



Community Services of Arizona

650 N. Arizona Avenue
Chandler, Arizona 85225

**COMMUNITY SERVICES OF ARIZONA
Board Minutes
Meeting of March 26, 2007**

CALL TO ORDER

Meeting was called to order at 11:58 a.m.

ROLL CALL

Board Present

**OREN WALLACE
ROSEMARY MORTON
MARY YAUCH
MARILYN BARTH
LOUIS HULSEY
DAVID TSOSIE
ROSIE MILLER
MARETTA WOOD**

Board Absent

**NORMAN MUDD
WILLIAM FRANK
ROBERT MEAD**

Staff Present

**BRIAN SWANTON
CAROL KOCHLIN
MARK KOCHMAN
KATE BLACKSTOCK
LOWELL CRARY
SHAWNA FELLEZ
RUBEN RUIZ
CHRISTINE WETHERINGTON
KAZEM MOTAMEDI**

A quorum was present.

MINUTES

Louis Hulsesey made a motion to accept the Minutes of the previous meeting as presented. Marettta Wood seconded. The motion carried.

RESOLUTIONS

Brian Swanton introduced two separate resolutions for state funding related to development projects for multi-family affordable housing. The first is for a construction project located in Pinetop that is nearing completion but has experienced set backs due to weather conditions. The second project is an older 44 unit property located in Huachuca City. This property was donated to CSA about a year ago, needs considerable rehab work, and is located in an area which is in need of affordable housing.

Louis Hulsey made a motion to adopt the Pinetop resolution as presented. Rosemary Morton seconded. Motion carried.

David Tsosie made a motion to adopt the Huachuca resolution as presented. Marilyn Barth seconded. Motion carried.

FINANCE REPORT

CFO Mark Kochman presented the financial report for CSA core activities for the period ended December 31, 2006. He added that mid-year reports are not as thorough as the year-end audited financials but interim financials are useful tools.

Mr. Kochman reported that property acquisitions and rehab projects have added to both assets and the associated debt. The numbers reported on the Profit and Loss statement are dependent to a degree by the audit which was received just last month. Also noted was a large non-recurring item of \$1 million dollars received from the Federal Home Loan Bank this year. This was a grant to CSA for the acquisition and rehabilitation of the Park Lee apartments. Following up on recommendations of the auditors, adjustments have been and are still being posted. Also pending is the reclassification of approximately \$300K of current expenses which will be capitalized before year end.

Bound copies of the FYE 2006 audit have been received from Lisa Lumbard.

OFFICE BUILDING FINANCING REPORT

Lowell Crary showed a Powerpoint presentation to illustrate this topic. The mortgage on 650 N. Arizona has an adjustable rate with no cap on the interest rate and a 10 year balloon payment due (or refinancing required). Mark Kochman pointed out for purposes of comparison, the original documents were ½ point lower than the rate reported here.

While CSA can charge rent to programs such as the Chandler CAP, federal funding can not be used to reimburse those costs. Accounting requirements require owners to have an "arms length" relationship to tenants. Louis Hulsey asked if we could adjust the space costs to claim the expenses. Mr. Crary answered that CSA's depreciation is the only allowed recovery method. Mr. Kochman added that neither interest nor rent can be charge to federal programs, but depreciation is allowed. We can charge depreciation whether or not we pay off the mortgage on the building.

Mr. Crary stated that, although CSA uses BRT to lease equipment, transferring ownership of the building to an LLC is more complicated. If we form a wholly-owned LLC to own the building, CSA would still be the sole member and would be subject to the same limitations on reimbursement from federal funds.

Mr. Swanton stated that, as a result of the limitations on federal funding, about 75% of the costs of the building are not covered by funding sources. If CSA were to pay off the mortgage, we would be able to leverage the property and acquire an equity line of credit to provide an additional source of cash when needed in the future. The equity line would likely have a more favorable interest rate than we currently have. A discussion ensued about whether to pay off the CSA office building versus paying off the mortgage for one or several of our rental properties. Mr. Swanton stated that rental properties are income producers, hopefully covering the cost of their respective debt service requirements. However, our office building is not an income producing asset. Mr. Kochman added that we can buy and sell rental properties much easier, when the need arises, than we can with our corporate office. Chairman Wallace requested it be noted in the minutes that the Board supports the staff in proceeding down the pay off path, but that a specific resolution would not be required. Both Mr. Swanton and Mr. Kochman agreed that paying off the mortgage seemed like a logical path prior to the end of the current fiscal year. Mr. Swanton stated that we will proceed with the payoff of the office building mortgage at 650 N. Arizona Avenue in Chandler, AZ, barring any unforeseen obstacles.

FUNDING REQUEST REPORT

As is customary at this time of year, the Board was presented with a preliminary report of funding requests for the upcoming fiscal year. Lowell Crary pointed out that, although the requests have been submitted, it is too early to have much in the way of responses. He added that zeros in the far right column means that funding has already been denied, but that blank spaced means that no funding decision have been made.

Rosemary Morton asked that the Board be provided monthly updates. Board Members also requested larger print for future reports.

Brian Swanton stated that Mr. Crary has been instrumental in the property tax exemption process resulting in significant property tax reductions. Mr. Swanton reported that we have been in contact with a state legislator in an effort to modify the existing tax exemption legislation, making it easier for CSA and other non-profit affordable housing owners in Arizona to receive property tax exemptions.

OTHER BUSINESS

Christine Wetherington reminded everyone that the United Way Site Visit will take place at 2 p.m. this Wednesday at Park Lee. Carpooling may be coordinated through Ms. Wetherington. All Board members are encouraged to attend and participation is greatly appreciated by United Way. Next year, CSA plans to host the United Way visit at the new Senior Center facility in Gilbert.

Carol Kochlin provided an update on the Todd Clausen case. CSA is listed as the victim in this legal case which involves a former employee. Mr. Clausen entered a plea bargain to lesser counts. CSA was offered the option of either appearing at the sentencing hearing or providing a narrative. A copy of the narrative prepared by Ms. Kochlin is included in the Board packet.

Chairman Oren Wallace announced that, as specified in the By-Laws, Board elections are to be held in May of the odd numbered years. Therefore, Kate Blackstock is to contact every Board member and ask if they would like to continue serving on the Board and also if they are interested in serving in one of the four officer positions (Chairman, Vice Chairman, Secretary, or Treasurer). Terms of office are two years. A nomination report will be presented at the April Board meeting. Elections, or affirmations for uncontested offices, will be held at the upcoming May Board meeting.

ADJOURNMENT

The meeting was adjourned at 1:20 p.m.

Respectfully Submitted:

A handwritten signature in cursive script that reads "Kate Blackstock".

Kate Blackstock
Recorder