as to whether the PHA should complete more extensive engineering reviews to determine whether consideration of Advanced ECMs or others would be warranted. The energy auditor's recommendation shall be based upon the potential lifecycle cost savings of the ECMs, the complexity associated with implementing the ECMs, and the age and condition of the project as a whole. If the PHA directs the energy auditor to complete additional analysis on these ECMs, the energy audit shall be expanded to include that analysis.

(ix) There may be occasions outside of the 5-year cycle when an energy audit is appropriate and necessary to comply with state-specific energy policies, participate in local utility company incentive programs, pursue an energy performance contract, or evaluate the financial condition of a project. Nothing in this subpart is to be construed as prohibiting an energy audit at any time that the PHA determines it to be in the interest of the project.

(x) Capital or operating funds may be used for energy audits whenever they are performed.

(xi) Energy audits required in this section do not need to be investment grade energy audits,<sup>9</sup> but must cover all projects, and be sufficient to determine projected savings and to prioritize potential work based on the goals and objectives identified by the PHA (e.g., quickest payback, largest payback, speed of implementation, *etc.*). Any energy audit may rely on data from a HUD-required prior energy audit (such as described in part § 905.300(b)(14)(i)

<sup>7</sup> Cogeneration is the use of the byproduct of energy generation, primarily thermal energy, for other purposes that would normally require additional energy.

<sup>8</sup> A BTU is defined as the amount of heat required to raise the temperature of 1 pound (0.454 kg) of liquid water by 1 °F (0.556 °C) at a constant pressure of one atmosphere.

<sup>9</sup> Investment Grade Energy Audits are prepared specifically to support a financial transaction such as an energy performance contract.

or performed in relation to an energy performance contract) conducted on the same property, if the previous audit was completed within 2 years of the time of a required PNA or energy audit, and if the previous audit meets the data requirements of the audits prescribed by this section.

(xii) While the timing of an energy audit is coordinated with a PNA, there are several instances when HUD may require a current or updated energy audit. These include but are not limited to:

(A) When requesting HUD permission to transfer excess cash from one project to another;

(B) At the direction of HUD, when HUD energy consumption data or industry benchmarks indicate that a project's energy consumption levels are excessive when compared to similar projects within the project's climatic zone;

(C) When required to substantiate an exception to the Total Development Cost Limit in reference to 24 CFR 941.306; and

(D) When the PHA is substandard under any applicable performance rating system used by HUD to assess project-level performance both in terms of operations and financial condition.

(xiii) The energy auditor shall be experienced in the performance of residential building energy audits and shall hold a current, valid certification from a state energy audit certifying agency for the state where the property is located or a nationally recognized energy audit certification provider, or hold other certification acceptable to HUD or expressed in HUD guidance.

(15) *Green measures.* (i) Green measures are products, systems or processes that do not necessarily conserve energy, but result in other environmental benefits. These include, for example: use of low volatility or nonvolatile organic compound cabinets, flooring, paints, or sealants; physical changes required to effectively implement integrated pest management; and hazardous waste or construction debris removal processes.

(ii) An energy audit shall identify green measures if the PHA directs the energy auditor to include them in the energy audit, but they are not required to be included. Where an energy audit includes green measures, it shall identify the projected cost of the green measure, and where a standard building component is available, it shall identify the projected cost for the standard component and the incremental cost of the green measure.

Dated: October 21, 2011.

**Sandra B. Henriquez,**

*Assistant Secretary for Public and Indian Housing.*

[FR Doc. 2011-29640 Filed 11-16-11; 8:45 am]

**BILLING CODE 4210-67-P**

## DEPARTMENT OF THE TREASURY

### Office of the Secretary

#### 31 CFR Part 1

#### RIN 1505-AC37

#### Privacy Act; Implementation

**AGENCY:** Office of the Secretary, Treasury.

**ACTION:** Proposed rule.

**SUMMARY:** In accordance with the requirements of the Privacy Act of 1974, as amended, the Department of the Treasury (Treasury) amends this part to partially exempt a new Internal Revenue Service (IRS) system of records entitled "Treasury/IRS 37.111—Preparer Tax Identification Number Records" from certain provisions of the Privacy Act.

**DATES:** Comments must be received no later than December 19, 2011.

**ADDRESSES:** Please submit comments to David R. Williams, Director, Return Preparer Office, 1111 Constitution Ave. NW., Washington, DC 20224. Phone: (202) 927-6428 (not a toll-free number). Comments will be made available for inspection at the IRS Freedom of Information Reading Room (Room 1621), at the above address. The telephone number for the Reading Room is (202) 622-5164 (not a toll-free number). You may also submit comments through the Federal rulemaking portal at <http://www.regulations.gov> (follow the instructions for submitting comments).

**FOR FURTHER INFORMATION CONTACT:** David R. Williams, Director, Return Preparer Office, 1111 Constitution Ave. NW., Washington, DC 20224.

**SUPPLEMENTARY INFORMATION:** Under 5 U.S.C. 552a(k)(2), the head of an agency may promulgate rules to exempt a system of records from certain provisions of 5 U.S.C. 552a if the system is investigatory material compiled for law enforcement purposes. Treasury is hereby giving notice of a proposed rule to exempt "Treasury/IRS 37.111—Preparer Tax Identification Number Records" from certain provisions of the Privacy Act of 1974, pursuant to 5 U.S.C. 552a(k)(2). The proposed exemption pursuant to 5 U.S.C. 552a(k)(2) is from provisions (c)(3), (d)(1)–(4), (e)(1), (e)(4)(G)–(I), and (f)

because the system contains investigatory material compiled for law enforcement purposes. The following are the reasons why this system of records maintained by the IRS is exempt pursuant to 5 U.S.C. 552a(k)(2) of the Privacy Act of 1974:

(1) 5 U.S.C. 552a(c)(3). These provisions of the Privacy Act provide for the release of the disclosure accounting required by 5 U.S.C. 552a(c)(1) and (2) to the individual named in the record at his/her request. The reasons for exempting this system of records from the foregoing provisions are:

(i) The release of disclosure accounting would put the subject of an investigation on notice that an investigation exists and that such person is the subject of that investigation.

(ii) Such release would provide the subject of an investigation with an accurate accounting of the date, nature, and purpose of each disclosure and the name and address of the person or agency to which disclosure was made. The release of such information to the subject of an investigation would provide the subject with significant information concerning the nature of the investigation and could result in the alteration or destruction of documentary evidence, the improper influencing of witnesses, and other activities that could impede or compromise the investigation.

(iii) Release to the individual of the disclosure accounting would alert the individual as to which agencies were investigating the subject and the scope of the investigation and could aid the individual in impeding or compromising investigations by those agencies.

(2) 5 U.S.C. 552a(d)(1)–(4), (e)(4)(G), (e)(4)(H), and (f). These provisions of the Privacy Act relate to an individual's right to be notified of:

(i) The existence of records pertaining to such individual,

(ii) Requirements for identifying an individual who requested access to records,

(iii) The agency procedures relating to access to and amendment of records,

(iv) The content of the information contained in such records, and

(v) The civil remedies available to the individual in the event of an adverse determination by an agency concerning access to or amendment of information contained in record systems.

The reasons for exempting this system of records from the foregoing provisions are that notifying an individual (at the individual's request) of the existence of an investigative file pertaining to such

## BOARD MEMO


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**TO:** Board of Commissioners  
Knox County Housing Authority

**DATE:** 06/19/2014

**FROM:** Derek Antoine   
Executive Director

**BOARD MEETING:** 06/24/2014

**SUBJECT:** Contract Renewal for KCHA Legal Counsel

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### Executive Summary

At the 05/28/2014 regular meeting of the Board of Commissioners, the Board selected Jack Ball to provide legal counsel services to the agency, at the expense of \$600.00 monthly, for a term of one year, with clause to extend the contract through two one-year renewal options. The initial contract period began on 06/01/2013 and expired 05/31/2014.

Mr. Ball's performance of duties in reference to the general scope of services has been as expected, and would be categorized as satisfactory. Mr. Ball has been present at the vast majority of Board meetings, and has provided a detailed report of activities on behalf of the agency on a monthly basis. Additionally, Mr. Ball has been accessible and responsive to agency issues requiring counsel.

### Fiscal Impact

The expense for legal services is split evenly amongst applicable KCHA programs.

### Recommendation

It is the recommendation of the Executive Director the Board of Commissioners approve extension of the contract between the Knox County Housing Authority and Mr. Ball for a period of one (1) year, effective 06/01/2014 through 05/31/2015 at the expense of \$600.00 monthly, \$7,200.00 annually.

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**TO:** Board of Commissioners  
Knox County Housing Authority

**DATE:** 06/19/2014

**FROM:** Derek Antoine   
Executive Director

**BOARD MEETING:** 06/24/2014

**SUBJECT:** Resident Commissioner Solicitation

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### Executive Summary

Effective 10/01/1999, Section 505 of the Quality Housing and Work Responsibility Act of 1998 (QHWRA) amended Section 2 of the United States Housing Act of 1937 to require “the membership of the Board of Directors or similar governing body of each public housing agency shall contain not less than one member who is directly assisted by the public housing agency.” This amendment serves to provide for more resident involvement and to increase resident participation and awareness in creating and maintaining a positive living environment. The Knox County Housing Authority complies fully with this requirement.

In an effort to encourage full resident participation opportunity, notice was posted on 05/01/2014 to solicit interest in the Resident Commissioner position. An information packet was made available to any eligible participant demonstrating interest in filling the opening. Eligible participant is defined by 24 CFR § 964.410 as a person who is directly assisted by the public housing agency, whose name appears on a lease or voucher, and is a minimum eighteen years of age.

The solicitation ran from 05/01/2014 through 05/21/2014. During that time, notice had been posted at each program site office, posted on the Knox County Housing Authority Website, and advertised through the agency’s Facebook page. Letter of interest were accepted until 4:30 PM on Wednesday, 05/21/2014.

Three candidates expressed interest in serving as resident commissioner:

- Dale Parsons (current Resident Commissioner), Moon Towers (verbal interest)
- Gerald Lambert, Moon Towers (verbal interest)
- Floyd Palmer, Bluebell Tower (letter of interest attached)

A Board work session was conducted on 06/11/2014 where each candidate had the opportunity to discuss with Board members their interest, qualifications, and reasoning for seeking to serve as Resident Commissioner. The final step in the



process is for the Board to make a recommendation to the Knox County Board for a candidate to serve as Resident Commissioner. Once the Board has taken action on a recommendation, a letter will be signed by all Commissioners to be submitted to the Knox County Board Chairperson for presentation for approval at the 06/25/2014 Knox County Board meeting.

**Fiscal Impact**

None

**Recommendation**

None



# Executive Director Report

June 2014

# Executive Director Report

June 2014

## Regular Meeting – Board of Commissioners

Tuesday, June 24, 2014 – 10:00 AM

William H. Moon Towers

255 W. Tompkins St.

Galesburg, IL 61401

## Executive Office

### Training and Development Summary

The following information details training and development attended by Knox County Housing Authority Staff during the month of June 2014:

Staff	Date	Development
Antoine, D.	6/10/2014	HQS Inspections (Trainer)
Antoine, D.	6/12/2014	UPCS Inspections
Stegall, J.	6/23-6/26	HQS Inspector Training
Gray, K.	6/23-6/26	HQS Inspector Training

### Media Outreach/Public Relations

The agency was prominently featured in three articles this past month. On Sunday, 06/08/2014, the partnership between Hy-Vee and the agency for our community gardens at Moon Towers and Prairieland Townhouse Apartments was highlighted, shedding light on a positive program and resident involvement. On 06/10/2014, columnist Tom Loewy ran what can be called an information story on scaled back summer programs at the Family Sites, which he followed up with a tenant spotlight story on 06/11/2014 highlighting resident Tiffany Kearse and her challenging path to the KCHA. All articles were accurate in depiction of events covered, and the agency represented well.

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The Facebook page has reached 470 “Likes,” up just 3 likes from a month ago. While miniscule, this is progress! Work will continue to grow the agency fan base. Examples of information shared this past month includes: Hy-Vee One-Step Garden workshop for children, advertisement for residents at Bluebell Tower, shared Register Mail articles which highlighted positive things happening at the agency, information on a Girl Scouting Day at Whispering Hollow, a shared job opportunity with Big Brothers and Big Sisters, and staff appreciation in the form of nachos prepared by a Moon Towers resident.

## **Policy/Operations**

### Accounting and Finance

The month of June has been used as catch up for the Finance Department due to the department closing the FYE 2014.

The Financial Data Submission was submitted before the 06/01/2014 deadline and approved in June. This was ahead of schedule in the past, and due in large part to the diligence of Finance Coordinator Lee Lofing.

In June, the finance department closed both the months of April and May for the FYE 2015. The Finance Department also worked with the IRS on an issue. The IRS indicated that KCHA owed the IRS \$224.20 for missed withholding in the first quarter of 2010 and \$5,475.26 in the first quarter of 2013. Mr. Lofing researched the issue and found that KCHA did indeed owe the IRS \$224.20 for missed withholdings in 2010, but did not agree with owing the IRS the \$5,475.26 in 2013. The agency was able to provide proof that what the KCHA paid the IRS in withholdings was the correct amount and that the 941 form showed that KCHA owed nothing more to the IRS. Once the IRS saw the proof provided, the IRS advised that KCHA was in good standing for 2013 and did not owe the \$5,475.26.

### Human Resources

Bill Mejia has been selected as the June 2014 Employee of the Month! Bill has done an outstanding job in the construction and maintenance of the community garden at Moon Towers, which was made possible through a grant from the HyVee One-Step Garden program. This is in addition to his normal responsibility of maintaining the grounds. Recently, lawn-mowing was added to Bill’s duties, and he has handled it well. Bill is a resident at Moon Towers, certainly models the behavior expected of our resident population – he cares about his home, and he takes action to make it a great place to live! Thanks Bill!

KCHA Performance Appraisals are currently being reviewed, and revisions are anticipated. Specifically, a measurable element will be added for key performance indicators (KPIs) to gauge the results of each position’s work. The new KPI category will be results driven, supported by numbers data, and represent 20%-30% of the overall performance appraisal score.

### Facilities

Repairs are underway to rectify issues identified in the REAC scoring reports for Moon Towers and Bluebell Tower.

## Legislative

On June 6, the Senate Appropriations Committee approved its version of the FY 2015 Transportation, Housing and Urban Development, and Related Agencies (T-HUD) appropriations bill (S. 2438). The bill includes \$45.8 billion for HUD programs, \$3.2 billion more than was provided for FY 2014. Plainly stated, this version of the bill is for more advantageous to KCHA funding levels, though a compromise between the two bills will most likely occur. Here's a breakdown of how each program could be affected under the Senate version of the bill.<sup>1</sup>

**PUBLIC HOUSING:** The Senate bill would provide \$4.475 billion for the Operating Fund for 2015, roughly \$75 million more than the House bill. It is anticipated this funding would be sufficient to provide PHAs with slightly more than 84 percent of formula-determined subsidy need. Like the House bill, the Senate bill does not adopt the proposal to increase the threshold for deducting medical expenses from income from 3% to 10% of the family's annual income for purposes of rent determinations. The KCHA does not support this change, as implementation would increase rent burdens for vulnerable households.

Also of note is that the Senate bill does not address the provision from the FY 2014 Consolidated Appropriations Act requiring PHAs to set their flat rents no lower than 80% of FMR. Advocacy continues with members of both the House and Senate to find an appropriate solution to the problems caused by this one-size-fits-all requirement. Regionally-based FMRs, which often span large geographic areas and may not reflect local market conditions, are not reflective of true market conditions and do not adequately represent market value of each property. It is our understanding that relief sought by advocacy has been tabled by the Senate for the time being. Unfortunately, indications from the House is that there is little or no possibility of addressing this in the 2015 T-HUD bill. Agency advocacy on the issue will continue.

**SECTION 8:** The Senate version of the FY 2015 bill would provide \$17.719 billion for HAP renewals, an increase of \$353 million over the FY 2014 enacted level, but \$288 million lower than the administration's FY 2015 budget proposal. The funding level for HAP renewals in the bill would require HUD to prorate each PHA's allocation, meaning that PHAs will again be forced to make difficult choices such as freezing voucher payment standards despite rising costs in the rental market, further burdening tenants with increased rents. It is anticipated the funding level in the bill would be adequate to provide all PHAs with only 96% of HAP eligibility. The Senate bill would provide enough funding (\$1.545 billion) to provide PHAs with only about 76% of their ongoing administrative fee eligibility. While this administrative fee proration is slightly higher than the FY 2014 administrative fee funding proration (75%), the proration is significantly higher than the House-passed bill, which would shrink administrative fees to about 66% of PHAs' eligibility, representing the lowest administrative fee proration in the history of the program.

**CAPITAL FUND:** The Senate bill would provide \$1.9 billion for the Public Housing Capital Fund, an increase of \$25 million from the FY 2014 enacted level. By comparison, the House bill proposes reducing the Capital Fund to only \$1.775 billion, a figure that is lower than even the post-sequestration funding level for FY 2013 and one that would represent a new historic low for the program. The bill also includes an authorization to allow PHAs to accumulate appropriate

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<sup>1</sup> NAHRO Monitor, PHADA Advocate, other new sources.



replacement reserves to meet the planned future needs of public housing portfolios. PHAs would not be required to fund these reserves but would have the option of holding up to the amount necessary to meet the needs identified on the PHA's 5-Year Action Plan. In addition to Capital Funds, PHAs could also use the new flexibility allowing for transfer of up to 20 percent of annual Operating Funds to either the Capital Fund or replacement reserves. The bill also provides for HUD to allow PHAs to make an initial deposit of Operating Funds in excess of 20% into these accounts. Funds held in replacement reserves would not be held to the obligation and expenditure requirements of the Capital Fund. Additionally, this bill would increase the FY 2014 Emergency Safety and Security Capital Funding level, calling for \$23 million for emergency capital needs resulting from natural disasters or unpreventable emergencies except those with Presidential declarations. Furthermore, PHAs would be allowed to transfer up to 30% of FY 2015 Capital Fund to operations. This additional flexibility is intended to address concerns from PHAs about limitations in the Capital Fund Final Rule published in October 2013, which included limitations on the use of capital funds for ongoing safety and security costs.

Efforts continue to bring Representative Cheri Bustos to the Knox County Housing Authority for an area wide meeting with district Executive Directors. An invitation has been extended to Senators Kirk and Durbin for the same purpose.

Refer to the chart below, provided by NAHRO, for comparison of funding levels from both House and Senate bills to FY 2014 enacted levels.

**Status of FY 2015 Appropriations for Selected HUD Programs**

[Brackets] and *italicized text* indicate set-asides/sub-accounts.

Discretionary Programs (\$ Millions)	FY 2014 <sup>a</sup>	FY 2015 Proposed <sup>b</sup>	FY 2015 House <sup>c</sup>	FY 2015 Senate <sup>d</sup>	FY 2015 NAHRO <sup>e</sup>
Public Housing Operating Fund	\$4,400	\$4,600	\$4,400	\$4,475	\$5,315
Public Housing Capital Fund	\$1,875	\$1,925	\$1,775	\$1,900	\$5,000
<i>Resident Opportunities and Self-Sufficiency</i>	[\$45]	\$0	[\$45]	[\$45]	\$45
<i>Emergency Capital Needs</i>	[\$20]	[\$20]	[\$20]	[\$23]	\$20
Rental Assistance Demonstration	-	\$10 <sup>f</sup>	\$0	\$10 <sup>f</sup>	\$10 <sup>f</sup>
Choice Neighborhoods Initiative	\$90	\$120	\$25	\$90	\$120
Tenant-Based Rental Assistance	\$19,177	\$20,045	\$19,357	\$19,562	
<i>Section 8 Housing Assistance Payment Renewals</i>	[\$17,366]	[\$18,007]	[\$17,693]	[\$17,719]	\$18,457
<i>Ongoing Administrative Fees</i>	[\$1,485]	[\$1,695]	[\$1,340]	[\$1,545]	\$2,084
<i>Additional Administrative Fees</i>	[\$15]	[\$10]	[\$10]	[\$10]	\$50
<i>Tenant Protection Vouchers</i>	[\$130]	[\$150]	[\$130]	[\$130]	Fully Fund
<i>Incremental HUD-VASH Vouchers</i>	[\$75]	[\$75]	[\$75]	[\$75]	\$75
Family Self-Sufficiency (FSS)	\$75	\$75 <sup>g</sup>	\$75	\$75 <sup>g</sup>	\$75 <sup>g</sup>
Section 8 Project-Based Rental Assistance	\$9,917	\$9,746 <sup>h</sup>	\$9,746 <sup>h</sup>	\$9,746 <sup>h</sup>	Fully Fund
Community Development Fund	\$3,100	\$2,870	\$3,060	\$3,090	
<i>Community Development Block Grant Program</i>	[\$3,030]	[\$2,800]	[\$3,000]	[\$3,020]	\$3,300
Section 108 Loan Guarantees (credit subsidy)	\$3	\$0 <sup>i</sup>	\$0 <sup>i</sup>	\$0 <sup>i</sup>	\$6
HOME Investment Partnerships Program	\$1,000	\$950	\$700	\$950	\$1,600
Housing Opportunities for Persons with AIDS	\$330	\$332	\$306	\$330	\$350
Homeless Assistance Grants	\$2,105	\$2,406	\$2,105	\$2,145	\$2,406

## Public Housing Program

### Moon Towers

With a Hy-Vee Garden Grant, Moon Towers staff and eight residents worked to develop a community garden. The garden was planted with eight raised vegetable plots. The plots were designed and tilled up by the Moon Towers staff. Residents planted cabbage, tomatoes, radishes, onions, parsley, oregano, basil as well as a few other vegetable and herbs. Maintenance staff installed an underground watering system that is set on a timer. Residents have been taken part in

weeding as well as monitoring the fresh produce daily. Receiving the grant and working together to get the garden ready for planting has been a very positive experience for everyone at Moon Towers.

The maintenance staff worked hard during the month of May in advance of the REAC inspection that took place on 05/15/2014 and while the score didn't reflect the solid preparation, the staff should be proud of their efforts to get ready for the inspection. Two deficiencies that resulted in a significant point loss are in the process of being appealed. Maintenance staff have now turned their focus on unit turnover.

The Knox County Health Department has been providing Quit Smoking for Life smoking cessation classes since 05/22/2014. Seven residents attended the first session and learned about overcoming tobacco addiction. Classes are held every Thursday for seven weeks. Four residents continue to be involved in the classes. Anyone can join the group at any time.

Other programs offered for residents have included Beacon of Hope Hospice and Exact Care Pharmacy. The outreach coordinator from Beacon of Hope Hospice offered an informational program for residents on 05/09/2014 with five residents in attendance. Exact Care Pharmacy gave an informational presentation on 06/17/2014.

Financial quick hits for Moon Towers for the month of June 2014:

- Average rent collected for Moon Towers is \$186.25 per unit per month.
- 138 vacant unit days for a total vacancy loss of \$1,345.99 in *desired* rent, and a vacancy loss of \$1,087.79 in prior rent. Desired rent is our flat rent amount for each unit, currently set at 80% of the market rent rate, and Prior Rent is the amount of rent for the unit paid by the previous tenant.
- Average Maintenance Cost is \$3.36 per unit, excluding unit turnover cost
- Average Maintenance Cost billed is \$0.27 per unit, excluding unit turnover cost
- Accounts Receivable for Moon Towers is currently \$7,048.80
  - \$3,619.61 in dwelling rent
  - \$529.20 in retro rent (unreported income)
  - \$2,899.99 in other charges (maintenance, violation fines, etc.)

Here is a snapshot of the occupancy at Moon Towers:

Moon Towers				
<b>Moon Towers A</b>	4	Efficiencies		
<b>88 Units</b>	1	1 Bedroom		
	0	2 Bedroom	Total:	5
	0	Accessible	Occupied:	94.4%
<b>Moon Towers B</b>	0	Efficiencies		
<b>89 Units</b>	2	1 Bedroom		
	0	2 Bedroom	Total:	2
	0	Accessible	Occupied:	97.8%

A slight dip in occupancy rates from previous months, this ebb and flow is expected from time to time. Agency efforts will continue to maintain a minimum of 97% occupancy throughout 2014.

The waiting list at Moon Towers currently sits at 139 applicants. Here is a breakdown of applicants by month for FYE 03/31/2015:

Moon Towers Waiting List		
Applicants	Month	Total
FYE 03/31/2014	-	113
April 2014	8	121
May 2014	14	136
June 2014	14	139

## Scattered Family Sites

Nancy Epperson, Resident Services Coordinator, held a Cooking/Food Safety Class the past couple of months with the help of a grant from Heritage Credit Union, a nutritionist from Hy-Vee, and several tenant volunteers. The class taught easy-to-prepare meals and snacks to the youth (and some parents) on site. The classes were well-received and appreciated by all who participated. A luncheon was held on June 11, 2014 for the youth to show off their newfound skills. Several tenants and KCHA employees attended the luncheon to show appreciation for their hard work.

The KCHA Family Sites have experienced a rash of empty units lately. However, the Family Maintenance staff have continued to press on to work through the empty units along with making sure the properties look nice aesthetically. It is so refreshing to have a staff that truly cares about the residents and the look of our properties. They are truly the reason that the KCHA can boast about the curb appeal and overall excellence on all levels of the Family Sites.

The ROSS Program is sadly losing Vicki Grays, a tenant employee, soon. However, KCHA is excited for Vicki and her new career. She has always dreamed of being "on the road" and has often expressed interest in obtaining her CDL license. She recently accepted a job with Renzenberger and has already begun transporting for them. She could not wipe the smile off her face when told Kati Gray, Property Manager, all about where she has been so far. She loves to drive and looks forward to seeing new places with her new job. A big congrats to Vicki!

Michelle Kim, ROSS Program Coordinator, and Kati Gray, Property Manager, are in preliminary discussions with Amy Finley from University of Illinois Extension to offer at least some minimal summer programming for the youth on the KCHA Family Sites. Due to funding issues along with the transition of the Galesburg Community Foundation Grant (previously assigned to the KCHA Summer Program and now assigned to the KCHA After-School Program), KCHA will not have a summer program on all three Family Sites. However, KCHA looks forward to working with the Extension staff and, potentially, some other community partners to provide activities throughout the summer on all of the KCHA family sites. KCHA will additionally be able to hold open lab hours at both the Woodland Bend and the Cedar Creek Place computer labs.

Financial quick hits for the Family Sites for the month of June 2014:

- Average rent collected for the Family Sites is \$61.58 per unit per month.
- 358 vacant unit days for a total vacancy loss of \$5,610.57 in *desired* rent, and a vacancy loss of \$2,661.96 in prior rent. Desired rent is our flat rent amount for each unit, currently set at 80% of the market rent rate, and Prior Rent is the amount of rent for the unit paid by the previous tenant.
- Average Maintenance Cost is \$31.26 per unit, excluding unit turnover cost
- Average Maintenance Cost billed is \$10.12 per unit, excluding unit turnover cost



- Accounts Receivable for the Family sites is currently \$30,819.16
  - \$8,553.59 in dwelling rent
  - \$10,251.71 in retro rent (unreported income)
  - \$12,013.86 in other charges (maintenance, violation fines, etc.)

Here is a snapshot of the occupancy on our Family Sites:

Family Sites			
190 Units	3	2 Bedroom	
	5	3 Bedroom	
	3	4 Bedroom	Total: 11
	0	5 Bedroom	Occupied: 94.3%

Family Housing has adequate application inventory. Vacancy rates here have increased to 5.7%, and have historically trended higher during this time of year (spring, summer).

The waiting list for our Family Sites currently has 214 applicants awaiting housing. Here is a breakdown of applicants by month for FYE 03/31/2015:

Family Sites Waiting List		
Applicants	Month	Total
FYE 03/31/2014	-	169
April 2014	21	180
May 2014	21	195
June 2014	30	214

## Bluebell Tower

Ahern Fire Protection Services was on site 06/04/2014 to make repairs of the fire suppression system that were identified in the last inspection. All required testing was completed, and repairs to the electric fire pump and main drain were done.

On 06/11/2014, the Inspection Tour of Prairieland was completed by the Units, Common Areas and Grounds, and Building Systems teams. Reports of needed repairs were given to Mary Pendry, Property Manager in preparation for their REAC inspection scheduled for August 2014.

On 06/18/2014, the Safety Committee held its monthly meeting. One of the goals for future meetings is to create a more cohesive team that works toward fulfilling the goals and expectations associated with this committee, with more involvement from each team member.

Jenny Stegall will be attending a Nan McKay Housing Quality Standard training in Wisconsin 06/23/2014 to 06/25/2014 with newly appointed Housing Choice Voucher Program Manager, Kati Gray. After this training, KCHA will be able to do HQS inspections in-house and realize a savings to the HCV budget.

On 06/25/2014, Exact Care Pharmacy will host a pizza luncheon and program. 30 residents are signed up to attend.

Maintenance staff Erik Carder and Terri Williams spent a good portion of the last week of May pulling A/C units and cleaning wall sleeves in most of our units. This was done to keep the A/C's running efficiently and cleanly after last year's brick replacement work at BB Tower. This will also prolong the life of this appliance. Sediment had gotten into the wall sleeves when the old brick was cut out, which not only got in the wall sleeves and A/C's, but Erik had spent some time last fall cleaning it out of the windows so they would operate correctly. Many residents have complimented Erik and Terri for their quick, clean work and their attention to detail.

With three vacant units as of June 1, 2014, initial appointments have been scheduled to determine eligibility for residency. One unit has been filled as a transfer from Moon Towers will take place. Many of the applicants have called to cancel their appointments, as they do not choose to live in Abingdon or have no transportation to Galesburg for their needs. There are a few prospects and the intent is for occupancy to remain at 100% for Bluebell Tower. A Facebook post highlighting Bluebell Tower with pictures and a plea for applicants has been made. An article in the Bluebell Tenant Newsletter about the need for applicants who are interested in living in Abingdon has been written and will hopefully encourage new applicants as well.

Financial quick hits for the Bluebell Tower for the month of June 2014:

- Average rent collected for Bluebell Tower is \$238.18 per unit per month.
- 0 vacant unit days for a total vacancy loss of \$0.00 in *desired* rent, and a vacancy loss of \$0.00 in prior rent. Desired rent is our flat rent amount for each unit, currently set at 80% of the market rent rate, and Prior Rent is the amount of rent for the unit paid by the previous tenant.
- Average Maintenance Cost is \$28.03 per unit, excluding unit turnover cost
- Average Maintenance Cost billed is \$0.47 per unit, excluding unit turnover cost
- Accounts Receivable for the Bluebell Tower is currently (\$180.00)
  - (\$231.15) in dwelling rent
  - \$0.00 in retro rent (unreported income)
  - \$(81.00) in excess utilities
  - \$136.15 in other charges (maintenance, violation fines, etc.)

Here's a snapshot of occupancy at Bluebell Tower:

Bluebell Tower				
	2	1 Bedroom	Total:	0
51 Units	0	2 Bedroom	Occupied:	96.1%

Bluebell Tower is below 100.0% occupancy for the first time in seven months. Efforts are underway to restore this number to 100%.

The waiting list for Bluebell Tower currently has 35 applicants listed. Here is a breakdown of applicants by month for FYE 03/31/2015:

Bluebell Tower Waiting List		
Applicants	Month	Total
FYE 03/31/2014	-	28
April 2014	5	33
May 2014	6	42

June 2014	5	35
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## Housing Choice Voucher Program (Section 8)

### Application/Waiting List Activity

	Application Waiting List	Applicants Purged	Intake/Briefing
April 2014	25	5	0
May 2014	23	5	10
June 2014			
July 2014			
August 2014			
September 2014			
October 2014			
November 2014			
December 2014			
January 2015			
February 2015			
March 2015			

### Voucher Activity

	Vouchers Issued	Vouchers Leased	Vouchers Ported	Vouchers Terminated
April 2014	1	203	12	1
May 2014	0	203	16	2
June 2014				
July 2014				
August 2014				
September 2014				
October 2014				
November 2014				
December 2014				
January 2015				
February 2015				
March 2015				

### Housing Assistance Payments

	Housing Assistance Payments (HAP)
April 2014	\$ 76,050.00
May 2014	\$ 80,472.00
June 2014	
July 2014	



August 2014	
September 2014	
October 2014	
November 2014	
December 2014	
January 2015	
February 2015	
March 2015	
TOTAL FYTD	\$ 156,522.00

## Affordable Housing Program (A.H.P.)

### Prairieland Townhouse Apartments

Maintenance staff turned two units and have been busy with the grounds having mowed four times and trimmed bushes. Staff also spread 75 cubic yards of mulch on the two playground areas and around buildings.

Maintenance staff have been fixing many broken porch steps and cracks in concrete walkways in house. Most likely most patches will only last until another winter arrives.

The KCHA Inspection Team performed a property inspection on 06/11/2014 in preparation of the upcoming REAC inspection in August. The new set of eyes was appreciated and it was good to have things looked over. HVAC filters and a quick visual check was done while in units making notes of needed repairs.

Last month was an active one for the Prairieland office as there were six move-outs, applications processed, initial certification appointments and 12 recertification inspection appointments.

In calendar year 2013 the property retained \$1,244.00 in excess income collected. From January through May 2014 \$2,142.00 in excess income collected has already been retained. This is due to the rent increase that went in to effect in November. There is a bigger gap between contract rent and market rent thus more excess income.

19 residents attended the Prairieland Community Garden Plant event on 05/19/2014. Free garden compost was received from the City of Galesburg. Plants, seeds and flowers were planted during the planned event.

Financial quick hits for the Prairieland Townhouses for the month of June 2014:

- Average rent collected for Prairieland Townhouses is \$242.50 per unit per month.
- Vacancy loss of \$332.00 for 3 vacancies
- Accounts Receivable for the Prairieland Townhouses is currently \$14,221.50
  - \$12,392.00 in dwelling rent
  - \$0.00 in retro rent (unreported income)
  - \$0.00 in excess utilities
  - \$1,829.50 in other charges (maintenance, violation fines, etc.)

- Net profit for May 2014 - \$444.00
- Net profit YTD 2015 - \$10,888.00 (Transferred to Residual Receipts if unused)

## Brentwood Manor

Maintenance staff turned two units, including installing new carpet, new cupboards and countertops in one of those units. Care of the grounds has kept the staff busy as the lawn was mowed 4 times. Two trees were replaced as they didn't survive the winter after being planted last year. Lowe's honors the one-year guarantee so there will be a credit to purchase two new trees. A second order of mulch was needed at Prairieland in June so the second order was split with Brentwood. Brentwood received 25 cu. yd. of the full 75 cu. yd. delivery plus there was an additional \$50 drop fee for 2 locations.

On 05/01/2014, all 72 residents received their hand-delivered notice of the rent increase effective 06/01/2014. The new rents effective on 06/01/2014 were collected without any issues. Normal late payers were late but all others paid as required. The Gross Monthly Potential is now \$28,792 which is an increase of \$776.00 per month.

Financial quick hits for the Brentwood Manor for the month of June 2014:

- Average rent collected for Brentwood Manor is \$297.12 per unit per month.
- Vacancy loss of \$883.00 for 2 vacancies
- Accounts Receivable for the Prairieland Townhouses is currently \$8,319.59
  - \$7,458.00 in dwelling rent
  - \$0.00 in retro rent (unreported income)
  - \$0.00 in excess utilities
  - \$861.59 in other charges (maintenance, violation fines, etc.)
- Net Profit for June 2014 - \$2,813.00
- Net profit YTD 2015 - \$11,839.00

Here is a snapshot of occupancy for the A.H.P. properties:

A.H.P. Properties			
Brentwood Manor			
	2	Vacancies	Total: 1
72 Units			Occupied: 97.3%
Prairieland Townhomes			
	3	Vacancies	Total: 3
66 Units			Occupied: 95.5%

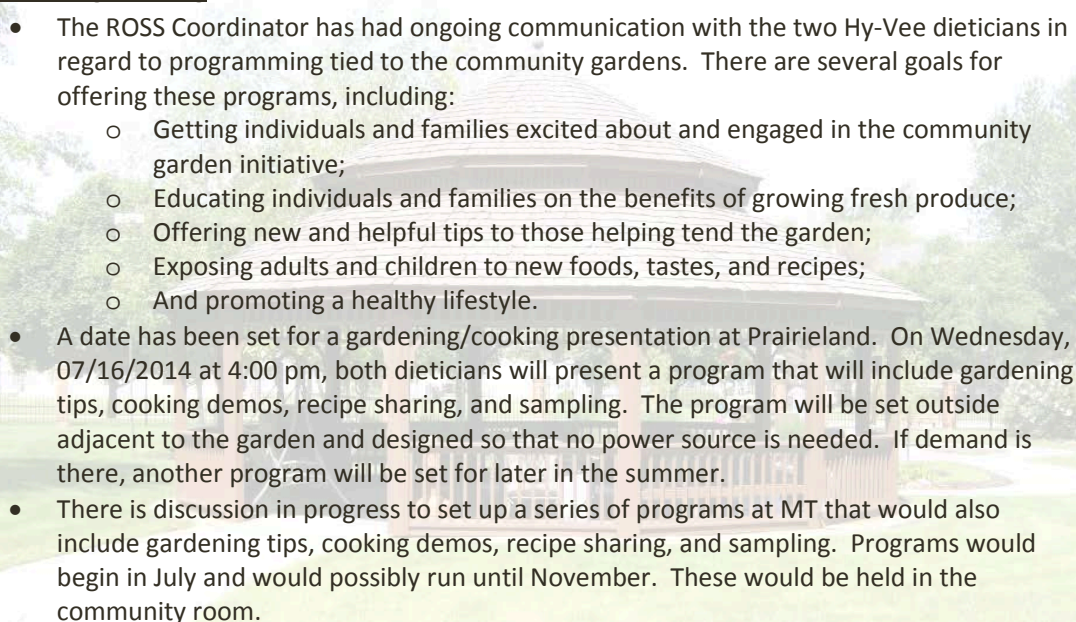
Occupancy at the Affordable Housing Program sites sits at 97.2% for June 2014.

## Resident Opportunity and Self Sufficiency Program (R.O.S.S.)

### Community Gardens

- A new garden has been established and planted at Moon Towers. Approximately 8-10 MT residents participated in the planting event, helping to plant fruits and vegetables and seeds. There has already been significant growth.
- The ROSS Coordinator is reviewing purchases and will determine if additional funds are available for fencing materials. If there are additional funds, a low fence will be built around the perimeter of the garden.
- The garden at Prairieland Townhouse Apartments was re-established with funds from the Hy-Vee One Step grant.

### Garden Programming

- 
- The ROSS Coordinator has had ongoing communication with the two Hy-Vee dietitians in regard to programming tied to the community gardens. There are several goals for offering these programs, including:
    - Getting individuals and families excited about and engaged in the community garden initiative;
    - Educating individuals and families on the benefits of growing fresh produce;
    - Offering new and helpful tips to those helping tend the garden;
    - Exposing adults and children to new foods, tastes, and recipes;
    - And promoting a healthy lifestyle.
  - A date has been set for a gardening/cooking presentation at Prairieland. On Wednesday, 07/16/2014 at 4:00 pm, both dietitians will present a program that will include gardening tips, cooking demos, recipe sharing, and sampling. The program will be set outside adjacent to the garden and designed so that no power source is needed. If demand is there, another program will be set for later in the summer.
  - There is discussion in progress to set up a series of programs at MT that would also include gardening tips, cooking demos, recipe sharing, and sampling. Programs would begin in July and would possibly run until November. These would be held in the community room.

### Summer Programs

- The ROSS Coordinator and Property Manager are collaborating with the University of Illinois Extension Office to offer some summer classes to youth at all three family sites. The classes would likely focus on nutrition, and may include hands-on preparation of snacks. Details are still in progress, but the programs will be scheduled in July.
- Once the U of I Extension programs are scheduled, the ROSS Coordinator will work with the Property Manager to schedule additional programs to expand summer activities for youth. Possible presenters would include the Knox County Health Department, Safe Harbor, Galesburg Public Library, and other local organizations.

### ROSS Program Assistant

- The individual who has served as the ROSS Program Assistant since the inception of the grant, and previously as the assistant to the Neighborhood Networks grant coordinator, has submitted a letter of resignation. Her last working day with KCHA will be Monday, 06/30/2014. She is leaving, with regret, to take a full-time position with another organization.
- The Coordinator is composing a formal job description for the position, which will initially be posted at each family site.



- The Coordinator is also working to determine how many hours the grant will be able to cover before expiration. Summer hours are likely to be minimal, with an increase once GED classes and After-School Program reinstate.

#### HUD Annual Report

- The ROSS Coordinator has begun work on the annual report for the ROSS program. The report includes data collected on programs, participants, and services between 06/16/2013 through 06/15/2014. The Coordinator is in the process of gathering information from external constituents and compiling information previously accumulated and tracked, and will complete the report to be reviewed by the Executive Director prior to submitting to HUD. The report will be due to the HUD field office on 07/16/2014.





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June 26, 2014

Knox County Housing Authority  
Board of Commissioners

Attorneys Report:

- |                                       | Status:               |           |
|---------------------------------------|-----------------------|-----------|
| 1. Forcible Entry and Detainer Cases: |                       |           |
| Yvette Hogue (505 Iowa Ct.)           | 1 <sup>st</sup> Appr. | Judgment  |
| Kristi Anderson (437 Iowa Ct.)        | 1 <sup>st</sup> Appr. | Trial Set |
| Kimberly Caldwell (1074 S. West St.)  | 1 <sup>st</sup> Appr. | Judgment  |
| Karysa Morris (527 Iowa Ct.)          | 1 <sup>st</sup> Appr. | Judgment  |
| 2. Prep monthly report.               |                       |           |
| 3. Review meeting packet.             |                       |           |

Jack P. Ball, Esq.



## BOARD MEMO

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**TO:** Board of Commissioners  
Knox County Housing Authority

**DATE:** 06/19/2014

**FROM:** Derek Antoine   
Executive Director

**BOARD MEETING:** 06/24/2014

**SUBJECT:** REAC Physical Inspection Scores Appeal Update

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### Executive Summary

On 05/14/2014 and 05/15/2014, respectively, physical inspections were performed at Bluebell Tower and Moon Towers, representing the physical assessment scoring portion (PASS) of the Public Housing Assessment System (PHAS). On 05/21/2014, inspection reports were sent to the agency detailing scores for both properties. Bluebell Tower received a score of 88.46 (Standard Performer) and Moon Towers received a score of 79.12 (Standard Performer).

Public Housing Agencies (PHAs) have the option to appeal a physical inspection score for reasons such as a belief that the inspection was not conducted in accordance with the Uniform Physical Condition Standards (UPCS) inspection protocol, that certain inspection data may have been recorded in error, or deficiencies are related to extraordinary events such as a natural disaster, that, if corrected/adjusted, will result in an improvement in the property's overall score.

The appeals packets have been prepped and sent to HUD, who has acknowledged receipt of the submission. The appeals are supported with documentation from licensed third-party vendors, and are sound in basis. The agency anticipates a two-to-three week turnaround time for a response. The appeal packets are reviewed by HUD, who has final authority over the matter. If the appeals are granted and point deductions restored, the score for Bluebell could shift to 97.83 and the score for Moon Towers could shift to 99.59, designating both properties – and the agency as a whole – as High Performer for the PASS indicator of PHAS.

### Fiscal Impact

If the scoring is restored, the agency would not have physical inspections at these properties until 2017. If the appeals are denied, the agency would have the additional fiscal burden of preparing for the inspections on a more frequent basis (2016 for Bluebell Tower and 2015 for Moon Towers). Additionally, the designation as High Performer, if attained for PHAS, qualifies the agency for grant opportunities only available under such designation.

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**TO:** Board of Commissioners  
Knox County Housing Authority

**DATE:** 06/19/2014

**FROM:** Derek Antoine   
Executive Director

**BOARD MEETING:** 06/24/2014

**SUBJECT:** Agency FYE Publication

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### Executive Summary

Now that all financial submissions have been completed and year-end processes have been successfully closed out, the agency will prepare for distribution a publication detailing agency operations for fiscal year 04/01/2013 through 03/31/2014. The report, slotted for completion by 08/31/2014, will be distributed to agency partners, other housing authorities, and sent as a general mailer in an effort to educate, inform, and provide insight into who we are, what we do, and the value we bring to our community.

This annual report will highlight agency finance and budget information, staffing, Board information, community involvement, initiatives undertaken, and direction of the agency. The agency has never developed a report of this nature, and the intent is to compile and present this information on an annual basis.

This type of positive marketing is aimed directly at combatting negativity about the agency, and will help shed light on the value of public housing in Knox County, Illinois.

### Fiscal Impact

The agency is looking into the most cost effective method of production and distribution.

### Recommendation

None

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**TO:** Board of Commissioners  
Knox County Housing Authority

**DATE:** 06/19/2014

**FROM:** Derek Antoine   
Executive Director

**BOARD MEETING:** 06/24/2014

**SUBJECT:** Flat Rent Increase – Agency Response to HUD Guidance

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### Executive Summary

On January 17, 2014, the President signed the Department of Housing and Urban Development Appropriations Act, 2014 (2014 Appropriations Act). Section 210 of that act amended the United States Housing Act of 1937 to create new rules for flat rents for public housing residents.

The 2014 Appropriations Act requires PHAs to establish flat rents at no less than 80 percent of the fair market rent (FMR). Given this requirement, the Knox County Housing Authority has begun preparation for the change by comparing our current flat rent schedule to the applicable FMR to determine if the flat rents are at or below the 80 percent threshold. As our current flat rents are below the threshold, the KCHA will need to revise the flat rent schedule to at least 80 percent of FMR.

On 05/19/2014, HUD released this guidance in Notice PIH 2014-12 – Changes to Flat Rent Requirements – 2014 Appropriations Act. This notice contains guidance for housing authorities to comply with this legislation, and provides a timeline for completion. Listed below are the requirements contained in the notice, and a brief agency response to each.

- 1) Compare the current flat rent amount as determined by the PHA to the applicable FMR;
  - a. Done.
- 2) If the existing flat rent amount is less than 80 percent of FMR, PHAs must revise their flat rents to no less than 80 percent of FMR, subject to the utilities adjustment.
  - a. Done. Flat rent amounts have been determined, and are attached to this memo.
- 3) If changes to flat rents are necessary, include a description of the changes to the flat rent policies in a significant amendment to the PHA Annual Plan.

Section 8 of this notice provides for a streamlined process for completing this requirement;

- a. The amendment will be prepared, posted for public review and comment, and a public hearing held.
  - b. Amendment will be passed through Board resolution no later than the 09/30/2014 regular meeting of the Board of Commissioners.
- 4) Update the flat rent policies in the Admissions and Continued Occupancy Policies (ACOP);
  - a. Being completed as part of ACOP policy changes.
  - b. To be presented for review and approval at the 09/30/2014 regular meeting of the Board of Commissioners
- 5) The PHA must offer the new flat rent and the applicable income-based rent to all new admissions to the program within 90 days of formally adopting the new flat rents, but not later than October 31, 2014;
  - a. The new flat rent schedule will be in place for all new admissions effective 10/31/2014.
- 6) Within 90 days after a PHA has formally adopted the new flat rents, but not later than October 31, 2014, the PHA must begin to offer the new flat rent to families that are currently paying the flat rent amount, at the family's next annual rent option, and permit the family to choose between the flat rent amount and the income-based rent.
  - a. The new flat rent schedule will be in place for all new admissions effective 10/31/2014.
  - b. Federal regulation prohibits rent increases of more than 35% in on installment.
    - i. Refer to the attached schedule of rents for a list of units in which 80% FMR would exceed a 35% increase.
    - ii. For tenants residing in units where this increase does not meet the 80% FMR, the rent increase will be incremental in installments not to exceed 35% at one time.
- 7) Calculate flat rents using a rent reasonableness methodology, as defined in 24 CFR Part 960.253(b), for determining the flat rent based on the market rent of comparable units in the private, unassisted rental market.
  - a. In March of 2013, the agency conducted a market rent study for all rental units in Knox County.
    - i. This initial study will be the basis for our initial comparisons.
    - ii. On an ongoing basis, the agency will conduct market rent studies annually for comparison to published FMR.
- 8) Housing authorities will be required to adjust flat rents annually to comply with Notice 2014-12.
  - a. Families will be given the annual rent option to either pay income-based rent, or the flat rents which have been adjusted in accordance with HUD guidance.

- b. This basically states that residents that have selected to pay flat rent will not have the same flat rent amount on a year-over-year basis (which has traditionally been the case).
- c. Families will be given sufficient information at each annual reexamination to make an informed decision on which rent type they will select.

**Fiscal Impact**

The agency maintains its position of concern in light of the new requirements listed here. While only 25% of KCHA residents have selected the flat rent option, this represents a substantial portion of rental income to the agency. 80% FMR rates are in fact higher than market rates in Knox County, and thus it would be less expensive for someone to rent a unit in the private, unassisted market than to select the flat rent option.

Basically stated, the agency is entitled to every \$1.00 received in rental income. For every \$1.00 due in subsidy income, the agency currently only receives \$0.88 (under sequester the number would more closely resemble \$0.75). If the rental income is reduced as a result of families opting to vacate, the agency will lose a valuable source of revenue and potentially be forced to make program cuts to execute a balanced budget.

Commissioners will be kept informed as warranted.

**Recommendation**

None

Moon Towers												
	Current	FMR	80% FMR	+/-	%	35% +	+/-	UA	FMR-UA	Proposed	+/-	%
0BR	\$ 242.00	\$ 379.00	\$ 303.20	\$ 61.20	25%	\$ 326.70	\$ 84.70	\$ 33.00	\$ 270.20	\$ 271.00	\$ 29.00	12%
1BR	\$ 314.00	\$ 471.00	\$ 376.80	\$ 62.80	20%	\$ 423.90	\$ 109.90	\$ 33.00	\$ 343.80	\$ 344.00	\$ 30.00	10%
2BR	\$ 374.00	\$ 637.00	\$ 509.60	\$ 135.60	36%	\$ 504.90	\$ 130.90	\$ 38.00	\$ 471.60	\$ 472.00	\$ 98.00	26%

Family Sites												
	Current	FMR	80% FMR	+/-	%	35% +	+/-	UA	FMR-UA	Proposed	+/-	%
2BR	\$ 413.00	\$ 637.00	\$ 509.60	\$ 96.60	23%	\$ 557.55	\$ 144.55	\$ 165.00	\$ 344.60	\$ 345.00	\$ (68.00)	-16%
3BR	\$ 474.00	\$ 793.00	\$ 634.40	\$ 160.40	34%	\$ 639.90	\$ 165.90	\$ 195.00	\$ 439.40	\$ 440.00	\$ (34.00)	-7%
4BR	\$ 514.00	\$ 1,128.00	\$ 902.40	\$ 388.40	76%	\$ 693.90	\$ 179.90	\$ 215.00	\$ 687.40	\$ 688.00	\$ 174.00	34%
5BR	\$ 591.00	\$ 1,297.00	\$ 1,037.60	\$ 446.60	76%	\$ 797.85	\$ 206.85	\$ 242.00	\$ 795.60	\$ 796.00	\$ 205.00	35%

Bluebell Tower												
	Current	FMR	80% FMR	+/-	%	35% +	+/-	UA	FMR-UA	Proposed	+/-	%
1BR	\$ 314.00	\$ 471.00	\$ 376.80	\$ 62.80	20%	\$ 423.90	\$ 109.90	\$ 33.00	\$ 343.80	\$ 344.00	\$ 30.00	10%
2BR	\$ 544.00	\$ 637.00	\$ 509.60	\$ (34.40)	-6%	\$ 734.40	\$ 190.40	\$ 38.00	\$ 471.60	\$ 472.00	\$ (72.00)	-13%

	Current	10/31/2014	+/-	%
0BR	\$ 242.00	\$ 271.00	\$ 29.00	12%
1BR	\$ 314.00	\$ 344.00	\$ 30.00	10%
2BR (HR)	\$ 374.00	\$ 472.00	\$ 98.00	26%
2BR (FAM)	\$ 413.00	\$ 345.00	\$ (68.00)	-16%
3BR	\$ 474.00	\$ 440.00	\$ (34.00)	-7%
4BR	\$ 514.00	\$ 688.00	\$ 174.00	34%
5BR	\$ 591.00	\$ 795.00	\$ 204.00	35%