1. City Council Regular Meeting Agenda

   Documents: 8-14-12 FINAL REVISED AGENDA SPECIAL MEETING.PDF

2. City Council Regular Meeting Packet

   Documents: 8-14-12 AGENDA AND PACKET.PDF

Revised – 8/14/12

CITY OF YPSILANTI
SPECIAL COUNCIL MEETING AGENDA
CITY COUNCIL CHAMBERS – ONE SOUTH HURON ST.
YPSILANTI, MI 48197
TUESDAY, AUGUST 14, 2012
5:30 P.M.

I. CALL TO ORDER –

II. ROLL CALL –

Council Member Bodary	P A	Council Member Robb	P A
Council Member Jefferson	P A	Council Member Vogt	P A
Council Member Murdock	P A	Mayor Schreiber	P A
Mayor Pro-Tem Richardson	P A		

III. INVOCATION –

IV. PLEDGE OF ALLEGIANCE –

"I pledge allegiance to the flag, of the United States of America, and to the Republic for which it stands, one nation, under God, indivisible, with liberty and justice for all."

V. INTRODUCTIONS –

VI. AGENDA APPROVAL –

VII. AUDIENCE PARTICIPATION-

VIII. REMARKS BY THE MAYOR –

IX. RESOLUTIONS/MOTIONS/DISCUSSIONS

1. Resolution 2012-158, approving amendment to AATA 4-Party Public Transportation Agreement and Articles of Incorporation.

2. Ypsilanti Housing Commission Update

   - Approval of the Recovery Agreement and Action Plan

IX. AUDIENCE PARTICIPATION –

X. REMARKS BY THE MAYOR –

XI. ADJOURNMENT –

Resolution No. 2012- 159, adjourning the Special Council Meeting.

Revised – 8/14/12

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X. REMARKS BY THE MAYOR –

XI. ADJOURNMENT –

Resolution No. 2012- 159, adjourning the Special Council Meeting.

Resolution No.2012-158
August 14, 2012

RESOLVED BY THE COUNCIL OF THE CITY OF YPSILANTI:

WHEREAS, on May 15, and June 5, 2012, the City Council of the City of Ypsilanti approved the Public Transportation Agreement between AATA, the cities of Ann Arbor and Ypsilanti, and Washtenaw County; and

WHEREAS, the Public Transportation Agreement between AATA, the cities of Ann Arbor and Ypsilanti, and Washtenaw County has since been amended and approved by Washtenaw County and the City of Ann Arbor as follows:

Article 5
PUBLIC MEETINGS

SECTION 5.01: PUBLIC MEETINGS

The Authority shall conduct all meetings of the Board in compliance with the Open Meetings Act (Act 267 of the Public Acts of 1976). The Authority shall provide public notice of the time, date, and place of the meeting in the manner required by Act 267 of 1976, as amended. The Authority shall meet at regular intervals. It shall adopt its own rules of procedure and shall keep a record of its proceedings. A majority of the directors appointed and serving shall constitute a quorum. Each director shall have one vote. Decisions of the Board require a majority vote of the directors appointed and serving at a Board meeting having a quorum present, except approval of the budget which requires approval of 2/3rds of all directors and amendment of the articles ~~each~~ which requires approval of ~~2/3rds~~ 4/5th of all directors. No director shall cast a vote in proxy for an absent director; however, the Board shall permit a director's alternate, if any, to attend a meeting in the director's absence and vote.

ARTICLE 10
ARTICLES OF INCORPORATION

SECTION 10.01: AMENDMENTS

These Articles of Incorporation may be amended only upon a ~~two-thirds~~ four-fifths (4/5) vote of the directors appointed and serving on the Authority unless another vote of Board is required under the terms of these Articles or provided for in Act 196.. All amendments must comply with applicable state and federal laws. All amendments to the Articles of Incorporation become effective only after they are executed jointly by the Chairperson and by the Secretary of the Board of the Authority, filed with the recording officer of the Washtenaw County Clerk, and filed and published in the same manner as the original Articles of Incorporation.

NOW THEREFORE IT IS RESOLVED that the City Council approves the amended Public Transportation Agreement between AATA, the cities of Ann Arbor and Ypsilanti, and Washtenaw County.

OFFERED BY: ____

SUPPORTED BY: ____

YES: NO: ABSENT: VOTE:

OFFERED BY: ____

SUPPORTED BY: ____

YES: NO: ABSENT: VOTE:

Ann Arbor approved March 5
Ypsilanti amended and approved May 15
AATA board approved May 16
Ann Arbor amended and approved June 4
Ypsilanti approved June 5
Washtenaw County amended and approved August 1, 2012
Ann Arbor amended and approved August 9, 2012

AATA: Ann Arbor Transportation Authority
2700 South Industrial Highway
Ann Arbor, Michigan 48104
Attention: Michael Ford

Ann Arbor: City of Ann Arbor
301 E. Huron Street
Ann Arbor, Michigan 48107
Attention: City Administrator

Ypsilanti: City of Ypsilanti
One South Huron Street
Ypsilanti, Michigan 48197
Attention: City Manager

County: Washtenaw County
220 North Main
Ann Arbor, Michigan 48107
Attention: County Administrator

PUBLIC TRANSPORTATION AGREEMENT

among the following:

1. Acknowledged Facts. The Ann Arbor Transportation Authority (hereafter "AATA") was incorporated by the City of Ann Arbor (hereafter "Ann Arbor") for the purpose of acquiring, owning, operating, or causing to be operated a mass transportation system under the provisions of Public Act 55 of 1963. AATA and Ann Arbor are parties to a certain agreement which sets forth the operational relationship between them and which specifically provides the agreement shall remain in full force and effect until mutually terminated. The City of Ypsilanti has contracted with AATA for transportation services for many years and recently approved a Charter Amendment dedicating certain tax revenue for transportation purposes. The above named parties are planning for countywide public transportation by creating a new authority under Act 196 of 1986 ("New TA"). The New TA, in partnership with the other above named parties, would succeed to the public transportation system currently operated by AATA under the terms of this Agreement and Section 11 of Act 196 of 1986 only when all contingencies of the Agreement are met.

2. Authority Formation. The County, upon the AATA's written request, will create a new Act 196 authority by approving, signing and filing articles of incorporation ("Articles") in substantially the form attached as Exhibit A. Prior to the submission of any request by AATA to County to initiate formation of a public authority all of the following must occur: (i) AATA will publish details of the service and funding plan in newspaper(s) of general circulation in the Washtenaw County, (ii) the Articles of Incorporation in the form presented for approval by the County shall be separately adopted by Ann Arbor and Ypsilanti by affirmative vote of the

respective governing bodies. No transfer of assets to the New TA from AATA shall occur unless and until all contingencies stated in Section 4 of this Agreement and any and all conditions which may be established in the Articles of Incorporation have been met.

3. City Transportation Millages.

a. After all of the Section 8 contingencies to Closing are satisfied, Ann Arbor agrees to designate the New TA, as successor to AATA, as the contracting agency for use of the 2.5 mills tax levy under Section 8.18 of the Ann Arbor City Charter and allocated the tax levy in its entirely to AATA at the 2012 millage rate or as adjusted by State of Michigan statute less a municipal service charge of one percent (1%) of the annual millage at the time of the collection of taxes.

b. After all of the Section 8 contingencies to Closing are satisfied, Ypsilanti agrees to transfer its full respective transportation millages at the 2012 millage rate or as adjusted by State of Michigan statute to the New TA effective when the New TA succeeds to AATA's public transportation services.

4. Transfer of Assets. After all of the Section 8 contingencies to Closing are satisfied, AATA will transfer to New TA at closing all assets then owned by AATA, including, without limitation, all rights to the names "Ann Arbor Transportation Authority". New TA will accept the transfer of those assets subject to all obligations and liabilities regarding those assets existing at the time of the transfer.

5. Assumption of Liabilities. After all of Section 8 contingencies to Closing are satisfied, New TA will assume at closing all liabilities of AATA existing at the time of closing.

6. Indemnification. AATA and its successor-in-interest The New TA shall indemnify and hold Washtenaw County, the Cities of Ann Arbor and Ypsilanti, their elected and appointed officials, employees, agents and volunteers harmless from and against all actions, liabilities, demands, costs and expenses, including court costs and attorney fees, which may arise due to their respective negligent, grossly negligent and/or intentional acts or omissions under this Agreement, and transfer or assumption required under this Agreement once the New TA is operational. This provision shall survive termination or expiration of this Agreement. Nothing in this Section has the effect of waiving the defense of governmental immunity available to an indemnifying party under applicable law as to the acts or omissions of 3rd parties.

7. Full Faith and Credit. The parties agree that Washtenaw County does not by virtue of its action in creating the New TA, provide its full faith and credit for any project undertaken by the New TA. The parties further agree that the Cities of Ann Arbor and Ypsilanti do not by virtue of execution of this Agreement, pledge their respective full faith and credit for any project assumed by the NEW TA at Closing or undertaken by the New TA thereafter when operational.

8. Contingencies to Closing. The closing of the transfer of assets and assumption of liabilities by the NEW TA is contingent upon all of the following occurring on terms acceptable to all parties:

a. The creation of New TA by Washtenaw County.

b. AATA and New TA obtaining all necessary approvals for the transfer of assets and assumption of obligations and liabilities, including approvals that may be required from federal and state agencies, or other lenders who provided funding for those assets and consents from parties to contracts with AATA.

c. AATA taking such necessary actions by its governing body to terminate its operational agreement with Ann Arbor effective at closing.

d. In exchange for the mayor's nomination with council confirmation, of seven directors of New TA's board, annual submission to Ann Arbor of the AATA's proposed budget and yearly audit and the New TA's agreement to apprise Ann Arbor City Council and solicit Council's advice prior to making major long-term policy actions concerning mass transportation services and at a minimum, the continued level of services provided by its predecessor-in-interest AATA, Ann Arbor agrees (i) take such necessary actions by its governing body to terminate its operational agreement with AATA effective at closing; (ii) take such necessary actions by its governing body to authorize the execution and delivery of this Agreement and all documents and instruments contemplated by this Agreement, and the performance by Ann Arbor of the obligations to be performed by it hereunder; and (iii) designate the New TA, as successor to AATA, as the contracting agency for use of the 2.5 mills tax levy under Section 8.18 of the Ann Arbor City Charter and allocated the tax levy in its entirely to AATA at the 2012 millage rate or as adjusted by State of Michigan statute less a municipal service charge of one percent (1%) of the annual millage at the time of the collection of taxes upon transfer from an Act 55 to an Act 196 authority.

e. In exchange for the City of Ypsilanti mayor's nomination with council confirmation, of one director of New TA's board, the new TA agreement to apprise and solicit the Ypsilanti City Council's advice prior to making major long-term policy actions concerning mass transportation, and at a minimum, the continued level of services provided by its predecessor-in-interest, AATA the City of Ypsilanti agrees to pay its charter transportation millage at the 2012 millage rate or as adjusted by State Statute to the New TA upon transfer from an Act 55 to an Act 196 authority.

f. Authority-wide voter approval before December 31, 2014, of a New TA Act 196 funding source adequate to fund ongoing operations of New TA. Any ballot question submitted to the voters of the City of Ann Arbor and/or the City of Ypsilanti shall clearly identify the new funding as additional to the existing millage and in Ypsilanti specifically authorize the continued collection and transfer of the full Charter Transportation millage to the new Act 196 TA.

9. Ann Arbor Approval. Notwithstanding anything in this Agreement to the contrary, if voters in the City of Ann Arbor fail to approve the NEW TA Act 196 funding source at any interim vote prior to December 31, 2014, regardless of whether it is approved or not by the other voting jurisdictions, then the City shall have the right to, but is not required to (i) withdraw from this Agreement without penalty; (ii) veto any attempted termination by AATA of the AATA-City operation agreement; and (iii) refuse to designate and/or assign its millage under Section 3(a). If Ann Arbor voters fail to approve the NEW TA Act 196 funding source before December 31, 2014, regardless of whether it is approved or not by the other voting jurisdictions, then the City shall withdraw from this agreement without penalty, shall veto any attempted termination by AATA of the AATA-City operation agreement, and shall refuse to designate and/or assign its millage under Section 3(a).

10. Closing Date. The transfer of assets and assumption of liabilities will occur at a date, time and place agreed between AATA and New TA, but no later than October 1, 2015, given the clearance of all contingencies.

11. Public Transportation Services and Cooperation Before Closing. Before the closing, AATA retains full authority and control over the conduct of its business. AATA will reimburse New TA for reasonable business expenses incurred by New TA before closing, including expenses relating to New TA's formation and preparation to close this transaction.

12. Termination of Agreement.

a. Automatic Termination. This Agreement will terminate automatically if (i) Closing does not occur before December 31, 2015, or if (ii) after incorporation of the Authority and the expiration of the statutory withdrawal period from the public authority, the City of Ann Arbor is the only participating political subdivision in Washtenaw County in the New TA. It is recognized by all the parties that if either of these conditions occur the stated objectives of Act 196 and this Agreement will not have been met and the Agreement shall be null and void.

b. Discretionary Dissolution or Withdrawal Conditions. The Washtenaw County Board will also be allowed to dissolve the New TA if there is no Authority-wide voter approved funding passed before December 31, 2014, or voter approval passes Authority-wide but the same is defeated in the City of Ann Arbor. The City of Ann Arbor may also withdraw from the new TA Agreement using any of the methods authorized by MCL 124.458. In the event the City of Ann Arbor exercises any of the foregoing rights, the City of Ann Arbor may immediately terminate this agreement upon written notice to the other parties.

c. Effective Date, Continuity of Services. No such termination or dissolution shall be effective unless and until provision for continued transportation services to Ann Arbor and Ypsilanti is in place, operational and all liabilities on the New TA have been satisfied.

13. General Provisions.

a. Notices. Any notice required or permitted under this agreement is deemed given either upon personal delivery or within two business days after mailing by U.S. first-class mail, postage prepaid, to the parties at their respective addresses shown on this agreement's first page.

b. Assignment. No party may assign any of its rights or delegate any of its duties under this agreement without the prior written consent of the other parties.

c. Choice of Law: This Agreement shall be governed and construed in accordance with the laws of the State of Michigan

d. Entire Agreement and Amendment. This agreement contains the entire agreement among the parties with regard to its subject matter, supersedes all previous understandings, and may be amended only in writing signed by all parties and approved by the board of each party.

ANN ARBOR TRANSPORTATION AUTHORITY
(AATA)

Dated:__________________, 2012

By:______________________________

Michael Ford, Chief Executive Officer

CITY OF ANN ARBOR

Dated:__________________, 2012

By:______________________________

John Hieftje, Mayor

By:______________________________

Jacqueline Beaudry, City Clerk

Approved as to substance

____
Steven D. Powers, City Administrator

Approved as to form

____
Stephen K. Postema, City Attorney

CITY OF YPSILANTI

Dated:__________________, 2012

By:______________________________

Paul Schreiber, Mayor

By:______________________________

Frances McMullen, City Clerk

ATTESTED TO:

____
City Administrator

APPROVED AS TO FORM:

____
John Barr, City Attorney

WASHTENAW COUNTY

Dated:__________________, 2012

By:______________________________
Conan Smith, Board Chair

ATTESTED TO:

____
Lawrence Kestenbaum
County Clerk/Register

APPROVED AS TO FORM:

____
Curtis N. Hedger
Office of Corporation Counsel

NEW TRANSPORTATION AUTHORITY
ARTICLES OF INCORPORATION

ARTICLE 1
INTRODUCTION

The Washtenaw County Board of Commissioners adopts these Articles of Incorporation, pursuant to the provisions of Act 196 of Public Acts of 1986 so as to create the New Transportation Authority and establish its powers, duties, rights, and responsibilities; the composition and selection process for its Board of Directors; and establishes the effective date for these Articles of Incorporation.

ARTICLE 2
DEFINITIONS

The following definitions will be applicable to, and utilized throughout these Articles of Incorporation:

- **ACT 7:** "Act 7" means public Act No. 7 of the Public Acts of 1967, as amended, known as the Urban Cooperation Act, being sections 124.501 to 124.512 of the Michigan Compiled Laws.
- **ACT 196:** "Act 196" means Act No. 196 of the Public Acts of 1986, as amended, known as the Public Transportation Authority Act, being sections 125.451 to 124.479 of the Michigan Compiled Laws.
- **AUTHORITY:** "Authority" means the public transportation authority created under Act 196 and these Articles of Incorporation.
- **BOARD:** "Board" means the governing body of the Authority, consisting of directors described in article 4.
- **MEMBER:** "Member" means any political subdivision that forms the authority or which joins the authority as a member as allowed by Act 196.
- **POLITICAL SUBDIVISION:** "Political subdivision" means Washtenaw County, or any city, village, or township.
- **PUBLIC TRANSPORTATION, PUBLIC TRANSPORTATION SERVICE, PUBLIC TRANSPORTATION PURPOSE:** "Public transportation" means the movement of people and goods by publicly or privately owned water vehicle, bus, railroad car, rapid transit vehicle, taxi cab or other conveyance which provides general or special service to the public, but not including charter or sightseeing service or transportation which is exclusively used for school purposes. Public transportation, public transportation services, or public transportation purposes as defined are declared by law to be transportation purposes within meaning of section 9 of article IX of the Michigan Constitution.
- **TAXABLE PROPERTY:** "Taxable property" means the property taxable under the general property tax act(s) of the State of Michigan, except for property expressly exempted by act(s) of the state legislature.

ARTICLE 3
AUTHORITY FORMATION

SECTION 3.01: CREATION, NAME, PURPOSES, AND POWERS

The Washtenaw County Board of Commissioners hereby creates a public transportation authority pursuant to Act 196. The Authority shall be a public body corporate and shall be known and exercise its powers under the title of "The Washtenaw Ride" or other such names as decided by its board of directors. Upon succeeding to the AATA as described in Section 3.06, the Authority has the power to use the names "The Ride", "Ann Arbor Transportation Authority", and any other name owned by AATA. The Authority is created for the purpose of providing public transportation services under Act 196. The Authority shall possess all of the powers articulated in these articles, Act 196, and as provided in the Public Transportation Agreement between the Ann Arbor Transportation Authority, The Cities of Ann Arbor and Ypsilanti and the County of Washtenaw, dated _________, 2012.

SECTION 3.02: JURISDICTIONAL BOUNDARY AND MEMBERSHIP

The jurisdictional boundary of the Authority for purposes of Act 196, is the geographical area known as the County of Washtenaw, Michigan, and includes the territory within all political subdivisions within Washtenaw County, subject to withdrawal of any political subdivision pursuant to Act 196. The County of Washtenaw is initially the only member of the Authority. Other political subdivisions may become members pursuant to Act 196. Notwithstanding the foregoing, the Authority may provide services outside its jurisdictional boundary as authorized by law.

The Authority shall send certified letters to the chief elected official, the clerk and chief administrative official, as appropriate, of each political subdivision of the County giving them notice of their rights to withdraw (so-called "opt-out") within 30 days under the first sentence of Act 196 section 8(5). If there is a vote on a funding mechanism for the operations of the authority, only those communities that have not opted out will vote and be subject to any tax adopted as a funding mechanism.

SECTION 3.03: ADOPTION, ENDORSEMENT, AND PUBLICATION

The Washtenaw County Clerk/Register of Deeds (hereinafter "Clerk") shall endorse these Articles of Incorporation after their adoption by the Washtenaw County Board of Commissioners. The Authority shall publish them once in a newspaper including but not limited to *Washtenaw Legal News* on a date at least 10 days, but not more than 30 days, after their adoption.

SECTION 3.04: FILING OF ARTICLES

The Clerk shall file a printed copy of these Articles of Incorporation in the Clerk's Office, and the Authority shall file them with the Michigan Secretary of State, and the Director of the Michigan Department of Transportation and provide confirmation of such filing to the Clerk and, if requested, any political subdivision to be served by the Authority.

SECTION 3.05: EFFECTIVE DATE; VALIDITY PRESUMED

The Authority shall become operative, and these Articles of Incorporation shall become effective, thirty (30) days after filing with the Clerk's Office, with the Michigan Secretary of State, and the Director of the Michigan Department of Transportation (MDOT), whichever is later. The validity of the incorporation of the Authority will be conclusively presumed unless questioned in a court of competent jurisdiction within sixty (60) days after the publication of the articles of incorporation.

SECTION 3.06: SUCCESSOR-IN-INTEREST TO ANN ARBOR TRANSPORTATION AUTHORITY (AATA)

Notwithstanding the operative effective date of the Authority, it shall not succeed the AATA as provider of a Public Transportation Service within the cities of Ann Arbor and Ypsilanti and be entitled to assume or assert any financial or other rights as successor-in-interest unless and until all of the following occurs: (a) passage of a countywide funding mechanism and approval of the MDOT and Federal Transit Administration, (b) approval of the Public Transportation Agreement by the governing bodies of the County of Washtenaw, cities of Ann Arbor and Ypsilanti, and the Ann Arbor Transportation Authority and satisfaction of the terms and conditions therein, and (c) approval of these Articles of Incorporation by an affirmative vote of a majority of persons elected to and serving on the legislative body of each political subdivision which contributes revenue in the form of a charter millage to AATA.

SECTION 3.07: SEVERABILITY

The requirements and the various chapters, parts, sections, and clauses of these Articles of Incorporation are severable. If a court of competent jurisdiction determines that any article, part, sentence, paragraph, section, or clause is unconstitutional or invalid, the remaining chapters, parts, portions, and provisions of these Articles of Incorporation shall remain in full force and effect, except that if any of the conditions (a) through (c) in Section 3.06 are declared unconstitutional or invalid, the Authority shall not succeed to the AATA, as described in that section.

SECTION 3.08: MEMBER ADMISSION AND RELEASE AFTER AUTHORITY FORMATION

If conditions in Act 196 are met after the conclusive formation of the Authority, political subdivisions may become members in the Authority and members may be released from membership in the Authority.

SECTION 3.09: POLITICAL SUBDIVISION WITHDRAWAL AFTER AUTHORITY FORMATION

If conditions in Act 196 are met after the conclusive formation of the Authority, a political subdivision may withdraw from the Authority. In addition, a political subdivision may withdraw under the same terms that Act 196 gives members the right to be released from membership.

ARTICLE 4
BOARD OF DIRECTORS

SECTION 4.01: INITIAL BOARD

Subject to Section 4.02 of these Articles of Incorporation, the Board shall consist of fifteen (15) directors appointed by the following entities based principally on population, historical investment, and ongoing financial contributions:

Number	Appointing Entity
7	City of Ann Arbor
1	City of Ypsilanti
1	Pittsfield Township
2	South East District (under an interlocal agreement among the following political subdivisions: Townships of Augusta and Ypsilanti)
1	South Middle District (under an interlocal agreement among the following political subdivisions: Cities of Milan and Saline and the Townships of Lodi, Saline and York)
1	West District (under an interlocal agreement among the following political subdivisions: the City of Chelsea, Village of Manchester and the Townships of Bridgewater, Dexter, Freedom, Lima, Lyndon, Manchester, Sharon, and Sylvan)
1	North East District (under an interlocal agreement among the following political subdivisions: the Townships of Ann Arbor, Northfield, Salem, and Superior)
1	North Middle District (under an interlocal agreement among the following political subdivisions: the Village of Dexter, and the Townships of Scio and Webster)
15	

The governing bodies of the Cities of Ann Arbor and Ypsilanti and the Charter Township of Pittsfield shall appoint their respective directors in accordance with their adopted policies and procedures for appointment to boards and commissions and retain the right to remove and replace such directors in accordance with the same procedures. The other districts select directors through Act 7 Interlocal Agreements, which contain procedures for appointment and removal. The County of Washtenaw, may but is not required to, appoint a non-voting ex-officio to the Board. Appointing governing bodies or districts may select an alternate to serve in place of the member or members in their absence. When a director is absent, the alternate shall have the same voting powers but may not assume an officer position.

SECTION 4.02: BOARD MAKE UP REVIEW

The directors shall revisit the Board make-up if (a) either Ann Arbor or Ypsilanti City reduces or fails to contribute its charter millage to the Authority; (b) if another community levies a millage and contributes it to the Authority; or (c) if all communities within one of the Act 7 districts withdraw from the Authority. The Board make-up shall also be reviewed and be subject to change by two-thirds of the directors after each census to assure appropriate attention to population distribution.

SECTION 4.03: TERM

The terms of office of the first Board of Directors appointed shall be fixed by the respective appointing bodies so that the terms for 2 city of Ann Arbor directors and 1 Pittsfield Township director will be for 1 year; 1 city of Ann Arbor director, 1 director appointed from the South East District, 1 director appointed from the North Middle District and 1 director from the West District will be for 2 years; 2 city of Ann Arbor directors, 1 South Middle District director and 1 North East director will be for 3 years; and 2 city of Ann Arbor directors, 1 South East District director and the city of Ypsilanti director will be for 4 years. For the purposes of appointment the areas identified shall correspond to the areas in Attachment A. After the initial Board is formed, all directors will be appointed for 4 years, subject to conditions of their appointment by their respective appointing bodies. All regular appointments to the Board shall be made to coincide with October 1 of each calendar year; however, seated directors will hold over until a successor has been appointed, and when such a successor has been appointed the appointment term shall be modified so that it terminates to coincide with the regular appointment term. A vacancy in office shall be filled by that director's original appointing body for the remainder of the unexpired term. The term of director's alternate shall expire according to the same schedule as the director.

The Authority shall notify the respective appointing bodies at least 45 days prior to the expiration date of the term of office of any person serving on the Board.

SECTION 4.04: RESIGNATIONS, VACANCIES, AND REMOVALS

A director may resign at any time and such resignation shall become effective upon the Authority's receipt of a written resignation notice, unless the notice specifies a later date. The Authority Board may, upon a 2/3rds vote of its other directors, remove a director prior to the expiration of that director's term of office for persistent failure to perform the duties of that director's office, other reasons as specified in the bylaws, gross misconduct in office, conviction of a felony involving extortion, or financial misconduct. A director may be removed from office with or without cause at any time by the same local body or process that appointed the director.

SECTION 4.05: COMPENSATION

Directors shall serve without compensation.

SECTION 4.06: INTERESTS IN CONTRACTS

Directors may not have a financial interest, direct or indirect, in any contract with the Authority, except as permitted by law.

SECTION 4.07: BOARD QUALIFICATIONS

All Authority directors shall be residents of Washtenaw County, at least eighteen years old, shall be representative of public transportation interests as they exist in the County and other qualifications as detailed in the Bylaws of the Authority. Notwithstanding the above, any of these requirements may be waived by a governing body authorized to appoint directors under section 4.01 by resolution concurred in by not less than 2/3rds of that governing body's directors. Directors may not hold office in violation of Michigan's Incompatible Offices Act, MCLA 15.181-.185, or other similar law.

ARTICLE 5
PUBLIC MEETINGS

SECTION 5.01: PUBLIC MEETINGS

The Authority shall conduct all meetings of the Board in compliance with the Open Meetings Act (Act 267 of the Public Acts of 1976). The Authority shall provide public notice of the time, date, and place of the meeting in the manner required by Act 267 of 1976, as amended. The Authority shall meet at regular intervals. It shall adopt its own rules of procedure and shall keep a record of its proceedings. A majority of the directors appointed and serving shall constitute a quorum. Each director shall have one vote. Decisions of the Board require a majority vote of the directors appointed and serving at a Board meeting having a quorum present, except approval of the budget which requires approval of 2/3rds of all directors and amendment of the articles which requires approval of 4/5th of all directors. No director shall cast a vote in proxy for an absent director; however, the Board shall permit a director's alternate, if any, to attend a meeting in the director's absence and vote.

ARTICLE 6
POWERS

SECTION 6.01: OPERATIONAL POWERS

The Authority may plan, promote, finance, acquire, improve, enlarge, extend, own, construct, operate, maintain, replace, and contract for public transportation services by means of one or more public transportation systems and public transportation facilities pursuant to the provisions of Act 196.

The Authority shall be administered in the manner determined by the Board and as provided in these Articles. However, no enumeration of powers in these Articles shall be construed as a limitation on the general powers of the Authority under Act 196.

SECTION 6.02: EXEMPTION FROM MOTOR CARRIER ACT

In the exercise of its powers within its boundaries, the Authority is exempt from the Motor Carrier Act, Act No. 254 of the Public Acts of 1933, being sections 475.1 to 479.20 of the Michigan Compiled Laws; Act No. 3 of the Public Acts of 1939, being Sections 460.1 to 460.8 of the Michigan Compiled Laws; and Act No. 42 of the Public Acts of 1982, being Sections 474.101 to 474.141 of the Michigan Compiled Laws.

ARTICLE 7
FUNDING

SECTION 7.01: FUNDING

The Authority may apply for and accept grants, loans, or contributions from the federal government or any of its agencies, the state, other public or private agencies, or other lawful sources.

SECTION 7.02: FINANCING

The Authority may finance public transportation services, including any public transportation system and public transportation facilities pursuant to the provisions of Act 196. Budgets and appropriations shall be made in accordance with Act 2 of the Public Acts of 1968.

SECTION 7.03: TAX LEVY

The Authority may levy a tax for public transportation purposes as provided for and within the time limits and rates established by Act 196 within its jurisdictional boundary subject to the tax limitations of which are provided by general law within the meaning of section 6 of article IX of the Michigan Constitution of 1963.

No tax may be levied except upon the approval of a majority of the registered electors residing within the jurisdictional boundary of the Authority affected and qualified to vote and voting on the tax at a general or special election called in accordance with Act 196.

SECTION 7.04: POLITICAL SUBDIVISION TAX LEVY

Any member of the Authority or a political subdivision otherwise granted taxing authority under state law may levy a tax within the limits of the political subdivision, and appropriate, grant, or contribute, in whole or in part, the tax levied and collected to the Authority for public transportation purposes as authorized by Act196, or to provide sufficient money to fulfill its contractual obligations to the Authority, which tax will be within charter, statutory, and constitutional limitations thereon.

SECTION 7.05: PAYMENTS, APPROPRIATIONS, OR CONTRIBUTIONS

Any member of the Authority or a political subdivision outside Washtenaw County may contract with the Authority to make payments, appropriations, or contributions to the

Authority of the proceeds of taxes, special assessments, or charges imposed or collected by the political subdivision or out of any other funds legally available in exchange for service.

SECTION 7.06: FULL FAITH AND CREDIT

Any political subdivision within the Authority's jurisdiction may, but is not required to, pledge its full faith and credit for payment of its contractual obligation to the Authority.

SECTION 7.07: NOTES AND BONDS

If the Authority has issued notes or bonds in anticipation of payments, appropriations, or contributions to be made to the Authority pursuant to a contract by a political subdivision, the political subdivision may levy a tax, subject to all appropriate statutory and constitutional requirements, on all taxable property in the political subdivision to provide sufficient money to fulfill its contractual obligations to the Authority in accordance with law.

SECTION 7.08: EXISTING LEVIES

Any political subdivision outside the Authority's jurisdiction that has authorized the levy of a tax to provide money for public transportation purposes or has imposed, collected special assessments, or charges for public transportation purposes may contract with the Authority to make payments, appropriations, or contributions to the Authority of the proceeds of the taxes, special assessments, subject to the conditions of the original authorization of such levy in exchange for service.

SECTION 7.09: BORROWING MONEY

By resolution of the Board, the Authority may borrow money and issue notes and bonds in anticipation of the collection of taxes and other revenues for its current or succeeding fiscal year, to provide funds for operating purposes or for capital purposes related to transportation facilities pursuant to the provisions of Act 196.

SECTION 7.10: REVENUES PLEDGED FOR PAYMENT OF DEBT

The revenues pledged for payment of debt service on bonds or notes shall be, and remain subject to, a statutory lien until the payment in full of the principal and interest on the bonds or notes unless the resolution authorizing the issuance of the bonds or notes provides for earlier discharge of the lien by substitution of other security. The pledge of revenues and any statutory lien that exists for the payment of debt services on bonds or notes shall be effective for all purposes without delivery of any evidence in this regard or any recording.

SECTION 7.11: INVESTMENTS

The Authority may invest any of its money in accordance with all applicable laws and regulations.

ARTICLE 8
COLLECTIVE BARGAINING AGREEMENTS

SECTION 8.01: CONTRACTUAL OBLIGATIONS

The Authority shall have the right to collectively bargain and enter into agreements with labor organizations pursuant to applicable law. Upon succession by the Authority to a public transportation system, the Authority shall assume and be bound by any existing collective bargaining agreements applicable to that system for the remainder of the term of that agreement, and, except where the existing collective bargaining agreement may otherwise permit, shall retain the employees covered by that collective bargaining agreement. The succession to a public transportation system by the Authority shall not adversely affect any existing rights and obligations contained in the existing collective bargaining agreement.

SECTION 8.02: EMPLOYEE RETIREMENT

The Authority shall honor the pension or retirement system established by any succeeded public transportation system and members and beneficiaries of those retirement system shall continue to have the same rights, privileges, benefits, obligations, and status.

ARTICLE 9
AUDITS

The Authority shall obtain an annual audit in accordance with sections 6 to 13 of Act 2 of the Public Acts of 1968 of the Michigan Compiled Laws. The audit shall be in accordance with generally accepted government auditing standards as promulgated by the United States General Accounting Office and satisfy federal regulations relating to federal grant requirements.

The Authority shall publish notice that an annual audit has been obtained once in the *Washtenaw County Legal News* and file a printed copy with the Clerk of each of the political subdivisions represented by directors on the Board, the State Treasurer, and the State Transportation Department, as provided for in Act 196.

ARTICLE 10
ARTICLES OF INCORPORATION;

SECTION 10.01: AMENDMENTS

These Articles of Incorporation may be amended only upon a four-fifths (4/5) vote of the directors appointed and serving on the Authority unless another vote of Board is required under the terms of these Articles or provided for in Act 196.. All amendments must comply with applicable state and federal laws. All amendments to the Articles of Incorporation become effective only after they are executed jointly by the Chairperson and by the Secretary of the Board of the Authority, filed with the recording officer of the Washtenaw County Clerk, and filed and published in the same manner as the original Articles of Incorporation.

SECTION 10.02: DISSOLUTION OF THE AUTHORITY

The Authority may be dissolved in accordance with the provisions of Act 196 and as provided for in Section 12 of the Public Transportation Agreement referenced in section 3.01. If the City of Ann Arbor is the only political subdivision in the County remaining within the Authority after the expiration of the statutory 30-day withdrawal period, the Authority shall be dissolved. The dissolution action shall provide for the effective date of such dissolution and shall include provisions for the distribution of all assets and for the settlement of all debts and liabilities of the Authority and the provision for continued transportation services to Ann Arbor and Ypsilanti. Notice of such dissolution shall be executed jointly by the Chairperson and by the Secretary of the Board of the Authority, filed with the recording officer of the Washtenaw County Clerk, and filed and published in the same manner as the original Articles of Incorporation.

Except as provided above, dissolution is not required if either (a) a member political subdivision is released from membership pursuant to Section 3.08, or (b) a political subdivision withdraws from the Authority pursuant to Section 3.09.

On release from or dissolution of the Authority, any millage obligation pledged for the use by the Authority shall be deemed extinguished as of the date of the dissolution subject to payment or provision for payment of all obligations of the political subdivision to the Public Authority or its creditors as of the date of release or dissolution; and thereafter in the case of dissolution of the Authority, the respective political subdivision shall have no obligation to pledge the respective tax levy to any successor-in-interest to the Authority.

CLERK ENDORSEMENT

The foregoing Articles of Incorporation for the Authority were adopted by an affirmative vote of a majority of the members serving on Washtenaw County Board of Commissioners at a meeting duly held on the __________ day of _____________, A. D. 20______. Pursuant to Act 196 execution of this endorsement here below by the Clerk/Registrar of Washtenaw County, the incorporating authority, shall be evidence of adoption of the Articles of Incorporation.

COUNTY OF WASHTENAW

____ DATE:_____________________

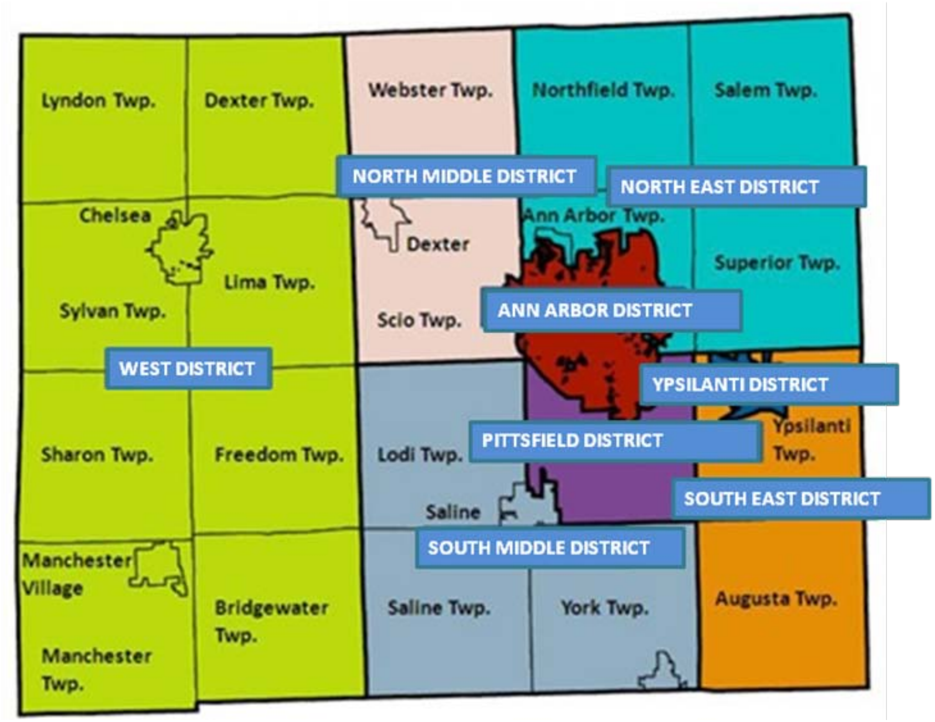
Chairperson, Washtenaw County
Board of Commissioners

____ DATE:_____________________

County Clerk/Register of Deeds

NEW TRANSPORTATION AUTHORITY
ARTICLES OF INCORPORATION

ATTACHMENT A



Ann Arbor approved March 5
Ypsilanti amended and approved May 15
AATA board approved May 16
Ann Arbor amended and approved June 4
Ypsilanti approved June 5
Washtenaw County amended and approved August 1, 2012
Ann Arbor amended and approved August 9, 2012

AATA: Ann Arbor Transportation Authority
2700 South Industrial Highway
Ann Arbor, Michigan 48104
Attention: Michael Ford

Ann Arbor: City of Ann Arbor
301 E. Huron Street
Ann Arbor, Michigan 48107
Attention: City Administrator

Ypsilanti: City of Ypsilanti
One South Huron Street
Ypsilanti, Michigan 48197
Attention: City Manager

County: Washtenaw County
220 North Main
Ann Arbor, Michigan 48107
Attention: County Administrator

PUBLIC TRANSPORTATION AGREEMENT

among the following:

1. Acknowledged Facts. The Ann Arbor Transportation Authority (hereafter "AATA") was incorporated by the City of Ann Arbor (hereafter "Ann Arbor") for the purpose of acquiring, owning, operating, or causing to be operated a mass transportation system under the provisions of Public Act 55 of 1963. AATA and Ann Arbor are parties to a certain agreement which sets forth the operational relationship between them and which specifically provides the agreement shall remain in full force and effect until mutually terminated. The City of Ypsilanti has contracted with AATA for transportation services for many years and recently approved a Charter Amendment dedicating certain tax revenue for transportation purposes. The above named parties are planning for countywide public transportation by creating a new authority under Act 196 of 1986 ("New TA"). The New TA, in partnership with the other above named parties, would succeed to the public transportation system currently operated by AATA under the terms of this Agreement and Section 11 of Act 196 of 1986 only when all contingencies of the Agreement are met.

2. Authority Formation. The County, upon the AATA's written request, will create a new Act 196 authority by approving, signing and filing articles of incorporation ("Articles") in substantially the form attached as Exhibit A. Prior to the submission of any request by AATA to County to initiate formation of a public authority all of the following must occur: (i) AATA will publish details of the service and funding plan in newspaper(s) of general circulation in the Washtenaw County, (ii) the Articles of Incorporation in the form presented for approval by the County shall be separately adopted by Ann Arbor and Ypsilanti by affirmative vote of the

respective governing bodies. No transfer of assets to the New TA from AATA shall occur unless and until all contingencies stated in Section 4 of this Agreement and any and all conditions which may be established in the Articles of Incorporation have been met.

3. City Transportation Millages.

a. After all of the Section 8 contingencies to Closing are satisfied, Ann Arbor agrees to designate the New TA, as successor to AATA, as the contracting agency for use of the 2.5 mills tax levy under Section 8.18 of the Ann Arbor City Charter and allocated the tax levy in its entirely to AATA at the 2012 millage rate or as adjusted by State of Michigan statute less a municipal service charge of one percent (1%) of the annual millage at the time of the collection of taxes.

b. After all of the Section 8 contingencies to Closing are satisfied, Ypsilanti agrees to transfer its full respective transportation millages at the 2012 millage rate or as adjusted by State of Michigan statute to the New TA effective when the New TA succeeds to AATA's public transportation services.

4. Transfer of Assets. After all of the Section 8 contingencies to Closing are satisfied, AATA will transfer to New TA at closing all assets then owned by AATA, including, without limitation, all rights to the names "Ann Arbor Transportation Authority". New TA will accept the transfer of those assets subject to all obligations and liabilities regarding those assets existing at the time of the transfer.

5. Assumption of Liabilities. After all of Section 8 contingencies to Closing are satisfied, New TA will assume at closing all liabilities of AATA existing at the time of closing.

6. Indemnification. AATA and its successor-in-interest The New TA shall indemnify and hold Washtenaw County, the Cities of Ann Arbor and Ypsilanti, their elected and appointed officials, employees, agents and volunteers harmless from and against all actions, liabilities, demands, costs and expenses, including court costs and attorney fees, which may arise due to their respective negligent, grossly negligent and/or intentional acts or omissions under this Agreement, and transfer or assumption required under this Agreement once the New TA is operational. This provision shall survive termination or expiration of this Agreement. Nothing in this Section has the effect of waiving the defense of governmental immunity available to an indemnifying party under applicable law as to the acts or omissions of 3rd parties.

7. Full Faith and Credit. The parties agree that Washtenaw County does not by virtue of its action in creating the New TA, provide its full faith and credit for any project undertaken by the New TA. The parties further agree that the Cities of Ann Arbor and Ypsilanti do not by virtue of execution of this Agreement, pledge their respective full faith and credit for any project assumed by the NEW TA at Closing or undertaken by the New TA thereafter when operational.

8. Contingencies to Closing. The closing of the transfer of assets and assumption of liabilities by the NEW TA is contingent upon all of the following occurring on terms acceptable to all parties:

a. The creation of New TA by Washtenaw County.

b. AATA and New TA obtaining all necessary approvals for the transfer of assets and assumption of obligations and liabilities, including approvals that may be required from federal and state agencies, or other lenders who provided funding for those assets and consents from parties to contracts with AATA.

c. AATA taking such necessary actions by its governing body to terminate its operational agreement with Ann Arbor effective at closing.

d. In exchange for the mayor's nomination with council confirmation, of seven directors of New TA's board, annual submission to Ann Arbor of the AATA's proposed budget and yearly audit and the New TA's agreement to apprise Ann Arbor City Council and solicit Council's advice prior to making major long-term policy actions concerning mass transportation services and at a minimum, the continued level of services provided by its predecessor-in-interest AATA, Ann Arbor agrees (i) take such necessary actions by its governing body to terminate its operational agreement with AATA effective at closing; (ii) take such necessary actions by its governing body to authorize the execution and delivery of this Agreement and all documents and instruments contemplated by this Agreement, and the performance by Ann Arbor of the obligations to be performed by it hereunder; and (iii) designate the New TA, as successor to AATA, as the contracting agency for use of the 2.5 mills tax levy under Section 8.18 of the Ann Arbor City Charter and allocated the tax levy in its entirely to AATA at the 2012 millage rate or as adjusted by State of Michigan statute less a municipal service charge of one percent (1%) of the annual millage at the time of the collection of taxes upon transfer from an Act 55 to an Act 196 authority.

e. In exchange for the City of Ypsilanti mayor's nomination with council confirmation, of one director of New TA's board, the new TA agreement to apprise and solicit the Ypsilanti City Council's advice prior to making major long-term policy actions concerning mass transportation, and at a minimum, the continued level of services provided by its predecessor-in-interest, AATA the City of Ypsilanti agrees to pay its charter transportation millage at the 2012 millage rate or as adjusted by State Statute to the New TA upon transfer from an Act 55 to an Act 196 authority.

f. Authority-wide voter approval before December 31, 2014, of a New TA Act 196 funding source adequate to fund ongoing operations of New TA. Any ballot question submitted to the voters of the City of Ann Arbor and/or the City of Ypsilanti shall clearly identify the new funding as additional to the existing millage and in Ypsilanti specifically authorize the continued collection and transfer of the full Charter Transportation millage to the new Act 196 TA.

9. Ann Arbor Approval. Notwithstanding anything in this Agreement to the contrary, if voters in the City of Ann Arbor fail to approve the NEW TA Act 196 funding source at any interim vote prior to December 31, 2014, regardless of whether it is approved or not by the other voting jurisdictions, then the City shall have the right to, but is not required to (i) withdraw from this Agreement without penalty; (ii) veto any attempted termination by AATA of the AATA-City operation agreement; and (iii) refuse to designate and/or assign its millage under Section 3(a). If Ann Arbor voters fail to approve the NEW TA Act 196 funding source before December 31, 2014, regardless of whether it is approved or not by the other voting jurisdictions, then the City shall withdraw from this agreement without penalty, shall veto any attempted termination by AATA of the AATA-City operation agreement, and shall refuse to designate and/or assign its millage under Section 3(a).

10. Closing Date. The transfer of assets and assumption of liabilities will occur at a date, time and place agreed between AATA and New TA, but no later than October 1, 2015, given the clearance of all contingencies.

11. Public Transportation Services and Cooperation Before Closing. Before the closing, AATA retains full authority and control over the conduct of its business. AATA will reimburse New TA for reasonable business expenses incurred by New TA before closing, including expenses relating to New TA's formation and preparation to close this transaction.

12. Termination of Agreement.

a. Automatic Termination. This Agreement will terminate automatically if (i) Closing does not occur before December 31, 2015, or if (ii) after incorporation of the Authority and the expiration of the statutory withdrawal period from the public authority, the City of Ann Arbor is the only participating political subdivision in Washtenaw County in the New TA. It is recognized by all the parties that if either of these conditions occur the stated objectives of Act 196 and this Agreement will not have been met and the Agreement shall be null and void.

b. Discretionary Dissolution or Withdrawal Conditions. The Washtenaw County Board will also be allowed to dissolve the New TA if there is no Authority-wide voter approved funding passed before December 31, 2014, or voter approval passes Authority-wide but the same is defeated in the City of Ann Arbor. The City of Ann Arbor may also withdraw from the new TA Agreement using any of the methods authorized by MCL 124.458. In the event the City of Ann Arbor exercises any of the foregoing rights, the City of Ann Arbor may immediately terminate this agreement upon written notice to the other parties.

c. Effective Date, Continuity of Services. No such termination or dissolution shall be effective unless and until provision for continued transportation services to Ann Arbor and Ypsilanti is in place, operational and all liabilities on the New TA have been satisfied.

13. General Provisions.

a. Notices. Any notice required or permitted under this agreement is deemed given either upon personal delivery or within two business days after mailing by U.S. first-class mail, postage prepaid, to the parties at their respective addresses shown on this agreement's first page.

b. Assignment. No party may assign any of its rights or delegate any of its duties under this agreement without the prior written consent of the other parties.

c. Choice of Law: This Agreement shall be governed and construed in accordance with the laws of the State of Michigan

d. Entire Agreement and Amendment. This agreement contains the entire agreement among the parties with regard to its subject matter, supersedes all previous understandings, and may be amended only in writing signed by all parties and approved by the board of each party.

ANN ARBOR TRANSPORTATION AUTHORITY
(AATA)

Dated:__________________, 2012

By:________________________________

Michael Ford, Chief Executive Officer

CITY OF ANN ARBOR

Dated:__________________, 2012

By:________________________________

John Hieftje, Mayor

By:________________________________

Jacqueline Beaudry, City Clerk

Approved as to substance

____

Steven D. Powers, City Administrator

Approved as to form

____

Stephen K. Postema, City Attorney

CITY OF YPSILANTI

Dated:__________________, 2012

By:________________________________

Paul Schreiber, Mayor

By:________________________________

Frances McMullen, City Clerk

ATTESTED TO:

____

City Administrator

APPROVED AS TO FORM:

____
John Barr, City Attorney

WASHTENAW COUNTY

Dated:____________________, 2012

By:________________________________
Conan Smith, Board Chair

ATTESTED TO:

____
Lawrence Kestenbaum
County Clerk/Register

APPROVED AS TO FORM:

____
Curtis N. Hedger
Office of Corporation Counsel

NEW TRANSPORTATION AUTHORITY
ARTICLES OF INCORPORATION

ARTICLE 1
INTRODUCTION

The Washtenaw County Board of Commissioners adopts these Articles of Incorporation, pursuant to the provisions of Act 196 of Public Acts of 1986 so as to create the New Transportation Authority and establish its powers, duties, rights, and responsibilities; the composition and selection process for its Board of Directors; and establishes the effective date for these Articles of Incorporation.

ARTICLE 2
DEFINITIONS

The following definitions will be applicable to, and utilized throughout these Articles of Incorporation:

- **ACT 7:** "Act 7" means public Act No. 7 of the Public Acts of 1967, as amended, known as the Urban Cooperation Act, being sections 124.501 to 124.512 of the Michigan Compiled Laws.
- **ACT 196:** "Act 196" means Act No. 196 of the Public Acts of 1986, as amended, known as the Public Transportation Authority Act, being sections 125.451 to 124.479 of the Michigan Compiled Laws.
- **AUTHORITY:** "Authority" means the public transportation authority created under Act 196 and these Articles of Incorporation.
- **BOARD:** "Board" means the governing body of the Authority, consisting of directors described in article 4.
- **MEMBER:** "Member" means any political subdivision that forms the authority or which joins the authority as a member as allowed by Act 196.
- **POLITICAL SUBDIVISION:** "Political subdivision" means Washtenaw County, or any city, village, or township.
- **PUBLIC TRANSPORTATION, PUBLIC TRANSPORTATION SERVICE, PUBLIC TRANSPORTATION PURPOSE:** "Public transportation" means the movement of people and goods by publicly or privately owned water vehicle, bus, railroad car, rapid transit vehicle, taxi cab or other conveyance which provides general or special service to the public, but not including charter or sightseeing service or transportation which is exclusively used for school purposes. Public transportation, public transportation services, or public transportation purposes as defined are declared by law to be transportation purposes within meaning of section 9 of article IX of the Michigan Constitution.
- **TAXABLE PROPERTY:** "Taxable property" means the property taxable under the general property tax act(s) of the State of Michigan, except for property expressly exempted by act(s) of the state legislature.

ARTICLE 3
AUTHORITY FORMATION

SECTION 3.01: CREATION, NAME, PURPOSES, AND POWERS

The Washtenaw County Board of Commissioners hereby creates a public transportation authority pursuant to Act 196. The Authority shall be a public body corporate and shall be known and exercise its powers under the title of "The Washtenaw Ride" or other such names as decided by its board of directors. Upon succeeding to the AATA as described in Section 3.06, the Authority has the power to use the names "The Ride", "Ann Arbor Transportation Authority", and any other name owned by AATA. The Authority is created for the purpose of providing public transportation services under Act 196. The Authority shall possess all of the powers articulated in these articles, Act 196, and as provided in the Public Transportation Agreement between the Ann Arbor Transportation Authority, The Cities of Ann Arbor and Ypsilanti and the County of Washtenaw, dated _________, 2012.

SECTION 3.02: JURISDICTIONAL BOUNDARY AND MEMBERSHIP

The jurisdictional boundary of the Authority for purposes of Act 196, is the geographical area known as the County of Washtenaw, Michigan, and includes the territory within all political subdivisions within Washtenaw County, subject to withdrawal of any political subdivision pursuant to Act 196. The County of Washtenaw is initially the only member of the Authority. Other political subdivisions may become members pursuant to Act 196. Notwithstanding the foregoing, the Authority may provide services outside its jurisdictional boundary as authorized by law.

The Authority shall send certified letters to the chief elected official, the clerk and chief administrative official, as appropriate, of each political subdivision of the County giving them notice of their rights to withdraw (so-called "opt-out") within 30 days under the first sentence of Act 196 section 8(5). If there is a vote on a funding mechanism for the operations of the authority, only those communities that have not opted out will vote and be subject to any tax adopted as a funding mechanism.

SECTION 3.03: ADOPTION, ENDORSEMENT, AND PUBLICATION

The Washtenaw County Clerk/Register of Deeds (hereinafter "Clerk") shall endorse these Articles of Incorporation after their adoption by the Washtenaw County Board of Commissioners. The Authority shall publish them once in a newspaper including but not limited to *Washtenaw Legal News* on a date at least 10 days, but not more than 30 days, after their adoption.

SECTION 3.04: FILING OF ARTICLES

The Clerk shall file a printed copy of these Articles of Incorporation in the Clerk's Office, and the Authority shall file them with the Michigan Secretary of State, and the Director of the Michigan Department of Transportation and provide confirmation of such filing to the Clerk and, if requested, any political subdivision to be served by the Authority.

SECTION 3.05: EFFECTIVE DATE; VALIDITY PRESUMED

The Authority shall become operative, and these Articles of Incorporation shall become effective, thirty (30) days after filing with the Clerk's Office, with the Michigan Secretary of State, and the Director of the Michigan Department of Transportation (MDOT), whichever is later. The validity of the incorporation of the Authority will be conclusively presumed unless questioned in a court of competent jurisdiction within sixty (60) days after the publication of the articles of incorporation.

SECTION 3.06: SUCCESSOR-IN-INTEREST TO ANN ARBOR TRANSPORTATION AUTHORITY (AATA)

Notwithstanding the operative effective date of the Authority, it shall not succeed the AATA as provider of a Public Transportation Service within the cities of Ann Arbor and Ypsilanti and be entitled to assume or assert any financial or other rights as successor-in-interest unless and until all of the following occurs: (a) passage of a countywide funding mechanism and approval of the MDOT and Federal Transit Administration, (b) approval of the Public Transportation Agreement by the governing bodies of the County of Washtenaw, cities of Ann Arbor and Ypsilanti, and the Ann Arbor Transportation Authority and satisfaction of the terms and conditions therein, and (c) approval of these Articles of Incorporation by an affirmative vote of a majority of persons elected to and serving on the legislative body of each political subdivision which contributes revenue in the form of a charter millage to AATA.

SECTION 3.07: SEVERABILITY

The requirements and the various chapters, parts, sections, and clauses of these Articles of Incorporation are severable. If a court of competent jurisdiction determines that any article, part, sentence, paragraph, section, or clause is unconstitutional or invalid, the remaining chapters, parts, portions, and provisions of these Articles of Incorporation shall remain in full force and effect, except that if any of the conditions (a) through (c) in Section 3.06 are declared unconstitutional or invalid, the Authority shall not succeed to the AATA, as described in that section.

SECTION 3.08: MEMBER ADMISSION AND RELEASE AFTER AUTHORITY FORMATION

If conditions in Act 196 are met after the conclusive formation of the Authority, political subdivisions may become members in the Authority and members may be released from membership in the Authority.

SECTION 3.09: POLITICAL SUBDIVISION WITHDRAWAL AFTER AUTHORITY FORMATION

If conditions in Act 196 are met after the conclusive formation of the Authority, a political subdivision may withdraw from the Authority. In addition, a political subdivision may withdraw under the same terms that Act 196 gives members the right to be released from membership.

ARTICLE 4
BOARD OF DIRECTORS

SECTION 4.01: INITIAL BOARD

Subject to Section 4.02 of these Articles of Incorporation, the Board shall consist of fifteen (15) directors appointed by the following entities based principally on population, historical investment, and ongoing financial contributions:

Number	Appointing Entity
7	City of Ann Arbor
1	City of Ypsilanti
1	Pittsfield Township
2	South East District (under an interlocal agreement among the following political subdivisions: Townships of Augusta and Ypsilanti)
1	South Middle District (under an interlocal agreement among the following political subdivisions: Cities of Milan and Saline and the Townships of Lodi, Saline and York)
1	West District (under an interlocal agreement among the following political subdivisions: the City of Chelsea, Village of Manchester and the Townships of Bridgewater, Dexter, Freedom, Lima, Lyndon, Manchester, Sharon, and Sylvan)
1	North East District (under an interlocal agreement among the following political subdivisions: the Townships of Ann Arbor, Northfield, Salem, and Superior)
1	North Middle District (under an interlocal agreement among the following political subdivisions: the Village of Dexter, and the Townships of Scio and Webster)
15	

The governing bodies of the Cities of Ann Arbor and Ypsilanti and the Charter Township of Pittsfield shall appoint their respective directors in accordance with their adopted policies and procedures for appointment to boards and commissions and retain the right to remove and replace such directors in accordance with the same procedures. The other districts select directors through Act 7 Interlocal Agreements, which contain procedures for appointment and removal. The County of Washtenaw, may but is not required to, appoint a non-voting ex-officio to the Board. Appointing governing bodies or districts may select an alternate to serve in place of the member or members in their absence. When a director is absent, the alternate shall have the same voting powers but may not assume an officer position.

SECTION 4.02: BOARD MAKE UP REVIEW

The directors shall revisit the Board make-up if (a) either Ann Arbor or Ypsilanti City reduces or fails to contribute its charter millage to the Authority; (b) if another community levies a millage and contributes it to the Authority; or (c) if all communities within one of the Act 7 districts withdraw from the Authority. The Board make-up shall also be reviewed and be subject to change by two-thirds of the directors after each census to assure appropriate attention to population distribution.

SECTION 4.03: TERM

The terms of office of the first Board of Directors appointed shall be fixed by the respective appointing bodies so that the terms for 2 city of Ann Arbor directors and 1 Pittsfield Township director will be for 1 year; 1 city of Ann Arbor director, 1 director appointed from the South East District, 1 director appointed from the North Middle District and 1 director from the West District will be for 2 years; 2 city of Ann Arbor directors, 1 South Middle District director and 1 North East director will be for 3 years; and 2 city of Ann Arbor directors, 1 South East District director and the city of Ypsilanti director will be for 4 years. For the purposes of appointment the areas identified shall correspond to the areas in Attachment A. After the initial Board is formed, all directors will be appointed for 4 years, subject to conditions of their appointment by their respective appointing bodies. All regular appointments to the Board shall be made to coincide with October 1 of each calendar year; however, seated directors will hold over until a successor has been appointed, and when such a successor has been appointed the appointment term shall be modified so that it terminates to coincide with the regular appointment term. A vacancy in office shall be filled by that director's original appointing body for the remainder of the unexpired term. The term of director's alternate shall expire according to the same schedule as the director.

The Authority shall notify the respective appointing bodies at least 45 days prior to the expiration date of the term of office of any person serving on the Board.

SECTION 4.04: RESIGNATIONS, VACANCIES, AND REMOVALS

A director may resign at any time and such resignation shall become effective upon the Authority's receipt of a written resignation notice, unless the notice specifies a later date. The Authority Board may, upon a 2/3rds vote of its other directors, remove a director prior to the expiration of that director's term of office for persistent failure to perform the duties of that director's office, other reasons as specified in the bylaws, gross misconduct in office, conviction of a felony involving extortion, or financial misconduct. A director may be removed from office with or without cause at any time by the same local body or process that appointed the director.

SECTION 4.05: COMPENSATION

Directors shall serve without compensation.

SECTION 4.06: INTERESTS IN CONTRACTS

Directors may not have a financial interest, direct or indirect, in any contract with the Authority, except as permitted by law.

SECTION 4.07: BOARD QUALIFICATIONS

All Authority directors shall be residents of Washtenaw County, at least eighteen years old, shall be representative of public transportation interests as they exist in the County and other qualifications as detailed in the Bylaws of the Authority. Notwithstanding the above, any of these requirements may be waived by a governing body authorized to appoint directors under section 4.01 by resolution concurred in by not less than 2/3rds of that governing body's directors. Directors may not hold office in violation of Michigan's Incompatible Offices Act, MCLA 15.181-.185, or other similar law.

ARTICLE 5
PUBLIC MEETINGS

SECTION 5.01: PUBLIC MEETINGS

The Authority shall conduct all meetings of the Board in compliance with the Open Meetings Act (Act 267 of the Public Acts of 1976). The Authority shall provide public notice of the time, date, and place of the meeting in the manner required by Act 267 of 1976, as amended. The Authority shall meet at regular intervals. It shall adopt its own rules of procedure and shall keep a record of its proceedings. A majority of the directors appointed and serving shall constitute a quorum. Each director shall have one vote. Decisions of the Board require a majority vote of the directors appointed and serving at a Board meeting having a quorum present, except approval of the budget which requires approval of 2/3rds of all directors and amendment of the articles ~~each~~ which requires approval of ~~2/3rds~~ 4/5th of all directors. No director shall cast a vote in proxy for an absent director; however, the Board shall permit a director's alternate, if any, to attend a meeting in the director's absence and vote.

ARTICLE 6
POWERS

SECTION 6.01: OPERATIONAL POWERS

The Authority may plan, promote, finance, acquire, improve, enlarge, extend, own, construct, operate, maintain, replace, and contract for public transportation services by means of one or more public transportation systems and public transportation facilities pursuant to the provisions of Act 196.

The Authority shall be administered in the manner determined by the Board and as provided in these Articles. However, no enumeration of powers in these Articles shall be construed as a limitation on the general powers of the Authority under Act 196.

SECTION 6.02: EXEMPTION FROM MOTOR CARRIER ACT

In the exercise of its powers within its boundaries, the Authority is exempt from the Motor Carrier Act, Act No. 254 of the Public Acts of 1933, being sections 475.1 to 479.20 of the Michigan Compiled Laws; Act No. 3 of the Public Acts of 1939, being Sections 460.1 to 460.8 of the Michigan Compiled Laws; and Act No. 42 of the Public Acts of 1982, being Sections 474.101 to 474.141 of the Michigan Compiled Laws.

ARTICLE 7
FUNDING

SECTION 7.01: FUNDING

The Authority may apply for and accept grants, loans, or contributions from the federal government or any of its agencies, the state, other public or private agencies, or other lawful sources.

SECTION 7.02: FINANCING

The Authority may finance public transportation services, including any public transportation system and public transportation facilities pursuant to the provisions of Act 196. Budgets and appropriations shall be made in accordance with Act 2 of the Public Acts of 1968.

SECTION 7.03: TAX LEVY

The Authority may levy a tax for public transportation purposes as provided for and within the time limits and rates established by Act 196 within its jurisdictional boundary subject to the tax limitations of which are provided by general law within the meaning of section 6 of article IX of the Michigan Constitution of 1963.

No tax may be levied except upon the approval of a majority of the registered electors residing within the jurisdictional boundary of the Authority affected and qualified to vote and voting on the tax at a general or special election called in accordance with Act 196.

SECTION 7.04: POLITICAL SUBDIVISION TAX LEVY

Any member of the Authority or a political subdivision otherwise granted taxing authority under state law may levy a tax within the limits of the political subdivision, and appropriate, grant, or contribute, in whole or in part, the tax levied and collected to the Authority for public transportation purposes as authorized by Act196, or to provide sufficient money to fulfill its contractual obligations to the Authority, which tax will be within charter, statutory, and constitutional limitations thereon.

SECTION 7.05: PAYMENTS, APPROPRIATIONS, OR CONTRIBUTIONS

Any member of the Authority or a political subdivision outside Washtenaw County may contract with the Authority to make payments, appropriations, or contributions to the

Authority of the proceeds of taxes, special assessments, or charges imposed or collected by the political subdivision or out of any other funds legally available in exchange for service.

SECTION 7.06: FULL FAITH AND CREDIT

Any political subdivision within the Authority's jurisdiction may, but is not required to, pledge its full faith and credit for payment of its contractual obligation to the Authority.

SECTION 7.07: NOTES AND BONDS

If the Authority has issued notes or bonds in anticipation of payments, appropriations, or contributions to be made to the Authority pursuant to a contract by a political subdivision, the political subdivision may levy a tax, subject to all appropriate statutory and constitutional requirements, on all taxable property in the political subdivision to provide sufficient money to fulfill its contractual obligations to the Authority in accordance with law.

SECTION 7.08: EXISTING LEVIES

Any political subdivision outside the Authority's jurisdiction that has authorized the levy of a tax to provide money for public transportation purposes or has imposed, collected special assessments, or charges for public transportation purposes may contract with the Authority to make payments, appropriations, or contributions to the Authority of the proceeds of the taxes, special assessments, subject to the conditions of the original authorization of such levy in exchange for service.

SECTION 7.09: BORROWING MONEY

By resolution of the Board, the Authority may borrow money and issue notes and bonds in anticipation of the collection of taxes and other revenues for its current or succeeding fiscal year, to provide funds for operating purposes or for capital purposes related to transportation facilities pursuant to the provisions of Act 196.

SECTION 7.10: REVENUES PLEDGED FOR PAYMENT OF DEBT

The revenues pledged for payment of debt service on bonds or notes shall be, and remain subject to, a statutory lien until the payment in full of the principal and interest on the bonds or notes unless the resolution authorizing the issuance of the bonds or notes provides for earlier discharge of the lien by substitution of other security. The pledge of revenues and any statutory lien that exists for the payment of debt services on bonds or notes shall be effective for all purposes without delivery of any evidence in this regard or any recording.

SECTION 7.11: INVESTMENTS

The Authority may invest any of its money in accordance with all applicable laws and regulations.

ARTICLE 8
COLLECTIVE BARGAINING AGREEMENTS

SECTION 8.01: CONTRACTUAL OBLIGATIONS

The Authority shall have the right to collectively bargain and enter into agreements with labor organizations pursuant to applicable law. Upon succession by the Authority to a public transportation system, the Authority shall assume and be bound by any existing collective bargaining agreements applicable to that system for the remainder of the term of that agreement, and, except where the existing collective bargaining agreement may otherwise permit, shall retain the employees covered by that collective bargaining agreement. The succession to a public transportation system by the Authority shall not adversely affect any existing rights and obligations contained in the existing collective bargaining agreement.

SECTION 8.02: EMPLOYEE RETIREMENT

The Authority shall honor the pension or retirement system established by any succeeded public transportation system and members and beneficiaries of those retirement system shall continue to have the same rights, privileges, benefits, obligations, and status.

ARTICLE 9
AUDITS

The Authority shall obtain an annual audit in accordance with sections 6 to 13 of Act 2 of the Public Acts of 1968 of the Michigan Compiled Laws. The audit shall be in accordance with generally accepted government auditing standards as promulgated by the United States General Accounting Office and satisfy federal regulations relating to federal grant requirements.

The Authority shall publish notice that an annual audit has been obtained once in the *Washtenaw County Legal News* and file a printed copy with the Clerk of each of the political subdivisions represented by directors on the Board, the State Treasurer, and the State Transportation Department, as provided for in Act 196.

ARTICLE 10
ARTICLES OF INCORPORATION;

SECTION 10.01: AMENDMENTS

These Articles of Incorporation may be amended only upon a ~~two-thirds~~ four-fifths (4/5) vote of the directors appointed and serving on the Authority unless another vote of Board is required under the terms of these Articles or provided for in Act 196.. All amendments must comply with applicable state and federal laws. All amendments to the Articles of Incorporation become effective only after they are executed jointly by the Chairperson and by the Secretary of the Board of the Authority, filed with the recording officer of the Washtenaw County Clerk, and filed and published in the same manner as the original Articles of Incorporation.

SECTION 10.02: DISSOLUTION OF THE AUTHORITY

The Authority may be dissolved in accordance with the provisions of Act 196 and as provided for in Section 12 of the Public Transportation Agreement referenced in section 3.01. If the City of Ann Arbor is the only political subdivision in the County remaining within the Authority after the expiration of the statutory 30-day withdrawal period, the Authority shall be dissolved. The dissolution action shall provide for the effective date of such dissolution and shall include provisions for the distribution of all assets and for the settlement of all debts and liabilities of the Authority and the provision for continued transportation services to Ann Arbor and Ypsilanti. Notice of such dissolution shall be executed jointly by the Chairperson and by the Secretary of the Board of the Authority, filed with the recording officer of the Washtenaw County Clerk, and filed and published in the same manner as the original Articles of Incorporation.

Except as provided above, dissolution is not required if either (a) a member political subdivision is released from membership pursuant to Section 3.08, or (b) a political subdivision withdraws from the Authority pursuant to Section 3.09.

On release from or dissolution of the Authority, any millage obligation pledged for the use by the Authority shall be deemed extinguished as of the date of the dissolution subject to payment or provision for payment of all obligations of the political subdivision to the Public Authority or its creditors as of the date of release or dissolution; and thereafter in the case of dissolution of the Authority, the respective political subdivision shall have no obligation to pledge the respective tax levy to any successor-in-interest to the Authority.

CLERK ENDORSEMENT

The foregoing Articles of Incorporation for the Authority were adopted by an affirmative vote of a majority of the members serving on Washtenaw County Board of Commissioners at a meeting duly held on the __________ day of _____________, A. D. 20______. Pursuant to Act 196 execution of this endorsement here below by the Clerk/Registrar of Washtenaw County, the incorporating authority, shall be evidence of adoption of the Articles of Incorporation.

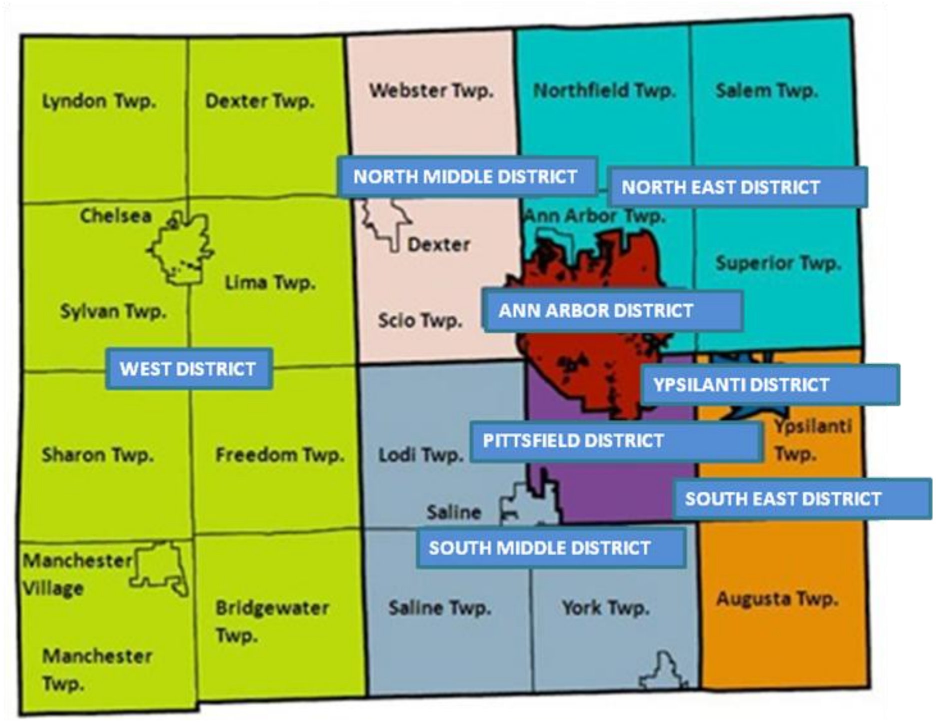
COUNTY OF WASHTENAW

____ DATE:_____________________
Chairperson, Washtenaw County
Board of Commissioners

____ DATE:_____________________
County Clerk/Register of Deeds

NEW TRANSPORTATION AUTHORITY
ARTICLES OF INCORPORATION

ATTACHMENT A



U.S. Department of Housing and Urban Development

Detroit Field Office
Office of Public Housing
Patrick V. McNamara Federal Building
477 Michigan Avenue, Room 1710
Detroit, MI 48226-2592
Tel. (313) 226-7900 FAX (313) 226-6160

July 23, 2012

Ma'Cheryl Jones, Chairperson
Ypsilanti Housing Commission
118 South Grove
Ypsilanti, MI 48198

Ms. Jones:

SUBJECT: Housing Choice Voucher Program Shortfall

On Wednesday, July 18, 2012 HUD staff met with two members of the Ypsilanti Housing Commission's ("YHC") Board and the YHC's attorney at the Detroit HUD Field Office, to discuss the fact that the Ypsilanti Housing Commission's ("YHC") Housing Choice Voucher ("HCV") Program is facing a significant and unrecoverable shortfall in funding. This shortfall situation has been discussed with the YHC Executive Director numerous times over the past few months, most recently on July 11, 2012.

Key components of this serious matter were provided at the meeting and are included below:

1. YHC's annual budget authority for calendar 2012 is $1,780,343; $1,739,832 of which is in the form of an offset to the Commission's Net Restricted Assets, or "NRA", (which is the Housing Assistance Payments, "HAP" reserve) as of December 31, 2011, and $40,511 in new funding from HUD.

2. YHC's entire NRA was offset because the amount actually available on December 21, 2011 ($1.7k) was lower than the amount HUD determined should have been available ($1.9k). Accordingly, no portion of YHC's reserve was sheltered from the offset, and YHC has no additional reserve available.

3. Based on reported leasing and HAP expenditures through May 2012, YHC is projected to have a $228,407 shortfall by the end of calendar year 2012. At current HAP expense levels, this means that YHC will be able to pay approximately one-third of its current HAP obligations in November 2012, and none in December 2012.

4. Because the YHC is already over-committed, there are no funds available to cover additional HAP expense for 68 project-based voucher units at Hamilton Crossing scheduled to start coming online in August 2012. YHC will have no option but to default on its obligations under the AHAP (Agreement to enter into a Housing Assistance Payments Contract) signed on 3/12/2012.

5. YHC is currently considering two options to resolve the shortfall – drastically reducing HAP expenses by means of a Payment Standard Waiver and other cost-saving measures, or transferring the program to another Housing Authority with sufficient funds to properly administer the program.

   A. YHC currently has waiver requests pending with HUD to allow it, effective September 1, 2012 to:

      - Reduce the Payment Standard for its voucher program to 77% of the published Fair Market Rent for participants in Washtenaw County, and 70% in Wayne County. This will result in the average participant family paying 73% of their monthly income for rent instead of the 30% generally provided for under the Housing Choice Voucher program. Eighteen families will be effectively terminated from the program, as their HAP will be reduced to $0. Twenty-two families will have their share of the rent increased to more than 100% of their monthly income.
      - Tie the utility allowance to the voucher size for families that lease units larger than the voucher provides for.
      - Increase the minimum rent to $75 monthly for the 49 lowest income families.

      Because YHC's 2013 funding will be based on its per-unit costs in 2012, these reductions in the HAP assistance provided to participant families would remain in effect indefinitely, until the program had shrunk sufficiently through attrition to allow YHC to increase HAP assistance provided to what will be a smaller number of families.

      If the YHC does implement these changes, rent change letters to the participant families need to be sent before August 1 to provide the required notice. Otherwise, the changes will have to be pushed back to October 1, 2012, and the cuts will have to be deeper.

      As an example, the direct affect on a two bedroom, two person HCV family in Wayne County is an increase of rent from $188/month to $371/month; a family of six in a three bedroom home would face an increase from $50/month to $161/month. The figures are similar for those participants in Washtenaw County: a family of two in a two bedroom home would face a rent increase from $625/month to $978/month and a family of six in a three bedroom home would face an increase in rent from $277/month to $537/month. (Hard copies of the supporting documents were distributed at the meeting.)

   B. Alternatively, YHC could voluntarily move to transfer the entire HCV program (authorized units, ABA and reserves) to another PHA with the financial and administrative capability to properly administer the program. The new PHA would be required to administer HAP assistance for current participants, admit new families from the YHC's waiting list, and administer the HAP agreement for the project-based units at Hamilton Crossing as a successor to YHC. This would be a permanent transfer.

The advantages to this option are that HAP assistance to current participant families could remain at current levels, and YHC's obligation to provide project-based voucher assistance for Hamilton Crossing could be met.

C. In order to affect the transfer, it will be necessary to have a signed Board resolution from YHC and the receiving PHA. These resolutions must be specific as to what is proposed to be transferred (all UMA, ABA and reserves), to whom, and when. Administrative details including waiting lists, processing future applications, and the leasing of PBV units at Hamilton Crossing need not be included, but should be covered in a separate document. The resolutions, along with summaries from the Executive Directors of the divesting and receiving Housing Authorities, should be sent to the HUD Field Office with a request to expedite the transfer.

It is imperative that the Commission advise HUD as soon as possible of the direction it has decided to take: either to maintain the HCV as a YHC program which will entail raising the rents (notices due to residents by August 1, 2012) and be unable to fund 68 project based vouchers for Hamilton Crossing or voluntarily transfer the HCV program to a Housing Agency with the funding available to honor YHC's commitments and the administrative capacity to properly and sustainably operate the HCV Program.

Sincerely,

Willie C.H. Garrett

Willie C.H. Garret, Director
Office of Public Housing

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Financial Management Review
Ypsilanti (MI026)

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-5000

OFFICE OF PUBLIC AND INDIAN HOUSING
Quality Assurance Division

July 23, 2012

Mr. Walter Norris, Executive Director
Ypsilanti Housing Commission
601 Armstrong Drive
Ypsilanti, MI 48197

Dear Mr. Norris:

Recently, Quality Assurance Division (QAD) Staff were on-site at the Ypsilanti Housing Commission (YHC) to conduct a Financial Management Review of the Housing Choice Voucher (HCV) program. The purpose of our visit on June 5 through June 7, 2012 was to ensure that HCV program funds have been expended appropriately. Specifically, we determined:

1. The true "should have" PHA cumulative UNA balance from July 2006 through December 31, 2011.
2. The true "should have" PHA as of December 31, 2011,
3. The validity of specific line items reported on the Ypsilanti Financial Data Schedule (FDS) submission balance sheet and income statement including Due From/Due To issues, dated June 30, 2011, and various equity transfer balances from 2008 thru 2011.
4. The availability of cash and/or investments sufficient to support both the UNA and NRA account balances calculated,
5. Whether the current administrative fees earned by the PHA and the administrative reserve account funds were used for HUD approved expenses, and if the expenses incurred were appropriately reported in the VMS, as well as, comparing if expenses were reasonable for the PHA size.

The results of our review are presented in the enclosed report. Notification of informal corrective action(s) as a result of review **concerns** may be sent via e-mail to Nicole Jackson at Nicole.R.Jackson@hud.gov. A Formal corrective action plan is also required as a result of review **findings**, and it may also be sent via e-mail to Nicole.R.Jackson@hud.gov. However, a copy shall also be furnished to **Willie C. H. Garrett, PIH Director at Wille.C.Garrett@hud.gov.** Responses must be received within 30 days from the date of this report.

We appreciate the cooperation extended to QAD staff during our visit.

Sincerely,

MaryAnn Creager

MaryAnn Creager
Supervisory Program Analyst
Quality Assurance Division

cc: Willie C. H. Garrett, Director, Office of Public & Indian Housing
Roxanne Byers, Division Director, Financial Management Center
Miguel Fontanez-Sanchez, Director, Financial Management Division

Attachment

Financial Management Review
Ypsilanti (MI026)

Background: Pursuant to 24 CFR 982.155, PHAs maintain a single administrative fee reserve account for the Housing Choice Voucher (HCV) program. PHAs credit to the Administrative Fee Reserve the total of: (1) the account by which program administrative fees (paid by HUD for a PHA fiscal year) exceed PHA program administrative expenses for the fiscal year, plus (2) interest earned on the administrative fee reserve and fraud recoveries. These reserves are referred to as Unrestricted Net Assets (UNA) accounts. Beginning with the Federal Fiscal Year (FFY) 2004 Appropriations Act, use of administrative fee reserves is restricted to activities related to the provision of Section 8 tenant based assistance, including related development activities. Accordingly, administrative fee reserves from FFY 2004 and subsequent funding periods (referred to as "post-2003" funds) are restricted to HCV activities even though under GAAP it is an "unrestricted" net asset. Administrative fee reserves remaining from funding periods prior to the FFY 2004 Appropriations Act (referred to as "pre-2004" funds) are restricted in use pursuant to 24 CFR 982.155(b)(1).

Further, at the end of calendar year 2004 through a recapture process all HAP equity accounts previously held by the Department for the PHAs were reduced to zero. Beginning January 1, 2005 PHAs were required to establish and maintain their own HAP equity and administrative fee equity accounts. However, the FASS-PH system was not modified to enable PHAs to report HAP equity and Administrative Fee equity balances separately until the FASS submissions for the PHAs with a FYE of September 30, 2006. The VMS submission form was also modified effective January 1, 2010 to add reporting lines for Net Restricted Assets (NRA) and UNA. These amounts were not validated. Therefore, in order to determine accurate balances the Financial Management Center (FMC) was tasked with reconciling the NRA balances for each PHA as of December 30, 2009[i]. Since that time, many PHAs have disputed the amount as reconciled by the FMC and/or have indicated that they do not have the cash to support the amount to which they were required to adjust the NRA balance

The FMC and the Detroit HUB office noted there were several anomalies in the Ypsilanti (MI026) unaudited and audited Financial Assessment Subsystem (FASS) submissions. Concerns regarding specific line items in the FASS submissions including lines 11040 Prior Period Adjustments, Equity Transfers and Corrections, 144 Inter Program Due From and 347 Inter-program Due To. There were additional concerns raised regarding the UNA and NRA balances as reported in the Voucher Management System (VMS).

In accordance with congressional mandate and HUD PIH Notices the Department's Office of Housing Voucher Programs, Quality Assurance Division is tasked with review and validation of PHA <u>previously certified</u> financial submissions. The QAD utilizes source records to support our review findings. Our processes are in strict adherence to the 24 CFR, and public law as published each year with PHA renewal funding – which states specifically "The Department will continue to deploy Quality Assurance Division (QAD) teams to conduct on site reviews of PHA's to ensure the integrity of PHA reported data for the HCV program……".

Therefore, at the request of the FMC and Detroit HUB, the QAD completed a Financial Management Review at the Ypsilanti Housing Commission (YHC) which included Unrestricted Net Assets (UNA), Administrative Expenses and Net Unrestricted Assets (NRA).

Our review revealed several reporting discrepancies as noted in the body of this report.

Verification of Net Restricted Assets (NRA)

Verification of NRA balance as of December 31, 2011

The Quality Assurance Division (QAD) completed an analysis of the YHC HAP related funds received and expended during calendar years January 2005 through December 2011. The HAP incremental payments listed in HUDCAPS provided by the FMC for each month in the review period were used to determine the total HCV funding. The general ledgers, and other financial source documentation provided by the Ypsilanti Housing Commission staff were used to determine the amount of other HAP HCV related income, i.e. Fraud Recovery, FSS Forfeitures, Interest Income, and the total HCV related expenses incurred. The total validated expenditures were deducted from the revenue for the same time period to arrive at a cumulative NRA balance as of December 31, 2011.

Table No. 1 provides the Financial Management Division (FMD) and the FMC with the actual NRA balance that should have been used to calculate any NRA off-set during the calendar year 2012 renewal funding calculations. We also identified the cash available for off-set at December 31, 2011.

Table No. 1

		Comments
QAD Validated NRA Balance 12.31.11	**$1,995,853**[ii]	**Source records support**
NRA Balance Per VMS/PHA 12.31.11	$1,739,831	Under reported in VMS and FASS. See findings.
Variance	($256,022)	Variance is the net of $270,000 prior rent charged to NRA rather than UNA and portability in payment booked incorrectly.
Cash Balance 12.31.11	$ 1,739,833	PHA bank statement (One account for all HCV funds).
Cash Shortage	($256,020)	**PHA did not have sufficient cash to back the NRA balance.**

Note: "Inter-program Due From" on the PHA FYE June 30, 2011 Balance Sheet in FASS affects the UNA balance rather than NRA balance and represents administrative costs owed to HCV from Public Housing.

Verification of Unrestricted Net Assets (UNA)

Verification of UNA balance as of December 31, 2011

The Quality Assurance Division (QAD) completed an analysis of the YHC administrative fees equity account for fiscal year ending 2007 through December 2011. The administrative fees incremental payments listed in HUDCAPS provided by the FMC for each month in the review period were used to determine the total Administrative fees funding. The general ledgers, and other financial source documentation provided by the YHC staff were used to determine the amount of Interest Income, Fraud recovery, and other revenue. The total validated administrative expenditures were deducted from the admin fees funding for the same time period to arrive at a cumulative UNA balance as of December 31, 2011.

Table No. 2 provides the December 31, 2011 QAD calculated "should have" UNA balance. We also identified the cash available at December 31, 2011.

Table No. 2

		Comments
QAD Validated UNA Balance 12.31.11	**($19,526)**	**Source records support**
UNA Balance Per VMS/PHA 12.31.11	$15,589	Over reported. PHA reported a positive balance of $15,589 when balance should have been negative ($19,526).
Cash Balance 12.31.11	$0	PHA maintains one account for all funds. All funds held in bank account belonged to NRA.
Cash Shortage	**$(19,526)[iii]**	**PHA over-spent program and used HAP funds to cover shortage.**

Summary: The YHC Housing Commission incorrectly reported both the NRA and UNA account balances. Additionally, YHC failed to provide the department with correct information required for accurate renewal funding calculation. Findings and concerns related to the NRA and UNA balances are addressed in the following paragraphs.

Findings

Finding No. 1: The cash balance was insufficient to support the NRA and UNA "should have "balances.

Condition: The YHC total cash as of December 31, 2011 was insufficient to support the PHA "should have" NRA and UNA account balances. The "should have" balance represents the true cash balance that YHC should have had if the HCV program had been operated in accordance with HUD regulations and Federal statutes.

Criteria: The 24 CFR §982.151 states that under the Annual Contribution Contract (ACC) that "…HUD agrees to make payment to the PHA for housing assistance payments to owners and for the PHA administrative fee…The PHA agrees to administer the program in accordance with HUD regulation and requirements". Further, under 24 CFR §982.156 the PHA "…must practice good cash management and invest all funds received in excess of current needs". This means that all NRA and UNA must be backed by cash or cash equivalents that can be liquidated within 24 hours. Finally, Notice PIH 2008-9 communicates that NRA and UNA must be accounted for separately.

Cause: The QAD staff reconciled the YHC NRA and UNA balances as of December 31, 2011. The calculated totals represent the amount of NRA and UNA that the PHA "should have" if the PHA had appropriately managed the HCV program and spent the HCV funds for the purpose for which the funds were intended. The calculated NRA, UNA, and total validated cash and/or investment balances are shown in the Table No. 3 below.

Table No. 3

NRA Balance	NRA (restricted) Cash Balance	NRA Cash Shortage	UNA Balance and Cash Shortage	UNA (unrestricted) Cash Balance
$2,593,061	$1,739,833	($256,020)	$(19,526)	$0

We determined the insufficient cash balance is primarily caused by the inappropriate use of HAP funds that are addressed in Finding No. 2 in this report.

Effect: As a result of failing to maintain sufficient cash to back the NRA balance, and continued inappropriate use of HAP funds, the PHA is at risk for breach of the Annual Contributions Contract (ACC). In addition, the inability to properly maintain funds has resulted in the YHC being unable to provide housing assistance to additional families, and has placed the Housing Commission in a critical funding shortfall situation.

Corrective Action No. 1: The PHA must immediately identify non-federal resources sufficient to cover the cash shortage and ensure that cash is deposited to cover the verified NRA balance. This most likely will require working with the Detroit HUB to establish a repayment agreement.

Corrective Action No. 2: The PHA must immediately develop and implement policy and procedures to improve the tracking and reporting of HCV program funds.

Corrective Action No. 3: The PHA must correct its fund balances in both VMS and the Financial Assessment Subsystem (FASS) as appropriate.

Finding No. 2: Inappropriate Use of Housing Assistance Payments (HAP) funds.

Condition: The PHA used HAP NRA to cover (1) portability in voucher HAP costs that were not reimbursed by initial PHA, (2) payment of low rent operating expenses that were not reimbursed to the HCV program, (3) excessive HCV operating expenses, and (4) other unexplained transactions, for example the unreserved surplus, and NRA Equity Transfer addressed under the "Cause" paragraph.

The following anomalies were noted

- Unreimbursed portability-in HAP remained charged to the NRA rather than the administrative account.
- A Due From the low rent program remained un-cleared at FYE 2011.
- Numerous unsupported prior period adjustments and equity transfers.
- Booking unreserved surplus as NRA which the YHC alleged was related to development costs.

Criteria: The 24 CFR §981.151 provides that under the ACC the PHA agrees to administer the program in accordance with HUD regulations and requirements.

According to the appropriation law (Public Law as implemented each funding year) and PIH Notice 2011-27, "…. funds in the HAP NRA account shall only be used for eligible HAP needs in the current and future CYs. The ACC requires PHAs to use HAP funding to cover rental assistance payments only. HAP and/or HAP NRA shall not under any circumstances be used for any other purpose, such as to cover administrative expenses or be loaned, advances or transferred (referred to as operating transfers due from/due to) to other component units or other programs such as Low Rent Public Housing. Use of HAP for any purpose other than eligible HAP needs is a violation of law, and such illegal uses or transfers will result in sanctions and possible breach of the ACC. In instances where a PHA is found to have misappropriated HAP and/or HAP NRA funds by using the funds for any purpose other than valid HAP expenses for units up to the baseline, HUD will require the immediate return of the funds to the HAP or HAP NRA account. HUD may take action against a PHA or any party that has used HAP funds and/or the HAP NRA account for non-HAP purposes."

Cause: We determined that for the entire period covered by our review the YHC operating expenses were either equal to or higher than the administrative fees earned; therefore, YHC had insufficient current year administrative fees earned and no UNA available to cover the full amount of operating expenses incurred. Consequently, the PHA used HAP funds to cover the excess costs. The following discrepancies and/or anomalies were noted which contributed to the apparent misuse of funds and the resulting cash shortfall noted in Finding No. 1.

1. YHC did not properly account for portability administered (port-in) HAP and portability paid (port-out) administrative fees. According to the YHC staff and the YHC fee accountant both **port-in** HAP and **port-out** administrative fees were routinely included in, and netted against the general ledger 4715 (HAP account). Both port-out administrative fees and port-in HAP are administrative expenses to the YHC. Neither of these items are HAP. We determined that YHC port-in HAP totaled $401,190 and the port-in HAP received/reimbursed from initial PHAs totaled $469,194. The difference of $68,004 was paid from the NRA account rather than being treated as an administrative expense. The YHC also over-stated HAP expenses by $13,426 for port-out administrative expenses.

It should be specifically noted that the Real Estate Assessment Center (REAC) has repeatedly advised the YHC that each year their FDS submission is only conditionally accepted due to the issue of the PHA having reported zero on Income Statement line 97350 “HAP Portability-In” and the related memorandum account line 11170.095 “HAP Portability-In” when it was clearly reported in the VMS that the YHC had portability administered expenses.

2. YHC routinely closed their FYE with a “Due From” remaining on the books from the Low rent program which indicates that HCV funds have been used to cover other program costs. *(See Concern No. 1).*

3. According to the YHC staff and the fee accountant a prior period adjustment for $270,000 was made in 2009 which represented 10 years of prior rent that the HCV program owed to the Low Rent Program. The prior period adjustment had the effect of reducing the NRA balance when it should have been charged as administrative expenses. While the PHA contends they held sufficient pre-2004 administrative reserves to cover this cost, the QAD could find no evidence of this. In fact, the FDS clearly shows the **total equity** balance at 12/31/2003 was $311,971 of which a portion belonged to HAP equity. At the same period, the PHA financial records indicated only $252,391 cash available to the HCV program. By June 30, 2006 the UNA balance was reduced to <u>approximately</u> $131,000.

4. The YHC staff and fee accountant reported several additional prior period adjustments and equity transfers on the FDS between 2007 and 2011. Specifically as follows:

a. The FYE 2009 FDS shows a $150,000 “Payable HUD” a liability that subsequently (FYE 2010 FDS) was changed from a liability to an asset and recorded as “other revenue” thus increasing the **NRA** balance.

The explanation in 2010 indicates “HUD advance for development of voucher program in previous year”. <u>Development funds are not HAP and should not be recorded as such.</u>

b. The FYE 2011 FDS shows a ($182,706) prior period adjustment that appears to be a correcting entry for the FYE 2010 posted development costs noted in paragraph a. The FYE 11 explanation shows” equity transfer for ***development*** of opt out property per HUD; advance in prior year <u>was a liability</u>.” The amount is further shown as an ‘expense’ to the HAP account. We could locate no HUD advance in prior years for $182,706, so we can only assume this is associated with the FYE 2009 and 2010 $150,000 entry which were initially booked as a liability. The difference of $32,706 cannot be explained by the PHA or through review of financial records; but leaves these equity transfers zeroing out with the exception of $32,706.

c. The FYE 2005 and FYE 2006 FDS show equity transfers of $214,747 and $3,478 respectively. An explanation is provided by the IPA audit report indicating the$214,747 is to “adjust HUD funding prior year”, and the $3,478 adjustment is noted as “report submitted on different system”. These transactions appear to be appropriate but become suspect when year after year the PHA continues to enter prior period adjustments and/or equity transfers.

5. The previously identified $150,000 unreserved surplus and $270,000 prior years rent remain on the December 2011 YHC general ledger. It would appear these amounts have not yet been properly classified.

Effect: The PHA inappropriately used HCV HAP program funds in direct violation of public law and HUD regulation. In addition, The PHA has failed to ensure its accounts are accurate and managed in accordance with HUD regulations and Federal statutes. The above noted entries may represent the reasons for the cash shortage for the YHC HCV NRA account balance and why the UNA reflects a negative balance. The improper use of HAP funds for administrative expenses and other unknown uses resulted in a violation of the ACC, as well as, the Consolidated Appropriations Act. This in turn made funds unavailable to assist the HCV program participants, and has put the Housing Commission in a critical cash shortfall.

Corrective Action No. 4: The PHA must complete an internal audit of the HCV program accounts and determine what correcting financial entries must be made.

Corrective Action No. 5: The PHA must reimburse the HCV HAP NRA account from non-Federal funds as noted under Finding No. 1, Corrective Action No. 1.

Corrective Action No. 6: The PHA must immediately discontinue using HAP funds to pay for administrative expenses, and other unrelated non-HAP uses.

Corrective Action No. 7: The PHA must develop and implement policy and procedures to improve the financial management of and ensure the appropriate use of program funds.

Corrective Action No. 8: The PHA must work with the Detroit Field Office to develop a repayment plan as determined appropriate.

Finding No. 3: The NRA and UNA account balances as of December 31, 2011 were incorrectly calculated and reported in the VMS.

Condition: The YHC under reported in the VMS the NRA balance by $256,022 and over-reported the UNA balance by $35,115. The YHC staff had reported a positive UNA balance of $15,589, in VMS, when the actual balance was negative $19,526.

Criteria: The 24 CFR §982.151 provides that under the ACC the PHA agrees to administer the program in accordance with HUD regulations and requirements. Additionally, 24 CFR §982.158 states that the PHA must maintain complete and accurate accounts and other records for the program in accordance with HUD requirements. The records must be in the form required by HUD, including requirements governing computerized or electronic forms of records keeping.

Cause: The YHC Housing Commission failed to properly calculate its NRA and UNA account balances as a result of staff being unfamiliar with the calculation process, inaccurately tracking administrative expenses, and being unfamiliar with the different types of reports produced from their own computer software program.

<u>Effect:</u> Reporting incorrect NRA and UNA balances failed to provide HUD with information useful in determining what funds were available for the HCV program use. Further, the YHC actual financial position was not clearly defined.

<u>Corrective Action No.9</u>: The YHC Housing Commission must immediately ensure the staff is properly trained on its computer software program and the proper methodology for calculation of NRA and UNA balances.

Within 30 days of the date of this report, please provide a written Corrective Action Plan (CAP) to Nicole Jackson at nicole.r.jackson@hud.gov with a copy furnished to Willie C.H. Garrett at willie.c.garrett@hud.gov. The CAP must incorporate a detailed and comprehensive plan to correct the findings included in this report.

<u>Concerns</u>

<u>Concern No. 1: Inconsistency in the Financial Assessment Subsystem (FASS) Financial Data Schedule (FDS) Reporting.</u>

<u>Condition</u>: We noted an amount reported on Line 144 Inter program Due From Public Housing Low Rent to the HCV that was not cleared at the PHA FYE. In addition, we were told that the YHC fee accountant regularly used the Due From/To in transferring monies between Low Rent and the HCV program and never clears these account lines, even at the PHA fiscal year end. REAC noted this and made specific comments in reference to YHC not complying with established procedures for uniform reporting.

<u>Cause</u>: According to the Uniform Financial Reporting Standards (UFRS) at 24 CFR §5.801, PHAs are required to submit financial data electronically in a manner prescribed by HUD. In addition, the Real Estate Assessment Center (REAC) provides specific written guidelines for data entry as well as a user guide and technical support to assist PHAs with Financial Data Schedule (FDS) completions as submitted in FASS.

The Inter-program Due From Low Rent to the HCV was not cleared at the PHA FYE. While there are times when immaterial Inter-program Due-From and Due To remain recorded as a result of the one checking account issue, the Inter-program Due-From and Due To accounts should be cleared the next month. The expectation is that the transferring program has the intent, and ability, to repay the inter-program balance. Reasonable time is a matter of professional judgment, but typically should not exceed the annual operating cycle of the PHA. This means that there should be no inter-program Due From or Due To remaining when the PHA closes their books at fiscal year end.

The PHA stated that the amount totaling $52,242 on Line 144 represented the administrative costs that Low Rent owes back to the HCV program, and is shown as an inter-program due from/to on the PHA balance sheet.

Effect: Continuing to show an inter-fund program due to/due from on the FDS from year to year is in direct non-compliance with the UFRS and REAC reporting guidelines.

Recommended Corrective Action No. 1: The YHC staff and its fee accountant should take all steps necessary to immediately comply with HUDs regulation and reporting standards under 24 CFDR 5.801 and ~~with~~ REAC published guidelines.

Concern No 2: The YHC had Internal Control Weaknesses in Program and Financial Management.

Condition: The YHC failed to adequately manage**,** and did not provide sound financial management for**,** the HCV program.

Cause: The U. S. General Accounting Office (GAO) provides guidance for internal controls as it relates to management's plans, methods, and procedures used to meet its mission, goals, and objectives. Additionally, the Department provides numerous guidebooks, PIH Notices and other written guidance to assist the PHAs with proper program management.

A deficiency in internal control exists when the design or operation of control does not allow management or employees, in the normal course of performance of assigned functions, the reasonable opportunity to prevent, detect or correct (1) impairments to effectiveness or efficiency of operation (2) misstatements in financial information or (3) violations of laws and regulations.

The YHC did not have policies and procedures in place to ensure that HCV fund balances, fund transfers and expenditures and receivables were tracked, maintained, safeguarded and expended according to HUD rules and regulations.

We determined that the YHC currently does **not** have written internal control procedures. As a result, the following inconsistencies or program administration weaknesses were noted:

1. There are no "checks and balances" existing in most areas of reporting income and expenses, including all adjustments.

2. A lack of quality control measures in place to ensure the VMS submissions match the source documentation, i.e. General Ledgers, Income Statements.

3. No audit trails exist for financial transactions, particularly any journal voucher entries made during each accounting period.

4. The PHA failed to identifying or track interest for NRA and UNA separately.

5. The PHA incorrectly reported administrative fees paid for portability-out vouchers.

6. Numerous questionable items on the Income Statement and reported in the FDS. Specifically for YHC FYE 2009 through 2011 that may be affecting the NRA account balance.

Effect: The YHC over spent program funds and as a result failed to operate the HCV program in accordance with HUD established regulations and guidelines. Ultimately the lack of procedures and controls put the YHC HCV program at increased risk of waste, fraud and abuse.

Recommended Corrective Action No. 2: The YHC Executive Director should ensure that written internal control procedures are developed, Board approved and implemented as soon as possible. This would reduce many of the inconsistencies or program administration weaknesses that were noted during our review.

Concern No 3: Recordkeeping improvements are needed.

Condition: QAD staff noted several discrepancies in the PHA source documents.

Cause: According to the 24 Code of Federal Regulations §982.158(a), PHAs must maintain complete and accurate accounts and other records for the program in accordance with HUD requirements, in a manner that permits a speedy and effective audit.

There were several instances where the QAD staff requested needed supporting documents, and we found that the documents that were provided did not provide sufficient information or the information was in a format that was difficult to follow. In many cases, information was not provided timely which impeded the progress of our review.

Due to the issues noted in this report, we are recommending that a VMS Review is completed to ensure the validity and quality of the data that is currently being reported in the Voucher Management System.

Finally, we discussed with YHC staff in detail the need to have correct and accurate data. We reiterated the importance of performing quality control of financial source documents provided to and on behalf of the YHC.

Effect: Lack of accurate records fails to allow for an effective and speedy audit.

Recommended Corrective Action No. 3: The YHC should take immediate steps to improve record keeping processes.

Within 30 days from the date of this report please provide your response to the recommended corrective actions under Concerns 1 through 3. Response may be provided informally via email to Nicole Jackson at the email address listed above.

Administrative Expenses Review

The QAD staff completed a current Administrative Expenses Review for the YHC analyzing the PHA expenses for April 2011 through March 2012. Our objective was to determine if the administrative fees earned and the administrative reserve account funds were used for HUD approved expenses, were appropriately reported in the VMS, and if expenses were reasonable for the PHA size. We determined that the PHA expenses were reasonable when compared to other PHAs for the same size and program type, but its VMS reporting included several discrepancies. Further we noted that YHC was, in fact, over-spending its administrative fees earned.

According to HUD regulations and guidelines data entered into the VMS needs to be as accurate as possible. As indicated in our analysis, and summarized in the charts below, there were several discrepancies noted in the YHC VMS data. The following is a summary of our analysis:

Administrative and Audit Expenses

Date	Administrative Expenses VMS Submissions	QAD Validated	Variance		Audit VMS Submissions	QAD Validated	Variance
Apr-11	11,969	14,702	(2,733)		79	0	79
May-11	10,492	13,226	(2,734)		79	0	79
Jun-11	11,969	14,181	(2,212)		79	0	79
Jul-11	12,145	12,091	54		79	0	79
Aug-11	12,145	14,351	(2,206)		79	0	79
Sept-11	11,696	14,185	(2,489)		79	0	79
Oct-11	13,133	14,054	(921)		79	0	79
Nov-11	14,814	14,054	760		79	0	79
Dec-11	14,876	16,203	(1,327)		79	0	79
Jan-12	14,876	25,695	(10,819)		79	0	79
Feb-12	14,173	15,583	(1,410)		79	0	79
Mar-12	14,173	15,583	(1,410)		79	0	79
Total	**$156,461**	**$183,908**	**($27,447)**		**$948**	**$0**	**$948**

QAD validated the YHC current administrative expenses totaling $183,908. When compared to what the PHA reported in VMS, the administrative expenses were under-reported by $27,447. Further, we could not validate that the PHA had audit expenses for the period of our review since there was no documentation provided to support this expense.

<u>Recommended Corrective Action No. 4</u>: Completion of an onsite Voucher Management Review will be recommended.

Recommended Corrective Action No. 5: The YHC staff should immediately identify the reason for the ($27,447) administrative expenses and $948 audit variance. Once identified, VMS corrections will be required. Please send all supporting documents and explanations to Nicole.R.Jackson@hud.gov.

Technical Assistance and Prior VMS Review

The Quality Assurance Division staff provided technical assistance on the different types of source records that we use for our reviews. We included instructions for proper booking of portability administered (port-in), portability vouchers paid (port-out) administrative fees, and the proper tracking of HCV program funds.

[ii] It should be specifically noted that the QAD balance calculated beginning in 2005 and going forward to Dec 2011 using the PHA source records resulted in the same NRA balance at December 2009 as was calculated by the FMC through their contractor of $794,736. So any contention by the PHA that the QAD calculated balance was skewed because our starting point was Jan 2005 holds no merit.

[iii] The UNA balance as shown on this chart does not reflect the $270,000 that inappropriately reduced the NRA balance for rent paid for prior years. These funds were spent in years prior to the PHAs 2007 FY equity transfer/prior period adjustment that was not completed until 2009.

TO: City of Ypsilanti Mayor and City Council
YHC Board of Commission

FROM: Eric P. Temple, Sr. Acting Executive Director
Ypsilanti Housing Commission

RE: YHC Sustainability Plan Update

DATE August 10, 2012

Below is the Final biweekly update of YHC Sustainability Plan summited Thursday March 15, 2012 at its regular monthly meeting The YHC Commissioners pass resolution 12-12 completion of the 2009 Sustainability plan. The agreement passed by board on November 1,2011 was submitted to the Detroit HUD office as requested by Shawn Sweet (Public Housing Recovery Team)Team Leader for execution, the Executive Director and staff, submit the final complete plan and backup documentation on April 4,2012 to HUD Detroit. There has been no other changes or action since we last reported report in April 2012

Programmatic Governance and Execution

1. **The Board of Commissioners does not provide required governance over the Ypsilanti Housing Commission's ("YHC") programs, finances, and the Executive Director**

   A. *YHC BOC met and evaluated the ED, on January 13,2012*

   B. *Each BOC member was issued/reissued a copy of the YHC Procurement Policy on 10-28-2011.*

   C. *The procurement policy was updated reviewed and approval by the BOC at their December 12-15-2011 meeting.*

   D. *The BOC voted to review on quarterly basics all major contracts and 10% of all contracts issued, procurement awards etc. to assure that YHC is in compliance with the board's adopted procurement policy.*

   E. *The YHC requested that the Board and the City council receive a biweekly report effective January 18 until the plan is completed and accepted by HUD Council and board received a update report on January 18*

   F. *YHC has submitted bi weekly report to the City Council ,YHC BOC and HUD January 26, &,Feb 2,2012 Feb 15,2012*

   G. *YHC Board of Commissioners Met with HUD Detroit and HUD Troubled Housing Recovery Team Leader on Feb21,2012 to review sustainability plan and other housing program areas*

   H. *Yhc Board of commission meet with HUD Recovery team and HUD Detroit on March 20th for Board training on Board governance .*

   I. *YHC Board Pass a resolution o submit Completed Sustainability Plan to HUD March 2012*

2. **YHC is often non-responsive to the Department's request for information and the ED is often unreachable by HC or HUD staff**

   A. ED, will provide appropriate responses within the requested time frames all HUD communication i.e. e-mail, letters, telephone messages with copies sent to the BOC.

   B. The ED will be present in the YHC offices per the designated schedule prescribed in the YHC Personnel Policy unless out of office for meeting or other office related business, vacation, sick leave or emergencies all of which will be communicated to the BOC President or other designated person by the BOC

   C. The ED has addressed concerns and communication from HUD , Council and the BOC during the last several weeks including the:

   - Payment to the city for 2011 PILOT
   - Revised its CFP 2011 Annual statement/Performance and Evaluation
   - Updated and posted BOC minutes and Revision Parkview LLC minutes to the agency website
   - Completed and corrected NRA Voucher Management System for September 2011-December 2012
   - Submitted YHC Public Housing Monthly Vacancy Report

3. **The Executive Director ("ED") does not currently provide adequate oversight of the administration of YHC's programs**

   A. YHC BOC reviewed and discussed with the ED and ADM staff the Sustainability Plan at the Board retreat August 30 & 31 and at the September 29th BOC meeting

   B. YHC Commissioners, Executive Director and staff are reviewing the organizational Chart and Job Descriptions.

   C. YHC Commissioners, approval the revised Job Description at January 26th Board Meeting

   D. organizational Chart will be revised and approval by Board of Commission at its February board meeting

   E. Board Approval YHC revised organizational Chart. at the February 23,2012 Board meeting

4. **YHC lacks a training plan, yet has paid for some employee education**

   A. The Board has been provide a Training plan for each department

B. *A training plan, for the appropriate and affected Staff in the area of UPCS, SEMAP, PHAS, Housing Choice Voucher and Executive staff, Executive Director Education has been developed*

C. *YHC will reimburse tuition and training for YHC employees will follow existing policy*

D. *Board members to be offer board training to be provide by NCRC NAHRO in Peoria, IL April 25-27*

E. *Board member schedule to Commissioner Training June 11-16 in Cleveland, Ohio Hosted by HUD and the Department of Agriculture.*

F. *YHC board has requested a review of all training for commissioner, Executive director and Staff for review from 2011-2012*

G. *Several Board members Completed board training provide by NAHRO July 27 &28*

Finance

1. **The Ypsilanti Housing Commission ("YHC") does not have quality fee accountancy or independent audit services as evidenced by, in part, low Financial Indicator ("FASS") scores, the amount of initial costs questioned by the Department, inter-fund transfers, etc.**

A. RFP for Fee Accountant and Auditor Service issued December 29, 2011. Proposals due 1/19/2012 and Contract to be awarded 1/27/2011. Proposals due date have been moved to Tuesday January 25, 2012 Due to lack of response and an added addendum for response to questions. Award date has also been moved until February Board meeting or a requested call meeting

B. YHC has received and is reviewing the RFP's for Audit service and Fee accountant. The Director will make recommendation to the Board at YHC March board meeting

C. YHC has received all RFP's for Legal and will be reviewing. The Director will make a recommendation to the Board at the March Board meeting.

D. YHC Board Approved the selection of legal counsel for Tenant Landlord Issues. Roberts and Freatman from Ypsilanti Michigan and for General Council Nacht and associates from Ann Arbor Michigan.

E. Contract was issued to the Selected Legal firms for review and execution

F.YHC executive staff is reviewing the RFP for tax credit Legal to be award at Yhc April board meeting

2. **Financial Reporting to the Board is often not adequate to enable Board to make decisions.**

A. *YHC fee accountant has developed monthly accounting reports for the BOC that are clear and understandable and in compliance with the financial policies of the BOCs.*

B. *These include monthly actual to budget comparisons Chart.*

C. *The YHC staff at the direction of the YHC BOC and in compliance with HUD regulation issued a RFP for Fee Account and Independent Audit Services.*

3. YHC is using/has used LRPH funds to support its non-LRPH mixed finance project.

A. Separate Checking Account has been established to ensure funds are properly separated and expended only for eligible approved budgeted expenses.

B. YHC has reimbursed all questioned and costs to its low rent program from its Development Fee Account.

C. This Development Fee Account is funded with nonfederal funds and therefore the reimbursement is from nonfederal funds.

D. In compliance with the HUD review team recommendation, a Cost Allocation plan I will be reviewed by the BOC

E. Plan has been established and provides for allocations from the Development Fee Account to the YHC general fund account for YHC staff time provided to its non-public housing property, Hamilton Crossing.

F. The Plan will reflect a percentages allocation to staff salaries and other overhead and soft cost to YHC

G. YHC Board to approval an allocation plan at February 2012 board meeting. Board of Commissioners tabled the presented allocation plan until their March meeting.

H. YHC Board will review and approval and allocation plan their March 2012 Board meeting

I. YHC Board approve a Allocation Plan for use or development fees with the request Executive Staff bring back to the board at it April 2012 Board meeting a request of approval for cost factor.

4. There is approximately $20,114 in questioned costs identified during the initial site visit.

A. The YHC has in its files/possession documentation supporting the resolution of all questioned costs, i.e. receipts etc. and as of 8-2-2011 HUD reviewed the documents

B. YHC has, effective 10-26-2011, repaid in-eligible costs to its low rent housing program from its Development Fee account for any expenditure questioned as in-eligible.

5. The Operating Budget and process needs to be improved to include all pertinent activities, cost efficiencies, etc.

A. Internal controls are inadequate.

The BOC will assure that, all internal controls and fiscal control policies will be reviewed and revised as needed.

B. The recommended improvements will provide for proper controls for vendor payment documentation, quality controls, personnel and other contract administration as well as any other areas identified as in need of greater control.

6. YHC would benefit from identification and institution of cost efficiencies. A recent review by a HUD contractor confirmed the PHARS Team's conclusion that YHC lacks sufficient controls in spending;

has excessively high administrative salaries; lacks clear distinction between the role of the contracted Fee Accountant and the role of the salaried Accounting Assistant; maintenance and administrative expenses are over-budget; tenant accounts receivables are higher than permitted by HUD.

A. *Proposals due date have been moved to Tuesday January 25, 2012 Due to lack of response and added addendum for responses to questions. Award Date has also been moved until February Board meeting or a requested call meeting*

B. *YHC is using utilize the recently established budgeting format and built in accessibility to current financial information to control expenditures regarding maintenance and other management related cost and expenditures; assuring that expenditures are within approved budgets.*

C. *This process will be perused with the fee accountant procured as recommended by the HUD review team in Item "8" above.*

D. *Expenditures will be reviewed within YHC policy before expenditure to assure that they are within budget, authorized. In response to the relative cost of the YHC Administrative salaries the YHC as referenced in item "12" above will apply cost adjustments allocating funds from the non-federal project Hamilton Crossing to the YHC with the net effect of lowering the salary cost for YHC.*

E. *The ED will analyze the job descriptions for the fee account and the YHC Accounting Assistant and present recommendations for the BOC's consideration at the 1-27-2012 meeting. (completed)*

F. *Further, the ED will work with the, to be newly procured, fee accountant to maintain clear roles and responsibilities between salaried and contracted fee accountant role: the clarifications will be incorporated into the new fee accountant's contract.*

G. *YHC ED reviewed the f YHC high tenant account receivables (TAR) the ED presented to the YHC BOC a resolution to write off uncollected receivables at the 11-01-2011 BOC Commission meeting.*

H. *YHC is reviewing the RFP'S for Audit and Fee accountant and will award the contract at the close of the FYE 2012 in order to complete fiscal year close out.*

Programmatic Governance and Execution

1. **YHC has a large percentage of vacant units (approx. 11%); YHC does not meet HUD standards for unit turnaround time; YHC does not have a plan or policy to make viable units market ready.- Modernization actions and costs must be included in YHC's Agency Plan and routine maintenance costs for unit turnaround must be included in YHC's operating budget.**
   - YHC's unit turnaround time is currently 99 days, 78 days longer than required under HUD regulations. YHC should keep its average unit turnaround time under 21 days

A. *Vacant unit turnaround plan will be created by Property Manager, Maintenance Coordinator and ED by 12/31/2011.*

B. *Vacancy; FYE 6/30/10 we had a 5% vacancy rate or averaged 9 vacant units per month for the year; Vacancy Rate as of*

C. *FYE 6/30/11 we had a 9% vacancy rate or averaged 17 vacant units per month for the year; (this vacancy increase was caused by YHC Public Housing Residents being issued Housing Choice Vouchers or section 8 subsidies, causing their move from Public housing units to Section 8 units); however due to public housing rent up efforts the*

D. *YHC currently has a 2.9% vacancy rate, or an average of 5 vacant unit as of 3/28/2012*

E. *Housing Data System, the YHC Vendor for maintenance of the Public Housing data in the HUD PIC system, will upload of Unit Turnaround/ Lease Batch be done on a monthly basis as opposed to a quarterly basis*

F. *YHC Administrative staff / Administrative Specialist will review Agency Plan and 2012 CFP Budget and will recommend revisions as needed. The YHC Budgets will reflect all current PNA items. Revised Agency Plan and CFP Budget will be presented to YHC BOC at February meeting.*

G. *Met with Residents to discuss and receive input 2012 Agency Plan on March 7, 2012*

2. The ARRA and Capital programs have severe deficiencies as evidenced by the lack of documentation and very poor record keeping.

A. *YHC has provided documentation to clear this finding regarding the use of insurance proceeds and CFP funds in the same units.*

B. *Documentation is available in our offices and has been provided both physically and by email to the HUD review team.*

C. *Records management procedures/system will be set up by the Administrative Specialist with supervision by the ED and presented to the YHC BOC at the March 2012 meeting. The maintenance supplies are also being included in the record management systems.*

D. *Met With Pat Hairston, HUD Detroit and Ms. Shook of PHARS to discuss the AARA and Insurance payment for paradise Manor Issue them Documents on Sole Contract*

3.

4. There are outstanding HUD review and audit findings.

A. *The YHC is working to close 2009 and 2010 CAP's*

B. *Agency Plan for FY 2010 has been uploaded and submitted to HUD*

C. *YHC is now working on its 2012 Agency Plan due in late April; meeting with residents are set for first week of March 2012 YHC will review with Resident its 2012 plans with comment from residents*

D. *YHC Submit March 2012 Cap 2010 Cap report to HUD completing the Brefering Package and utilite allowance chart*

AREA: HOUSING CHOICE VOUCHER

1. The YHC certified to a passing 2009 SEMAP score without benefit of documentation as documented by HUD's on-site SEMAP confirmatory review.

A. The YHC has procured the services of a HCV specialist since February 2011 and hired that person on a permanent basis affective 10-24-2011

B. . In accord with HUD Troubled Housing Recovery Team this staff person will be monitored by management; HCV utilization reports and trends will be made to the Board on a monthly basis at the BOC board meeting

2. Deficiencies identified include incorrect market rent calculations and unauthorized expansion of geographic territory outside of the previously HUD-approved area.

A. This individual has been hired and directed to continue and accelerate the correction of all deficiencies included in the 2009 & 2010 CAP Plan.

YPSILANTI HOUSING COMMISSION

601 ARMSTRONG DRIVE
YPSILANTI, MICHIGAN 48197-5281

TELEPHONE (734) 482-4300
FAX (734) 482-5515

RESOLUTION 2012-23
AUGUST 13, 2012

Whereas: The Ypsilanti Housing Commission is considering Transferring Housing Choice Voucher Program to MSHDA

Whereas: the YHC has been given only two options by HUD to remedy the projected shortfall in its Section 8 program and

Whereas: one of those options would put the burden of this shortfall on families we have faithfully tried to protect,

Therefore, be it resolved that the YHC rejects the above option and authorizes the Acting Executive Director to transfer YHC Section 8 program to MSHDA in order to hold our Section 8 tenants harmless and ensure their continued enjoyment of safe and affordable housing, subject to negotiation of appropriate transfer terms with MSHDA and HUD for the purpose of insuring all YHC obligations are met.

OFFERED BY: [redacted]

SUPPORTED BY: [redacted]

COMMISSIONER: [redacted]

COMMISSIONER: [redacted]

YES: 3 **NO:** 1 **ABSENT:** 0 **VOTE** 4

<u>Recovery Agreement between</u>
<u>Ypsilanti Housing Commission</u>
<u>And</u>
<u>the United States Department of Housing and Urban Development</u>
<u>and</u>
<u>the City of Ypsilanti, MI</u>

This Recovery Agreement is entered into between the Ypsilanti Housing Commission (YHC"), the UNITED STATES DEPARMENT OF HOUSING AND URBAN DEVELOPMENT ("HUD") and the City of Ypsilanti, MI as of this ___ day of _________________, 2011.

RECITALS

WHEREAS, under the United States Housing Act of 1937, as amended, ("Act"), 42 U.S.C. § 1437 *et seq*., the United States Department of Housing and Urban Development ("HUD") is responsible for administering low income housing programs, and pursuant to the Act, HUD has entered into an Annual Contributions Contract ("ACC") with the YHC to develop and operate public housing projects of the YHC; and

WHEREAS, pursuant to the Act, HUD must evaluate public housing performance and has instituted the Public Housing Assessment System ("PHAS"); and

WHEREAS, on the basis of an annual PHAS score, the YHC has been designated Troubled or Substandard for financial, physical and/or management indicators, or other such deficiencies as HUD has identified; and

WHEREAS, the Act requires HUD to enter into agreements that establish performance targets, set out strategies for meeting targets, provide for incentives and sanctions for effective implementation of the strategies leading to recovery of performance and attain an improved status of at least a Standard Performer; and

WHEREAS, the recovery of performance is intended to lead to a sustainable sound fiscal management and good governance; and

WHEREAS, the parties desire to correct all HUD-identified deficiencies through the implementation of this Recovery Agreement, ("Agreement");

NOW THEREFORE, in consideration of the mutual covenants and agreements herein contained, HUD, the YHC and the City of Ypsilanti, MI agree as follows:

I. The YHC agrees to achieve the outcomes outlined in the Action Plan and incorporated into this Agreement as Exhibit A.

II. The YHC and City of Ypsilanti, MI agree to work together to develop and implement a Sustainability Plan if necessary to achieve recovery.

III. The Action Plan describes the results following HUD's review and assessments of PHA performance, the measures that need to be implemented to improve the performance and the desired outcomes to be achieved and establishes a timetable to achieve those outcomes. The Action Plan also identifies the available remedies to resolve HUD's determination of non-performance.

IV. Upon execution of the Agreement, the YHC will commence with the required actions listed in the Plan within the timeframes set forth therein.

V. The YHC will cure identified deficiencies within the timeframes established in the Action Plan.

VI. Subject to section XII, regardless of possible changes in the YHC's Board composition, or the decision-making individuals for HUD or the Local Governing Entity Name, the term of this Agreement is effective as of the execution date of this document and will continue until completion of the Action Plan in accordance with 6(j) (2) and (3) of the Act, and any agreed upon extensions. This Agreement will remain in effect until the PHA has completed all items listed in the Plan, even if HUD removes the YHC's from the troubled/substandard designation.

VII. HUD, in its discretion, may provide technical assistance, including training or contract support, to the YHC to facilitate accomplishment of the items in the Action Plan. The YHC's compliance with the Action Plan, however, shall not be contingent on HUD's provision of any technical assistance or other discretionary assistance.

VIII. The YHC shall provide HUD with written progress reports as identified in the Action Plan. The report shall detail the PHA's progress towards the completion of the items required by the Action Plan. The reports shall identify those items that have been completed and provide any necessary documentation to support this determination.

IX. HUD will review the Action Plan progress reports submitted by the YHC and supporting documentation. HUD will confirm in writing to the YHC the items that HUD determines to have been successfully completed, those that require additional documentation and those that are past due.

X. If the YHC disagrees with HUD's determination concerning the completion of any item, the YHC may request a reconsideration of the determination and submit additional information to support its position. HUD will provide the YHC with a written notice of its decision.

XI. The failure of the YHC, its employees, officers, agents, or contractors to comply with this Agreement, including the failure to achieve the agreed upon outcomes or to take the actions or comply with the time frame set forth in the Action Plan, may result in HUD seeking any available remedies, including any of the following actions sequentially or simultaneously:

a. Consolidation;
b. Consortia/Joint Venture;
c. Contraction of Operational Activities;
d. Cooperative Endeavor Agreement;
e. Debarment;
f. Deliver possession and control of PHA project(s) to HUD;
g. Limited Denial of Participation;
h. Receivership; and/or
i. Suspension.

XII. The parties by mutual written agreement may agree to extend the timeframes set forth in the Action Plan from time to time. In the event said timeframes are extended, HUD agrees that it will not take any of the actions against the YHC as set forth in this section of the Agreement for noncompliance with original timeframes.

XIII. Communication related to the Recovery Agreement and Action Plan shall be provided to the Public Housing Director and the HUD Recovery Team leader, if applicable.

XIII. HUD, the YHC and their employees, subcontractors, partners or assigns, and the City of Ypsilanti, MI shall comply with all applicable federal, state, and local laws and regulations relating to the performance of this Agreement to which their activities are subject.

XIV. Notwithstanding any provisions of this Agreement to the contrary, the parties shall not be held liable for any failure or delay in the performance of this Agreement that arises from fires, floods, strikes, embargoes, acts of the public enemy, unusually severe weather, outbreak of war, riots, civil commotion, force majeure, acts of God, or for any other cause of same character which is unavoidable through the exercise of due care and beyond the control of the parties, provided that said failure or delay in the performance of this Agreement attributed to any of the events described herein is acknowledged in writing by HUD. Upon the issuance of HUD's written acknowledgement, the failure to perform shall be deemed excused during the continuance of such circumstances as determined by HUD, but this Agreement shall otherwise remain in effect.

XV. In the event of any conflict between terms in this Agreement, including all exhibits, attachments and all other documents specifically incorporated by reference, and HUD's applicable Public Housing requirements including, but not limited to, the Act, HUD regulations there under (and, to the extent applicable, any HUD-approved waivers of regulatory requirements), the ACC, HUD notices, the HUD-approved Declaration of Trust or Declaration of Restrictive Covenants in favor of HUD, and all applicable Federal statutory, executive order and regulatory requirements, as those requirements may be amended from time to time, the applicable Public Housing requirements shall prevail. HUD reserves the right to resolve any conflict.

XVI. Any modification or amendment of any condition or provision in this Agreement by either party will imply or constitute a further modification or amendment of the same or any other condition or provision, nor shall it relieve the parties from performing any subsequent obligations strictly in accordance with the term of this Agreement. No modification or amendment shall be effective unless in writing and signed by the party against whom enforcement is sought. Such modification or amendment shall be limited to provisions of this Agreement specifically referred to therein and shall not be deemed a modification or amendment of any other provision. No modification or amendment of this Agreement shall constitute a HUD-approved waiver of regulatory requirements.

XVII. Should any term or provision of this Agreement be held, to any extent invalid or unenforceable, as against any person, entity or circumstance during the term hereof, by force of any statute, law, or ruling of any forum of competent jurisdiction, such invalidity shall not affect any other term or provision of this Agreement to the extent that the Agreement shall remain operable, enforceable and in full force and effect to the extent permitted by law.

XVIII. To the extent authorized by the Act and HUD regulations, HUD can unilaterally amend this Agreement. Otherwise, this agreement may be amended by mutual agreement of the parties.

XIX. This Agreement states the entire understanding and agreement between the parties and supersedes any and all written or oral representations, statements, negotiations, or agreements previously existing between the parties with respect to the subject matter of this Agreement. However, this Agreement does not supersede, modify or amend the ACC as further described in Paragraph XXI. The parties recognize that any representations, statements or negotiations made by the staff of either party does not suffice to legally bind either party in a contractual relationship unless they have been reduced to writing and signed by their authorized representative(s). This Agreement shall inure to the benefit of and shall be binding upon the parties, their respective assigns, and successors in interest.

XX. This Agreement may be executed and delivered in separate counterparts, which, when so executed and delivered, shall be deemed an original.

XXI. This Agreement does not supersede, modify or amend the ACC between HUD and the YHC, or in any way excuse the YHC from complying fully with its obligations under the ACC. HUD does not waive its statutory, regulatory or contractual rights. Nothing contained in this Agreement shall serve to limit, modify or preclude HUD's right to take any remedial action allowed by the ACC or any provision of the Act or related regulations. Nothing contained in this Agreement shall serve to limit, modify or preclude HUD or the YHC's right to take any remedial action allowed by the Agreement.

XXII. The parties agree that any cost associated with the implementation of this Agreement, the Action Plan and the Sustainability Plan shall be their individual responsibility unless specifically agreed in writing between the parties.

IN WITNESS WHEREOF, the parties or their duly authorized representatives hereby execute this Agreement on the date first written above.

UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

By: ________________________________

Willie C.H. Garrett
Public Housing Director
Detroit Field Office

Ypsilanti Housing Commission
ATTEST: BY ITS BOARD OF COMMISSIONERS

By: ________________________________

Ma'Cheryl Jones
Board Chair
Ypsilanti Housing Commission

By: ________________________________

Walter Norris Jr.
Executive Director
Ypsilanti Housing Commission

By: ________________________________

Paul Schreiber
Mayor
City of Ypsilanti, MI

Sustainability Plan for the Ypsilanti Housing Commission September 2011- December 2011

Identified Deficiencies and Results and Determinations from Assessment	Desired Outcome/Measures	Tasks to Accomplish to Achieve Desired Outcomes	Target Accomplishment Date	Actual Accomplishment Date	Person/Entity Responsible for Completion	Comments /Accomplishments
AREA: GOVERNANCE						
The Board of Commissioners does not provide required governance over the Ypsilanti Housing Commission's ("YHC") programs, finances, and the Executive Director	PHAS and SEMAP scores; approve budgets that are appropriate to the programs of YHC and needs of the residents; ensures that no inter program fund transfers occur; and the greatest number of low income families are housed in decent, safe and sanitary housing in accordance with programmatic requirements.	Board assesses its knowledge, skills, and abilities ("KSAs") YHC Board will attend Commissioner Fundamentals Sault Ste. Marie, Michigan Sept 13-17 and will 1) share its knowledge with those Board members unable to attend, and 2) create a sustainable improvement plan for the Board, 3) Requires and analyzes PHAS and SEMAP status by indicator at each Board meeting	3/1/2012	Commissiner Ethington attend commissioner traningSept.12-17 -2011	YHC BOC , ED and ADM Specialist	A. YHC BOC met and evaluated the ED, on January 13,2012 B. Each BOC member was issued/reissued a copy of the YHC Procurement Policy on 10-28-2011. C. The procurement policy was updated reviewed and approval by the BOC at their December 12-15-2011 meeting. D. The BOC voted to review on quarterly basics all major contracts and 10% of all contracts issued, procurement awards etc. to assure that YHC is in compliance with the board's adopted procurement policy. E. The YHC requested that the Board and the City council receive a biweekly report effective January 18 until the plan is completed and accepted by HUD Council and board received a update report on January 18 F. YHC has submitted bi weekly report to the City Council ,YHC BOC and HUD January 26, &,Feb 2,2012 Feb 15,2012 G. YHC Board of Commissioners Met with HUD Detroit and HUD Troubled Housing Recovery Team Leader on Feb21,2012 to review sustainability plan and other housing program areas
The Executive Director ("ED") does not currently provide adequate oversight of the administration of YHC's programs	The ED ensures proper execution of the programs under ACC as evidenced by a clear organizational structure; appropriate accounting and audit of funds; improved PHAS and SEMAP scores; and proper filing and records retention to support YHC's actions.	1) Board and ED assess ED's knowledge, skills, and abilities, and 2) Board and ED create sustainable improvement plan To be on the agenda for Board retreat August 30& 31	12/1/2011	August 30 & 31 September 29th November 1	YHC BOC, ED and ADM Staff	A. YHC BOC reviewed and discussed with the ED and ADM staff the Sustainability Plan at the Board retreat August 30 & 31 and at the September 29th BOC meeting B. YHC Commissioners, Executive Director and staff are reviewing the organizational Chart and Job Descriptions. C. YHC Commissioners, approval the revised Job Description at January 26th Board Meeting D. organizational Chart will be revised and approval by Board of Commission at its February board meeting E. Board Approval YHC revised organizational Chart. at the February 23,2012 Board meeting
YHC is often non-responsive to the Department's request for information and the ED is often unreachable by HC or HUD staff	YHC makes required submissions to HUD in a timely manner, including responding to letters, electronic, and telephonic communication. Further, the ED is routinely present in the offices to personally attend to YHC business.	Create quality control system to ensure the ED provides appropriate responses within the requested time frame and otherwise improve lines of communications (system to include method of Board monitoring actions). Establish required routine office hours for the ED.	11/1/2011	11/1/2011	YHC BOC and ED	A. ED, will provide appropriate responses within the requested time frames all HUD communication i.e. e-mail, letters, telephone messages with copies sent to the BOC. B. The ED will be present in the YHC offices per the designated schedule prescribed in the YHC Personnel Policy unless out of office for meeting or other office related business, vacation, sick leave or emergencies all of which will be communicated to the BOC President or other designated person by the BOC C. The ED has addressed concerns and communication from HUD , Council and the BOC during the last two weeks including the: • Payment to the city for 2011 PILOT • Revised its CFP 2011 Annual statement/Performance and Evaluation • Updated and posted BOC minutes and Revision Parkview LLC minutes to the agency website • Completed and corrected NRA Voucher Management System for September 2011-December 2012 • Submitted YHC Public Housing Monthly Vacancy Report

Sustainability Plan for the Ypsilanti Housing Commission September 2011- December 2011

Identified Deficiencies and Results and Determinations from Assessment	Desired Outcome/Measures	Tasks to Accomplish to Achieve Desired Outcomes	Target Accomplishment Date	Actual Accomplishment Date	Person/Entity Responsible for Completion	Comments /Accomplishments
YHC lacks a training plan, yet has paid for some employee education	YHC has a sustainable training plan which is reflected in the appropriate budgets; enhances and improves the operations of the agency; and improves services to the residents being served.	Create a training plan, tied to the budgets, that includes maintenance, UPCS (REAC's inspection standards), specific Board and Executive staff training, Housing Choice Voucher Administration, conditions under which YHC will reimburse tuition, etc.	12/1/2011	11/1/2011	ED and YHC Staff	A. The Board has been provide a Training plan for each department B. A training plan, for the appropriate and affected Staff in the area of UPCS, SEMAP, PHAS, Housing Choice Voucher and Executive staff, Executive Director Education has been developed C. YHC will reimburse tuition and training for YHC employees will follow existing policy D. Board members to be offer board training to be provide by NCRC NAHRO in Peoria, IL April 25-27 E. Board member schedule to Commissioner Training June 11-16 in Cleveland, Ohio Hosted by HUD and the Department of Agriculture.
AREA: FINANCE						
The Ypsilanti Housing Commission ("YHC") does not have quality fee accountancy or independent audit services as evidenced by, in part, low Financial Indicator ("FASS") scores, the amount of initial costs questioned by the Department, interfund transfers, etc.	YHC's finances are properly accounted for by a fee accountant and IPA that have been properly procured.	Ensure proper procurement of high quality Fee Accountant and Auditor.	11/1/2011	11/1/2011	YHC BOC and ED	A. RFP for Fee Accountant and Auditor Service issued December 29, 2011. Proposals due 1/19/2012 and Contract to be awarded 1/27/2011. Proposals due date have been moved to Tuesday January 25, 2012 Due to lack of response and an added addendum for response to questions. Award date has also been moved until February Board meeting or a requested call meeting B. YHC has received and is reviewing the RFP's for Audit service and Fee accountant. The Director will make recommendation to the Board at YHC March board meeting C. YHC has received all RFP's for Legal and will be reviewing. The Director will make a recommendation to the Board at the March Board meeting. D. YHC Board Approved the selection of legal counsel for Tenant Landlord Issues. Roberts and Freatman from Ypsilanti Michigan and for General Council Nacht and associates from Ann Arbor Michigan.
Financial Reporting to the Board is often not adequate to enable Board to make decisions	Financial reports are provided to the Board in a manner and time sufficient for the Board to make well income decisions.	Provide documentation that YHC is following its financial policies and that it provides useful reports to the Board on a monthly basis	12/1/2011			A. YHC fee accountant has developed monthly accounting reports for the BOC that are clear and understandable and in compliance with the financial policies of the BOCs. B. These include monthly actual to budget comparisons Chart. C. The YHC staff at the direction of the YHC BOC and in compliance with HUD regulation issued a RFP for Fee Account and Independent Audit Services.
YHC is using/has used LRPH funds to support its non-LRPH mixed finance project	YHC's finances are properly recorded and document that ACC funds are only used for ACC programs.	1) Create oversight mechanism to ensure funds are properly segregated and expended only for eligible expenses 2) All questioned and unsupportable costs must be repaid with nonfederal funds 3) Identify source of nonfederal funds to be used 4) institute a cost allocation plan	11/1/2011	7/13/2011		A. Separate Checking Account has been established to ensure funds are properly separated and expended only for eligible approved budgeted expenses. B. YHC has reimbursed all questioned and costs to its low rent program from its Development Fee Account. C. This Development Fee Account is funded with nonfederal funds and therefore the reimbursement is from nonfederal funds. D. In compliance with the HUD review team recommendation, a Cost Allocation plan I will be reviewed by the BOC E. Plan has been established and provides for allocations from the Development Fee Account to the YHC general fund account for YHC staff time provided to its non-public housing property, Hamilton Crossing. F. The Plan will reflect a percentages allocation to staff salaries and other

Identified Deficiencies and Results and Determinations from Assessment	Desired Outcome/Measures	Tasks to Accomplish to Achieve Desired Outcomes	Target Accomplishment Date	Actual Accomplishment Date	Person/Entity Responsible for Completion	Comments /Accomplishments
There is approximately $20,114 in questioned costs identified during the initial site visit	All questioned costs are resolved.	Provide documentation supporting the resolution of all questioned costs, including receipts and justification of programmatic eligibility. Also identify the source of non-Federal funds to be used to repay ineligible costs	11/1/2011	8/2/2011 10-26-2011		A. The YHC has in its files/possession documentation supporting the resolution of all questioned costs, i.e. receipts etc. and as of 8-2-2011 HUD reviewed the documents B. YHC has, effective 10-26-2011, repaid in-eligible costs to its low rent housing program from its Development Fee account for any expenditure questioned as in-eligible.
The Operating Budget and process needs to be improved to include all pertinent activities, cost efficiencies , etc.	YHC has operating budgets/processes that ensure proper operations of the Agency	Draft 2012 Operating Budget based on operating subsidy, identified areas of cost efficiencies, needs of the housing commission, and inclusive of necessary software upgrades and/or specific Board and ED workshops/training	12/1/2011	]		The BOC will assure that, all internal controls and fiscal control policies will be reviewed and revised as needed. Board review the Internal and revised November 1,2011
Internal controls are inadequate	YHC has instituted internal controls sufficient to safeguard funds and ensure that all funds are appropriately expended	R . Institute controls that are sustainable. This is to include improvement in vendor payment documentation, quality controls, personnel and other contract administration, etc.	12/15/2011			The recommended improvements will provide for proper controls for vendor payment documentation, quality controls, personnel and other contract administration as well as any other areas identified as in need of greater control.
YHC would benefit from identification and institution of cost efficiencies. A recent review by a HUD contractor confirmed the PHARS Team's conclusion that YHC lacks sufficient controls in spending; has excessively high administrative salaries; lacks clear distinction between the role of the contracted Fee Accountant and the role of the salaried Accounting Assistant; maintenance and administrative expenses are over-budget; tenant accounts receivables are higher than permitted by HUD regulation.	YHC has appropriate levels of staffing, salaries, software and hardware systems to operate its programs with utmost efficiency, ensuring that the greatest number of eligible families are housed.	Identify costs efficiencies along with implementation and cost benefits. Include salaries, benefits, perquisites, admin and cleaning supplies, communications systems, etc. in review of expenses. Coordinate this cure with the development of an appropriate operating budget noted above	12/1/2011			*A. Proposals due date have been moved to Tuesday January 25, 2012 Due to lack of response and added addendum for responses to questions. Award Date has also been moved until February Board meeting or a requested call meeting* *B. YHC is using utilize the recently established budgeting format and built in accessibility to current financial information to control expenditures regarding maintenance and other management related cost and expenditures; assuring that expenditures are within approved budgets.* *C. This process will be perused with the fee accountant procured as recommended by the HUD review team in Item "8" above.* *D. Expenditures will be reviewed within YHC policy before expenditure to assure that they are within budget, authorized. In response to the relative cost of the YHC*
AREA: PROCUREMENT GOVERNANCE AND EXECUTION						
YHC's procurement files were incomplete providing no documentation of compliance with YHC's Procurement Policy.	All YHC procurement actions are properly planned, executed, and documented.	1) Thoroughly document all procurement actions thereby showing compliance with YHC procurement policy 2) Give all Board members a copy of the procurement policy, 3) Manager reviews files to assure compliance with YHC's procurement policy	12/1/2011	Issued a copy of YHC Procurment Polcy to all YHC Board Members		1) The ED will review files related to procurement for complete documentation **at time each contract is awarded** 2) Each BOC member was issued/reissued a copy of the YHC Procurement Policy on 10-28-2011. The procurement policy will also be reviewed and updated by 12-15-2011 by the ED and/or the Administrative Specialist and placed on the BOC's agenda for consideration and approval by the BOC at their December 12-15-2011 meeting. 3) The BOC will review quartly all major contracts and 10% of all contracts issued, procurement awards etc. to assure that YHC/the ED is in compliance with the board's adopted procurement policy.
AREA: PROGRAMMATIC GOVERNANCE AND EXECUTION						

Sustainability Plan for the Ypsilanti Housing Commission September 2011- December 2011

Identified Deficiencies and Results and Determinations from Assessment	Desired Outcome/Measures	Tasks to Accomplish to Achieve Desired Outcomes	Target Accomplishment Date	Actual Accomplishment Date	Person/Entity Responsible for Completion	Comments /Accomplishments
YHC has a large percentage of vacant units (approx. 11%); YHC does not meet HUD standards for unit turnaround time; YHC does not have a plan or policy to make viable units market ready.-Modernization actions and costs must be included in YHC's Agency Plan and routine maintenance costs for unit turnaround must be included in YHC's operating budget. - YHC's unit turnaround time is currently 99 days, 78 days longer than required under HUD regulations. YHC should keep its average unit turnaround time under 21 days	YHC maintains a vacancy rate of 3% or less; has a unit turnaround rate of 21 days or less; and all capital and maintenance items are included in the appropriate documents.	1)Create vacant unit turnaround plan. 2)Review with HDS Unit Turnaround Upload (Batch) 3) Ensure PNA items are included in the Agency Plan and in the CFP budget; 4) routine maintenance must be identified and reflected in the operating budget	1/1/2012			A. Vacant unit turnaround plan will be created by Property Manager, Maintenance Coordinator and ED by 12/31/2011. B. Vacancy; FYE 6/30/10 we had a 5% vacancy rate or averaged 9 vacant units per month for the year; Vacancy Rate as of C. FYE 6/30/11 we had a 9% vacancy rate or averaged 17 vacant units per month for the year; (this vacancy increase was caused by YHC Public Housing Residents being issued Housing Choice Vouchers or section 8 subsidies, causing their move from Public housing units to Section 8 units); however due to public housing rent up efforts the D. YHC currently has a 2.9% vacancy rate, or an average of 5 vacant unit as of 2-29-2012 E. Housing Data System, the YHC Vendor for maintenance of the Public Housing data in the HUD PIC system, will upload of Unit Turnaround/ Lease Batch be done on a monthly basis as opposed to a quarterly basis F. YHC Administrative staff / Administrative Specialist will review Agency Plan and 2012 CFP Budget and will recommend revisions as needed. The YHC Budgets will reflect all current PNA items. Revised Agency Plan and CFP Budget will be presented to YHC BOC at February meeting.
The ARRA and Capital programs have severe deficiencies as evidenced by the lack of documentation and very poor record keeping.	The ARRA program is properly closed out and the continuing CFPs are properly administered and documented.	1) Provide additional documentation - as needed - to support the apparent use of insurance proceeds and CFP funds in the same units, 2) Resolve all findings in the ARRA Year 3 report, 3) set up and maintain appropriate records management and retention policies to ensure presences of required and desired documentation.	2/1/2012			A. YHC has provided documentation to clear this finding regarding the use of insurance proceeds and CFP funds in the same units. B. Documentation is available in our offices and has been provided both physically and by email to the HUD review team. C. Records management procedures/system will be set up by the Administrative Specialist with supervision by the ED and presented to the YHC BOC at the March 2012 meeting. The maintenance supplies are also being included in the record management systems.
There are outstanding HUD review and audit findings.		Close all HUD review and findings, including CAP 2010, Agency Plan 2010.	12/1/2011		8/10/2011Up loaded Arency Plan and Submitted	A. The YHC has closed all review and CAP findings by 12-1-2011. B. Agency Plan for FY 2010 has been uploaded and submitted to HUD C. YHC is now working on its 2012 Agency Plan due in late April; meeting with residents are set for first week of March 2012
AREA: HOUSING CHOICE VOUCHER						
The YHC certified to a passing 2009 SEMAP score without benefit of documentation as documented by HUD's on-site SEMAP confirmatory review. Deficiencies identified include incorrect market rent calculations and unauthorized expansion of geographic territory outside of the previously HUD-approved area.	YHC's HCV program is properly administered as evidenced by sustainable SEMAP scores based on documented evidence.	1)HCV should be administered by an HCV program specialist whose actions are monitored by management 2) HCV utilization reports and trends should be made to the Board on a regular basis, 3) All deficiencies included in the 2010 CAP must be corrected, with the corrections clearly documented.	2/1/2012	10/24/2011		A. The YHC has procured the services of a HCV specialist since February 2011 and hired that person on a permanent basis affective 10-24-2011 B. . In accord with HUD Troubled Housing Recovery Team this staff person will be monitored by management; HCV utilization reports and trends will be made to the Board on a monthly basis at the BOC board meeting A. This individual has been hired and directed to continue and accelerate the correction of all deficiencies included in the 2009 & 2010 CAP Plan.

Resolution No. 2012-159
August 14, 2012

RESOLVED BY THE COUNCIL OF THE CITY OF YPSILANTI:

That the City Council Meeting be adjourned, on call, by the Mayor or two (2) members of Council.

OFFERED BY: ______________________________

SUPPORTED BY: ______________________________

YES: NO: ABSENT: VOTE: