CITY OF SOUTH ST. PAUL
MEETING AGENDA

WORK SESSION

Training Room
125 3rd Avenue North
South St. Paul, MN 55075

Monday, July 13, 2026
7:00 PM

1. CALL TO ORDER

2. DISCUSSION ITEMS

A. Presentation of the City Annual Comprehensive Financial Report for the year ended December 31, 2025 by Jackie Huegel, Principal, LB Carlson

B. Arnour Gate Memorial Committee Update

C. EDA Programs (Housing-Related) Update

3. COUNCIL COMMENTS & QUESTIONS

4. ADJOURNMENT

WORK SESSION AGENDA REPORT

DATE:	July 13, 2026
DEPARTMENT:	Finance
PREPARED BY:	Clara Hilger
AGENDA ITEM NUMBER:	2.A.

MEETING TYPE
Regular Meeting

AGENDA ITEM
Presentation of the City Annual Comprehensive Financial Report for the year ended December 31, 2025 by Jackie Huegel, Principal, LB Carlson

ACTION TO BE CONSIDERED OR DESIRED OUTCOME
Presentation of the Annual Comprehensive Financial Report by the audit firm with discussion to follow.

OVERVIEW
At the close of each fiscal year, the City's chief financial officer must prepare a financial report covering the City's operations during that fiscal year. The report must use generally accepted accounting principles (GAAP) to present financial statements and disclosures that fully portray the City's financial position and the results of City operations.

The EDA and HRA are blended component units of the City and their funds are incorporated into the City's Financial Report. A separate financial report on the low rent housing programs will be issued only to satisfy HUD reporting requirements.

Jackie Huegel, CPA, Principal, with LB Carlson and staff will present the December 31, 2025 Audited Financial Reports (Annual Comprehensive Financial Report, related Management Report, and Special Purpose Audit Reports).

An electronic copy of the complete financial report can be found on the City of South St. Paul Website – www.southstpaul.org – Departments & Services – Finance – Financial Reports.

Acceptance of the Annual Comprehensive Financial Report will be on the Council Agenda for July 20, 2026.

SOURCE OF FUNDS
N/A

ATTACHMENTS
1. 2025 South St. Paul Management Report
2. 2025 South St. Paul Special Purpose Report

3. 2025 South St. Paul Corrective Action Plan

Management Report

for

City of South St. Paul, Minnesota

December 31, 2025

LB | CARLSON

Certified Public Accountants Business Consultants

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LB | CARLSON

To the City Council and Management
City of South St. Paul, Minnesota

We have prepared this management report in conjunction with our audit of the City of South St. Paul, Minnesota's (the City) financial statements for the year ended December 31, 2025. We have organized this report into the following sections:

- Audit Summary
- Governmental Funds Overview
- General Fund Overview
- Enterprise Funds Overview
- Government-Wide Financial Statements
- Accounting and Auditing Updates

We would be pleased to further discuss any of the information contained in this report or any other concerns that you would like us to address. We would also like to express our thanks for the courtesy and assistance extended to us during the course of our audit.

The purpose of this report is solely to provide those charged with governance of the City, management, and those who have responsibility for oversight of the financial reporting process comments resulting from our audit process and information relevant to city finances in Minnesota. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,

LB Carlson, LLP

LB CARLSON, LLP
Minneapolis, Minnesota

June 24, 2026

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AUDIT SUMMARY

The following is a summary of our audit work, key conclusions, and other information that we consider important or that is required to be communicated to the City Council, administration, or those charged with governance of the City.

OUR RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA, *GOVERNMENT AUDITING STANDARDS*, AND TITLE 2 U.S. CODE OF FEDERAL REGULATIONS PART 200, *UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS FOR FEDERAL AWARDS (*UNIFORM GUIDANCE*)*

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended December 31, 2025. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards,* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information to you verbally and in our audit engagement letter. Professional standards also require that we communicate the following information related to our audit.

PLANNED SCOPE AND TIMING OF THE AUDIT

We performed the audit according to the planned scope and timing previously discussed and coordinated in order to obtain sufficient audit evidence and complete an effective audit.

AUDIT OPINIONS AND FINDINGS

Based on our audit of the City's financial statements for the year ended December 31, 2025:

- We have issued unmodified opinions on the City's basic financial statements.
- We reported no deficiencies in the City's internal control over financial reporting that we considered to be material weaknesses.
- The results of our testing disclosed no instances of noncompliance required to be reported under *Government Auditing Standards.*
- We reported that the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements.
- The results of our tests indicate that the City has complied, in all material respects, with the types of compliance requirements that could have a direct and material effect on each of its major federal programs.
- We reported two deficiencies in the City's internal controls over compliance with the types of compliance requirements that could have a direct and material effect on each of its major federal programs.
    - Material Weakness – The City's internal controls over compliance were not sufficient to ensure the Schedule of Expenditures of Federal Awards was prepared accurately.
    - Significant Deficiency – The City's internal controls over compliance with federal suspension and debarment were not sufficient to ensure the City's determination that vendors participating in federal contracts were not suspended or debarred was adequately documented.

- We reported one finding based on our testing of the City's compliance with Minnesota laws and regulations.

    - The City did not obtain the required documentation of either a Commissioner of Revenue Form IC134 or a Contractor's Withholding Affidavit as required by state statutes prior to making final settlement.

OTHER OBSERVATIONS AND RECOMMENDATIONS

Internal Controls Over Vendors

A relatively common method of attempting to defraud local governments involves inducing them to pay claims from fictitious vendors for goods or services that were never provided. Strong safeguards over adding new vendors or making changes to existing vendors within the government's accounts payable system is an important control to mitigate this risk. Some considerations in this area include:

- Limiting the number of employees with access to add or alter vendor records within the accounts payable system,
- Requiring vendor additions or changes to be reviewed and approved by supervisory personnel, preferably one not directly involved in processing accounts payable,
- Verifying the legitimacy of vendors by obtaining a W-9 or other means,
- Verifying any changes to vendor address or banking information prior to processing payments, and
- Periodically reviewing the vendor listing to remove inactive vendors from the system.

Uniform Guidance Revisions

As part of the requirements with a Single Audit of the City's expenditures of federal awards and receipt of federal funding, the City is obligated to maintain a comprehensive system of internal controls over federal grant compliance that is up to date with current requirements. The U.S. Office of Management and Budget issued a revision to the Uniform Guidance in 2024, aiming to streamline grant management and reduce grantor agency and recipient burden. The revised guidance is effective for new federal grant entitlements awarded on or after October 1, 2024.

The revision includes a number of significant changes to the federal Single Audit process, including: an increase in dollar threshold for requiring a Single Audit from $750,000 to $1,000,000; changes to the thresholds and process used for determining major programs; an increase in the threshold for the disposition of equipment and remitting unused supplies from $5,000 to $10,000; and an increase in the federal de minimis indirect cost rate from 10 percent to 15 percent. Key changes to written policy requirements for recipients include: enhancement of cybersecurity controls, inclusion of veteran-owned businesses to the group of entities for procurement preference, and a broadened scope for reporting of mandatory disclosures. We recommend the City continue the proactive review of internal control policies to ensure compliance with current guidance.

SIGNIFICANT ACCOUNTING POLICIES

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 of the notes to basic financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended December 31, 2025.

We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

ACCOUNTING ESTIMATES AND MANAGEMENT JUDGMENTS

Accounting estimates are an integral part of the basic financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements, and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- **OPEB and Pension Benefits** – The City has recorded liabilities and activity for other post-employment benefits (OPEB) and pension benefits. Actuarial estimates of these obligations are calculated using actuarial methodologies described in Governmental Accounting Standards Board Statement Nos. 68 and 75. The actuarial calculations include significant assumptions, including projected changes, healthcare insurance costs, investment returns, retirement ages, proportionate share, and employee turnover.

- **Depreciation** – Management's estimates of depreciation expense are based on the estimated useful lives of the assets.

- **Value of Land Held for Resale** – These assets are stated at net realizable value based on management's estimates.

- **Compensated Absences** – Management's estimate is based on current rates of pay and unused compensated absence balances, and the likelihood compensated absences will be paid out over the course of employment or at termination.

- **Self-Insurance** – Management's estimates of self-insurance reserves are based on the estimated liability for incurred but not reported claims.

- **Unbilled Utilities** – Management's estimates of unbilled utilities are based on the portion of the first billing cycle in the subsequent year applicable to the current year.

We evaluated the key factors and assumptions used by management to develop these accounting estimates in determining that they are reasonable in relation to the basic financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The disclosures included in the notes to the basic financial statements related to OPEB and pension benefits are particularly sensitive, due to the materiality of the liabilities, and the large and complex estimates involved in determining the disclosures.

The financial statement disclosures are neutral, consistent, and clear.

DISAGREEMENTS WITH MANAGEMENT

For purposes of this report, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

We encountered no significant difficulties in dealing with management in performing and completing our audit.

MANAGEMENT REPRESENTATIONS

We have requested certain representations from management that are included in the management representation letter dated June 24, 2026.

CORRECTED AND UNCORRECTED MISSTATEMENTS

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statement taken as a whole.

MANAGEMENT CONSULTATIONS WITH OTHER INDEPENDENT ACCOUNTANTS

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

OTHER AUDIT FINDINGS OR ISSUES

We generally discuss a variety of matters, including the application of accounting principles and auditing standards with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

OTHER MATTERS

We applied certain limited procedures to the management's discussion and analysis, budgetary comparison schedules for the General Fund and major special revenue funds, and the pension and OPEB-related required supplementary information (RSI) that supplement the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the supplementary information accompanying the financial statements and the separately issued Schedule of Expenditures of Federal Awards, which are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the introductory and statistical sections, which accompany the financial statements, but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

GOVERNMENTAL FUNDS OVERVIEW

This section of the report provides you with an overview of the financial trends and activities of the City's governmental funds, which includes the General, special revenue, debt service, and capital project funds. These funds are used to account for the basic services the City provides to all of its citizens, which are financed primarily with property taxes. The governmental fund information in the City's financial statements focuses on budgetary compliance and the sufficiency of each governmental fund's current assets to finance its current liabilities.

GOVERNMENTAL FUND BALANCES

The following table summarizes the changes in the fund balances of the City's governmental funds during the year ended December 31, 2025, presented both by fund balance classification and by major fund:

Governmental Funds Change in Fund Balance

	Fund Balance as of December 31,		
	2025	2024	Change
Fund balances of governmental funds			
Total by classification			
Nonspendable	$ 251,748	$ 297,924	$ (46,176)
Restricted	18,175,868	17,699,838	476,030
Committed	4,590,970	4,632,656	(41,686)
Assigned	4,167,946	4,554,551	(386,605)
Unassigned	9,426,487	6,724,719	2,701,768
Total governmental funds	$ 36,613,019	$ 33,909,688	$ 2,703,331
Total by fund			
General	$ 16,945,977	$ 15,900,960	$ 1,045,017
Doug Woog Arena	(736,099)	(507,808)	(228,291)
Airport	(10,706)	(38,246)	27,540
Capital Programs	3,981,630	3,670,519	311,111
Local Improvements	(951,030)	(1,870,316)	919,286
Tax Increment	6,689,848	6,851,549	(161,701)
Other governmental funds	10,693,399	9,903,030	790,369
Total governmental funds	$ 36,613,019	$ 33,909,688	$ 2,703,331

In total, the fund balances of the City's governmental funds increased by $2,703,331 during the year ended December 31, 2025. Unassigned fund balance increased $2,701,768 in unassigned fund balances for local improvements, airport improvements, and in the General Fund.

Doug Woog Arena Fund – This fund had a decrease in fund balance of $228,291 and has had to consistently borrow from other funds to fund cash flow needs. The interfund borrowing totals $834,865 at December 31, 2025.

Airport Fund – This fund had an increase in fund balance of $27,540 and has had to borrow from other funds to fund cash flow needs. The interfund borrowing totals $52,100 at December 31, 2025.

We recommend that the City continue to monitor the financial results in these funds. We also recommend that the City continue to update the long-range financial plan for these funds, including considering plans for financing the payback of the interfund borrowing in these funds.

GOVERNMENTAL FUNDS REVENUE

The following table presents the City's governmental funds revenue by source for the last two fiscal years:

Governmental Funds Revenue by Source

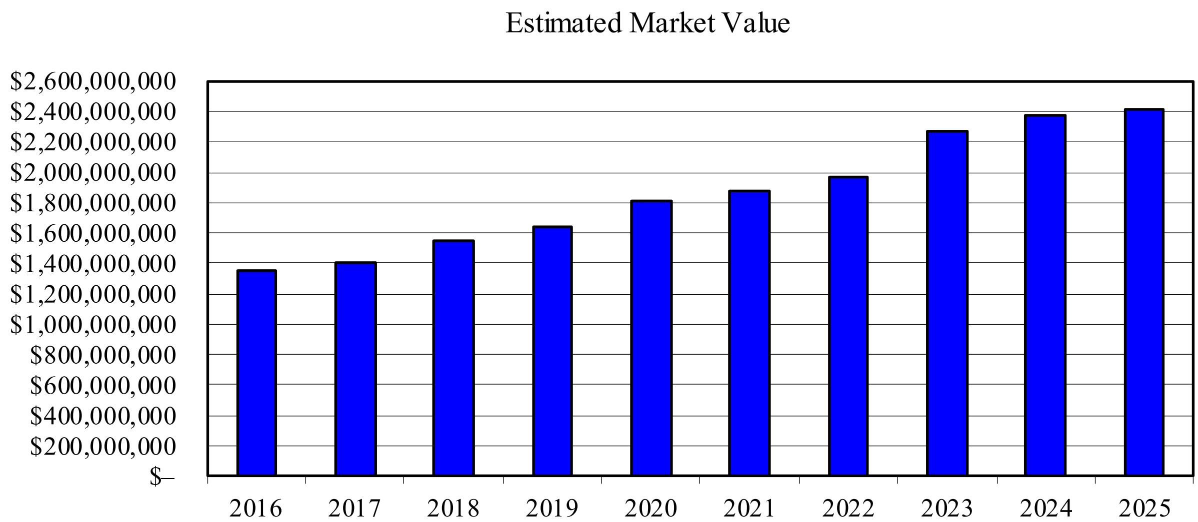
	2025		2024		Year-to-Year Change	
	Revenue	Percent of Total	Revenue	Percent of Total	Dollar Change	Percent Change
Property taxes	$ 18,150,338	46.0 %	$ 17,297,240	41.6 %	$ 853,098	4.9 %
Tax increments	1,087,365	2.8	3,387,150	8.1	(2,299,785)	(67.9) %
Franchise and other taxes	1,518,291	3.9	1,346,855	3.2	171,436	12.7 %
Special assessments	628,158	1.6	765,495	1.8	(137,337)	(17.9) %
Licenses and permits	490,556	1.2	532,877	1.3	(42,321)	(7.9) %
Intergovernmental	10,330,285	26.2	10,744,982	25.7	(414,697)	(3.9) %
Charges for services	5,610,315	14.2	5,441,963	13.0	168,352	3.1 %
Other	1,618,338	4.1	2,213,007	5.3	(594,669)	(26.9) %
Total revenue	$ 39,433,646	100.0 %	$ 41,729,569	100.0 %	$ (2,295,923)	(5.5) %

The City generated $39,433,646 of total revenue in its governmental funds in 2025, a decrease of $2,295,923 (5.5 percent) from the prior year. The largest change occurred with a decrease in tax increments revenue, due to the decertification of the Concord TIF district at the end of 2024.

PROPERTY TAXES

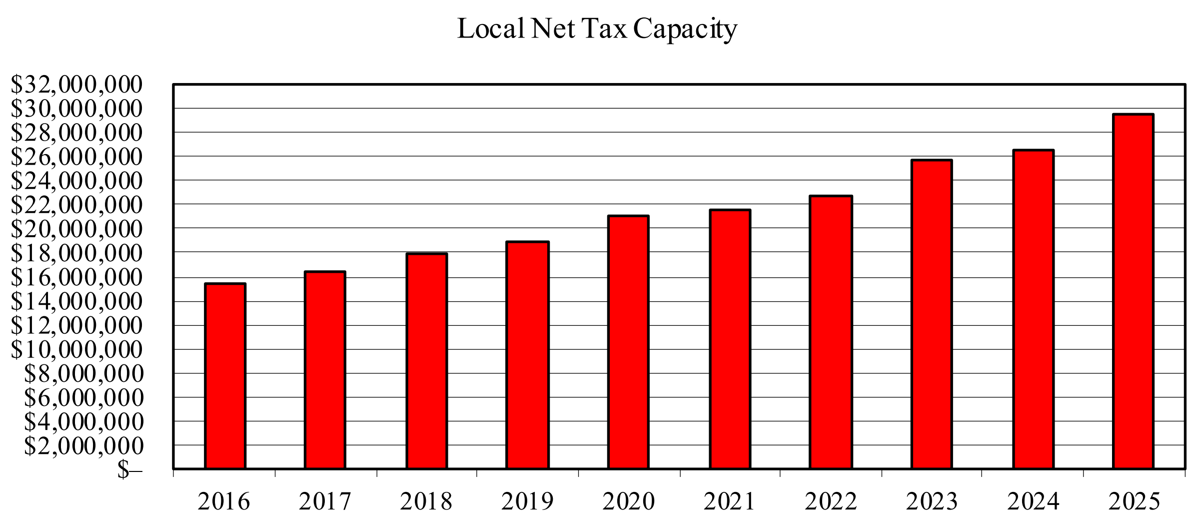
Minnesota cities rely heavily on local property taxes to support governmental fund activities. In the 2025 fiscal year, ad valorem property taxes provided 46.0 percent, while tax increment provided 2.8 percent of the City's total governmental funds revenue.

The City's estimated market value increased 4.3 percent in 2024 and 1.7 percent in 2025. The following graph shows the City's changes in estimated market value over the past 10 years:

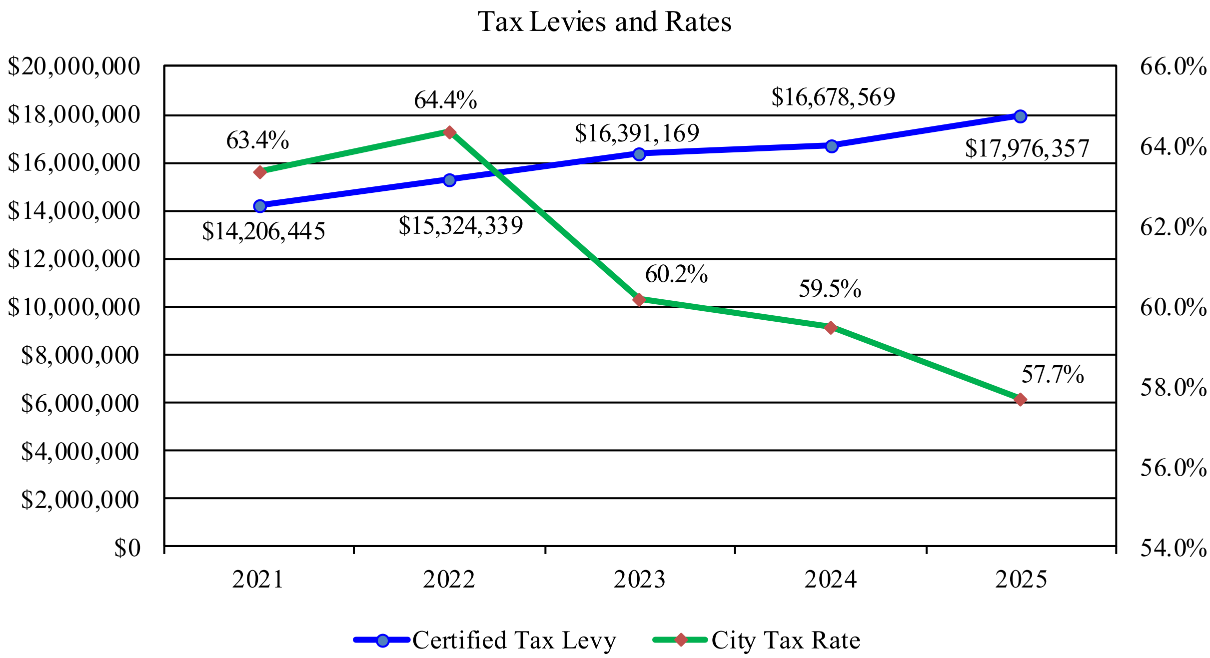


Tax capacity is considered the actual base available for taxation. It is calculated by applying the state's property classification system to each property's market value. Each property classification, such as commercial or residential, has a different calculation and uses different rates. Consequently, a city's total tax capacity will change at a different rate than its total market value, as tax capacity is affected by the proportion of its tax base that is in each property classification from year-to-year, as well as legislative changes to tax rates. The City's tax capacity increased 3.5 percent for taxes payable in 2024 and increased 10.8 percent for taxes payable in 2025.

The following graph shows the City's change in tax capacities over the past 10 years:



The following graph presents the City's certified tax levy and resulting tax rates applied to city residents for each of the last five levy years:



The City's certified levy has continued to grow over the last five years, while the tax rate has also changed due to the shift of the tax base. The tax rate has also changed as presented in the graph above due to the shift of the library to the county and the decertification of tax increment financing districts.

GOVERNMENTAL FUND EXPENDITURES

The City's governmental funds expenditures are classified into three types as follows:

- **Current** – These are typically the general operating type expenditures occurring on an annual basis, and are primarily funded by general sources, such as taxes and intergovernmental revenues.

- **Capital Outlay** – These expenditures do not occur on a consistent basis, more typically fluctuating significantly from year-to-year. Many of these expenditures are project-oriented, and are often funded by specific sources that have benefited from the expenditure, such as special assessment improvement projects.

- **Debt Service** – Although the expenditures for debt service may be relatively consistent over the term of the respective debt, the funding source is the important factor. Some debt may be repaid through specific sources, such as special assessments or redevelopment funding, while other debt may be repaid with general property taxes.

The following table presents the City's governmental funds expenditures by type for the last two fiscal years:

Governmental Funds Expenditures by Type

	2025		2024		Year-to-Year Change	
	Expenditures	Percent of Total	Expenditures	Percent of Total	Dollar Change	Percent Change
Current						
General government	$ 3,107,003	8.4 %	$ 3,484,340	7.6 %	$ (377,337)	(10.8) %
Public safety	11,198,894	30.2	11,033,676	24.1	165,218	1.5 %
Public works	5,919,167	15.9	7,099,898	15.5	(1,180,731)	(16.6) %
Community development	2,196,846	5.9	1,979,635	4.3	217,211	11.0 %
Parks, arena	2,419,540	6.5	2,330,744	5.1	88,796	3.8 %
Economic development	730,503	2.0	982,434	2.1	(251,931)	(25.6) %
Transportation	1,634,924	4.4	1,706,733	3.7	(71,809)	(4.2) %
Total current	27,206,877	73.3	28,617,460	62.4	(1,410,583)	(4.9) %
Capital outlay	6,841,599	18.4	14,481,118	31.9	(7,639,519)	(52.8) %
Debt service	3,082,817	8.3	2,615,273	5.7	467,544	17.9 %
Total expenditures	$ 37,131,293	100.0 %	$ 45,713,851	100.0 %	$ (8,582,558)	(18.8) %

Total expenditures in the City's governmental funds for 2025 were $37,131,293, a decrease of $8,582,558 (18.8 percent) from the prior year. The decrease was mainly in capital outlay, due to the tax increment financing activity related to the Concord Exchange project and the taxiway reconstruction project at the airport in the prior year. Public works expenditures also decreased mainly with fewer street maintenance projects in the current year.

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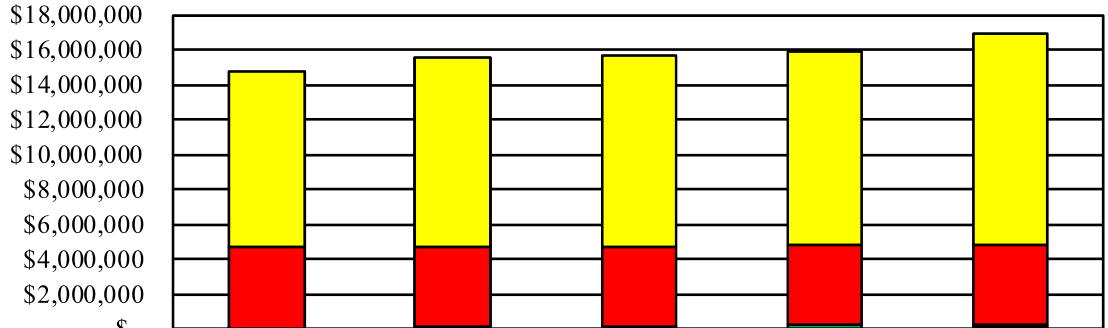
GENERAL FUND OVERVIEW

This section of the report focuses specifically on the financial trends and activities of the General Fund, which accounts for the financial activity of the basic services provided to the community. The primary services included within this fund include the administration of municipal operations, police and fire protection, permitting and building inspection, streets and highway maintenance, culture and recreation, and economic development.

GENERAL FUND FINANCIAL POSITION

The graph below illustrates the change in the fund balances of the General Fund over the last five years.

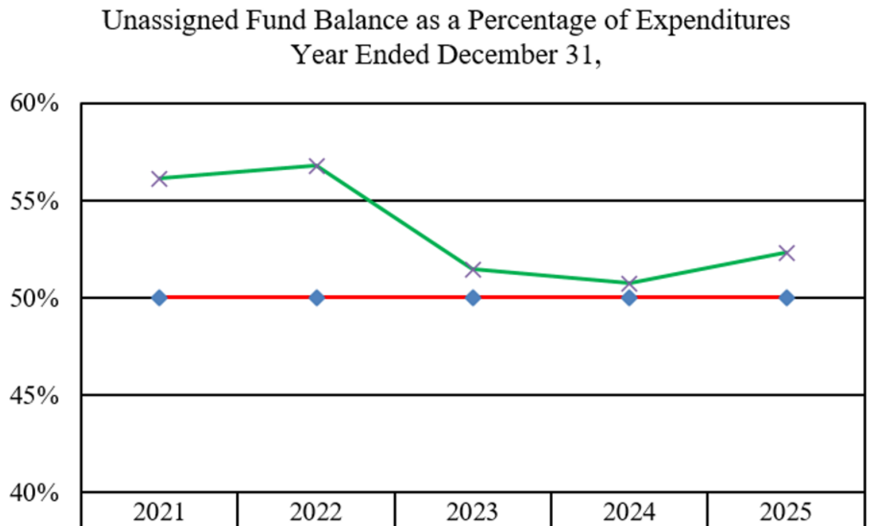
General Fund Year-End Fund Balance
As of December 31,



	2021	2022	2023	2024	2025
Unassigned	$10,066,816	$10,831,909	$10,922,398	$11,088,297	$12,138,849
Committed	$4,590,970	$4,590,970	$4,590,970	$4,590,970	$4,590,970
Restricted	$–	$–	$–	$–	$32,621
Nonspendable	$61,169	$91,972	$125,074	$221,693	$183,537

The total fund balance of the City's General Fund at year-end was $16,945,977, which represents an increase of $1,011,639 in 2025, as compared to a balanced budget. The City's fund balance in the General Fund also increased $33,378 in 2025, due to a change in fund structure with the City now reporting its Employee Health Reimbursement Fund as part of the General Fund.

The current fund balance policy of the City is to maintain an unassigned fund balance of 35 percent to 50 percent of the subsequent year’s budgeted expenditures. The following graph presents this ratio for the last five years compared to this policy:



	2021	2022	2023	2024	2025
Fund Balance Policy	50.0%	50.0%	50.0%	50.0%	50.0%
Unassigned Fund Balance	56.1%	56.8%	51.5%	50.7%	52.3%

As the graph illustrates, the City has been in compliance with this policy for all years presented in the graph above.

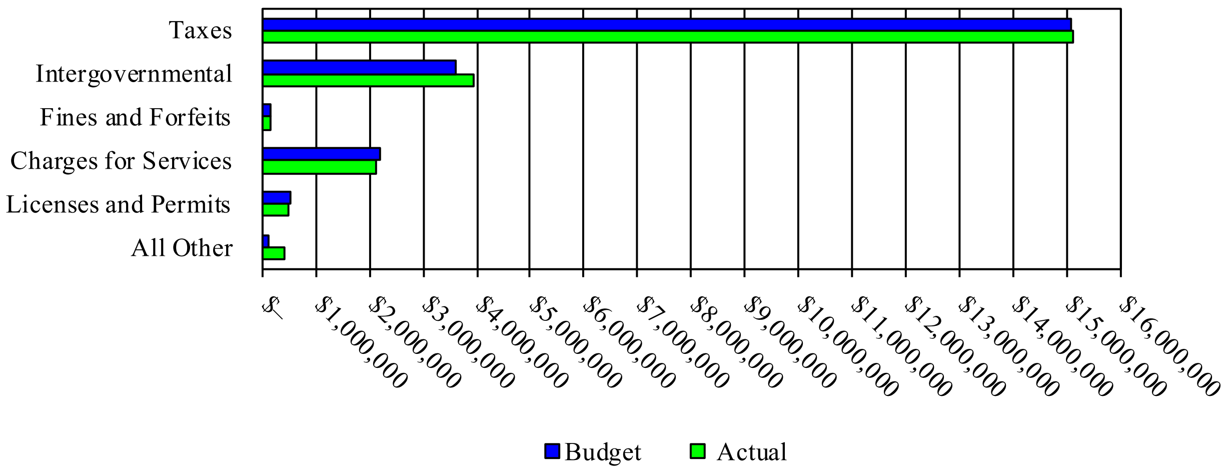
A government, like any organization, requires a certain amount of equity to operate. A healthy financial position allows the City to avoid volatility in tax rates; helps minimize the impact of state funding changes; allows for the adequate and consistent funding of services, repairs, and unexpected costs; and is a factor in determining the City’s bond rating and resulting interest costs.

A trend that is typical to Minnesota local governments, especially the General Fund of cities, is the unusual cash flow experienced throughout the year. The City’s General Fund cash disbursements are spread relatively evenly throughout the year, other than the impact of seasonal services such as snowplowing, street maintenance, and recreation activities. Cash receipts of the General Fund are quite a different story. Property taxes comprise about 61.1 percent of the fund’s total annual revenue. Approximately half of the City’s annual property tax levy is collected and remitted to the City by the end of June and the rest by December. Consequently, cities depend on the resources this fund balance represents to provide adequate cash reserves to finance its everyday operations between these collections.

GENERAL FUND REVENUE

The following graph reflects the City's General Fund revenue sources for 2025 compared to budget:

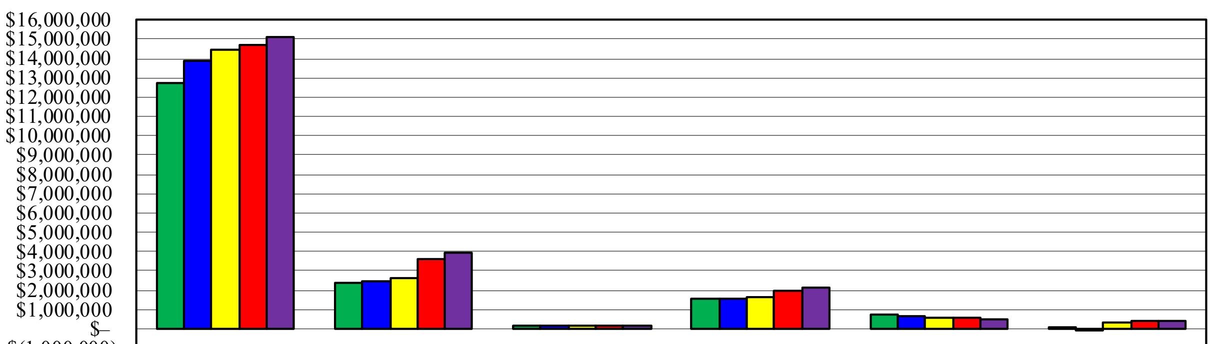
General Fund Revenue
Budget and Actual



General Fund revenue for 2025 was $22,240,964, which was $567,743 (2.6 percent) more than budget. The largest variances were in intergovernmental and all other. Intergovernmental revenue was $355,101 over budget with more state and federal aid received than anticipated. All other, which includes investment earnings, was $281,692 more than anticipated due to improved interest rates and fair value changes.

The following graph presents the City's General Fund revenue by source for the last five years. The graph reflects the City's reliance on property and other taxes, which represented 68.0 percent of General Fund revenue in 2025.

General Fund Revenue by Source
Year Ended December 31,

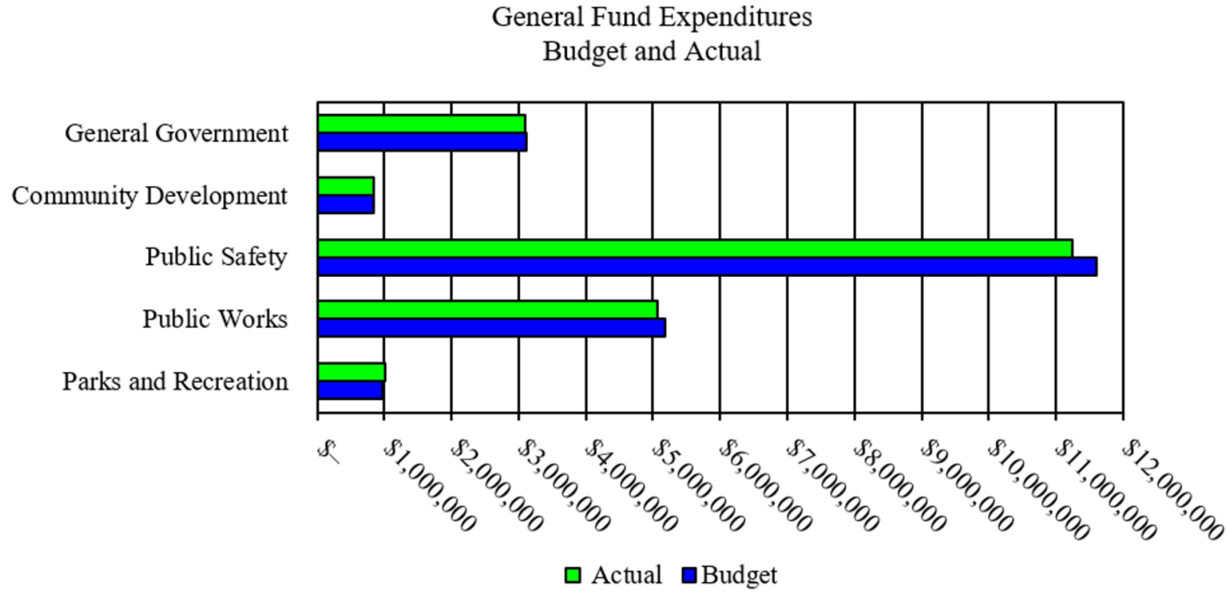


	Taxes	Intergovernmental	Fines and Forfeits	Charges for Services	Licenses and Permits	All Other
2021	$12,704,013	$2,352,751	$141,819	$1,541,432	$706,073	$75,913
2022	$13,899,229	$2,427,847	$121,207	$1,568,016	$684,424	$(22,761)
2023	$14,478,626	$2,643,457	$132,500	$1,618,984	$578,587	$358,098
2024	$14,736,275	$3,619,403	$155,527	$1,974,522	$532,877	$362,731
2025	$15,115,451	$3,950,483	$153,280	$2,134,681	$490,556	$396,513

Total General Fund revenue for 2025 was $859,629 (4.0 percent) higher than last year, mainly in taxes and intergovernmental. Taxes increased $379,176, due to an increase in the property tax levy approved by the City Council for 2025. Intergovernmental revenues increased $331,080, mainly due to increased federal aid received in the current year.

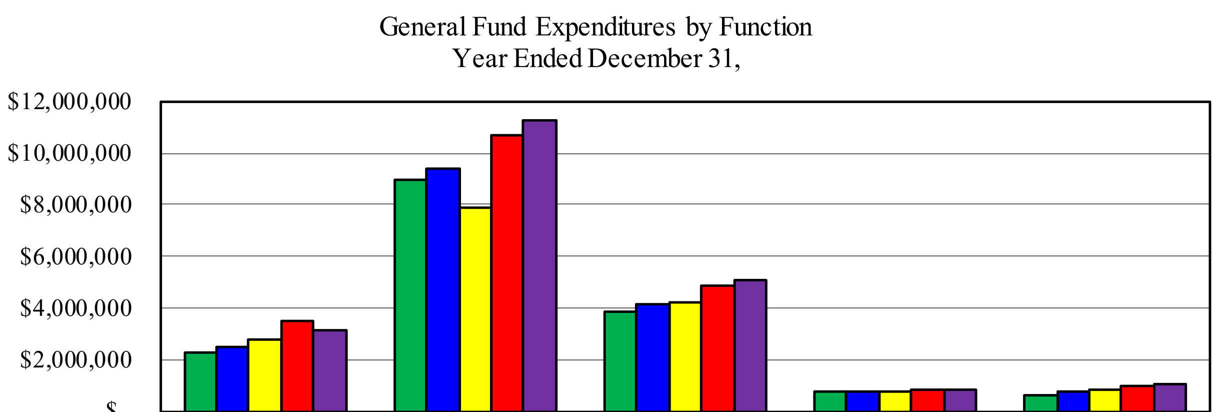
General Fund Expenditures

The following graph illustrates the components of General Fund spending for 2025 compared to budget, excluding the contingency category:



General Fund expenditures for 2025 were $21,262,639, which was $461,582 (2.1 percent) under budget. Public safety expenditures were $361,762 under budget, mainly in police personal services costs due to vacant positions during the year. Public works expenditures were $110,965 under budget, mainly in personal services costs in the engineering department.

The following graph presents the City's General Fund expenditures by function for the last five years:



	General Government	Public Safety	Public Works	Community Development	Parks and Recreation
2021	$2,278,323	$8,961,065	$3,866,408	$779,394	$627,903
2022	$2,474,197	$9,384,874	$4,175,145	$742,473	$725,272
2023	$2,782,603	$7,870,167	$4,179,395	$724,377	$848,716
2024	$3,491,361	$10,695,279	$4,871,885	$806,363	$1,009,050
2025	$3,102,280	$11,244,202	$5,072,058	$833,693	$1,010,406

Total General Fund expenditures for 2025 were $388,701 (1.9 percent) higher than the previous year, mainly due to the increase in the public safety and public works functions. Public safety expenditures increased $548,923, due to increased personal services costs in the police department. Public works expenditures increased $200,173, mainly in the public works and parks facilities and maintenance departments. These increases were offset by the general government function, which decreased $389,081 mainly in city attorney costs.

ENTERPRISE FUNDS OVERVIEW

The City maintains several enterprise funds to account for services the City provides that are financed primarily through fees charged to those utilizing the service. This section of the report provides you with an overview of the financial trends and activities of the City's enterprise funds, which include the Water and Sewer Utility, Storm Water Utility, Street Light Utility, and Low Rent Housing Funds.

ENTERPRISE FUNDS FINANCIAL POSITION

The following table summarizes the changes in the financial position of the City's enterprise funds during the year ended December 31, 2025, presented both by classification and by fund:

Enterprise Funds Change in Financial Position

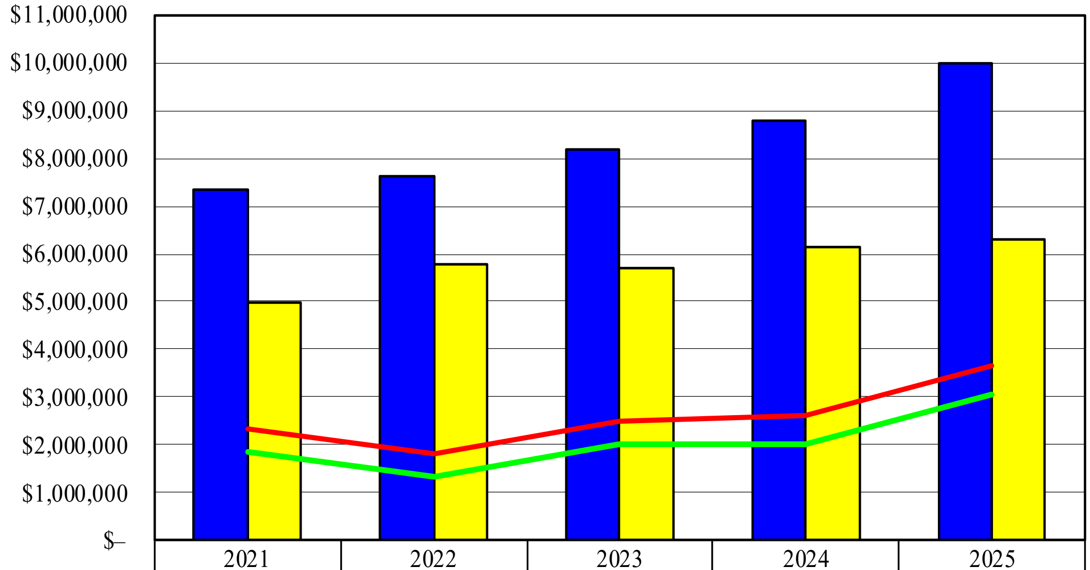
	Net Position as of December 31,		
	2025	2024	Change
Net position of enterprise funds			
Total by classification			
Net investment in capital assets	$ 35,677,508	$ 35,064,701	$ 612,807
Unrestricted	20,571,442	18,429,196	2,142,246
Total enterprise funds	$ 56,248,950	$ 53,493,897	$ 2,755,053
Total by fund			
Water and Sewer Utility	$ 35,569,839	$ 32,497,150	$ 3,072,689
Storm Water Utility	11,866,968	11,539,134	327,834
Street Light Utility	746,100	672,433	73,667
Low Rent Housing	8,066,043	8,785,180	(719,137)
Total enterprise funds	$ 56,248,950	$ 53,493,897	$ 2,755,053

In total, the net position of the City's enterprise funds increased $2,755,053 during the year ended December 31, 2025. The increase is mainly in unrestricted net position due to positive operating results in the current year.

WATER AND SEWER UTILITY FUND

The following graph presents five years of comparative operating results for the City's Water and Sewer Utility Fund:

Water and Sewer Utility Fund
Year Ended December 31,



	2021	2022	2023	2024	2025
Oper Rev	$7,333,807	$7,610,690	$8,190,986	$8,772,520	$9,970,660
Oper Exp Before Depr	$4,995,904	$5,798,186	$5,693,828	$6,155,716	$6,314,494
Oper Inc	$1,840,078	$1,324,923	$2,013,936	$2,006,988	$3,050,954
Inc Before Depr	$2,337,903	$1,812,504	$2,497,158	$2,616,804	$3,656,166

The Water and Sewer Utility Fund ended 2025 with a total net position of $35,569,839, an increase of $3,072,689 from the prior year. Of this, $19,407,825 represents the net investment in utility distribution system capital assets, leaving $16,162,014 of unrestricted net position.

Operating revenue in the Water and Sewer Utility Fund was $9,970,660, an increase of $1,198,140 (13.7 percent) from the prior year, due to an increase in consumption and an approved rate increase in the current year.

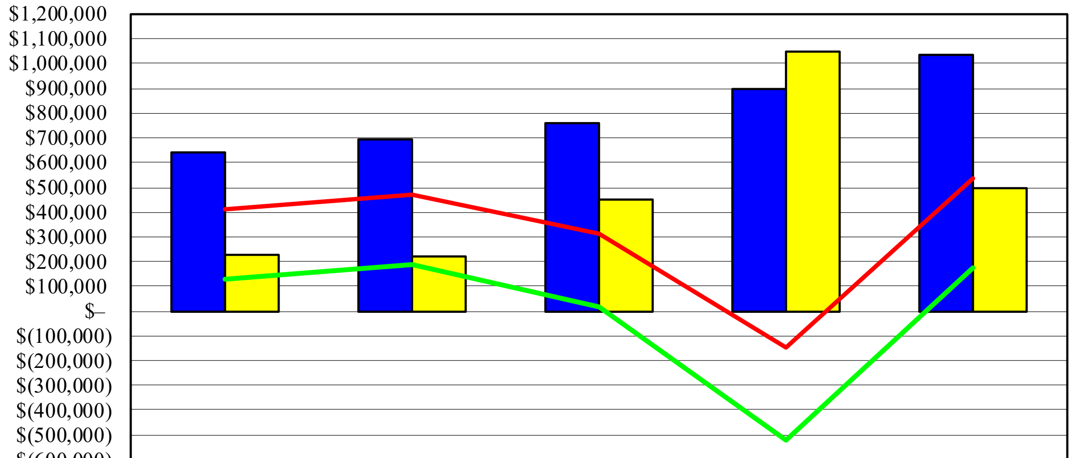
Water and Sewer Utility Fund operating expenses before depreciation for 2025 were $6,314,494, an increase of $158,778 (2.6 percent) from the previous year. The largest factor contributing to the change was due to an increase in contractual services in the current year.

During the current year, this utility operation recognized capital contributions of $108,082.

STORM WATER UTILITY FUND

The following graph presents five years of comparative operating results for the City's Storm Water Utility Fund:

Storm Water Utility Fund
Year Ended December 31,



	2021	2022	2023	2024	2025
Oper Rev	$640,596	$692,515	$762,820	$901,224	$1,034,300
Oper Exp Before Depr	$228,105	$220,274	$447,730	$1,050,979	$495,620
Oper Inc (Loss)	$126,436	$186,977	$20,158	$(519,656)	$176,715
Inc (Loss) Before Depr	$412,491	$472,241	$315,090	$(149,755)	$538,680

The Storm Water Utility Fund ended 2025 with a total net position of $11,866,968, an increase of $327,834 from the prior year. Of this, $10,677,182 represents the City's net investment in its storm water collection system capital assets, leaving an unrestricted net position of $1,189,786.

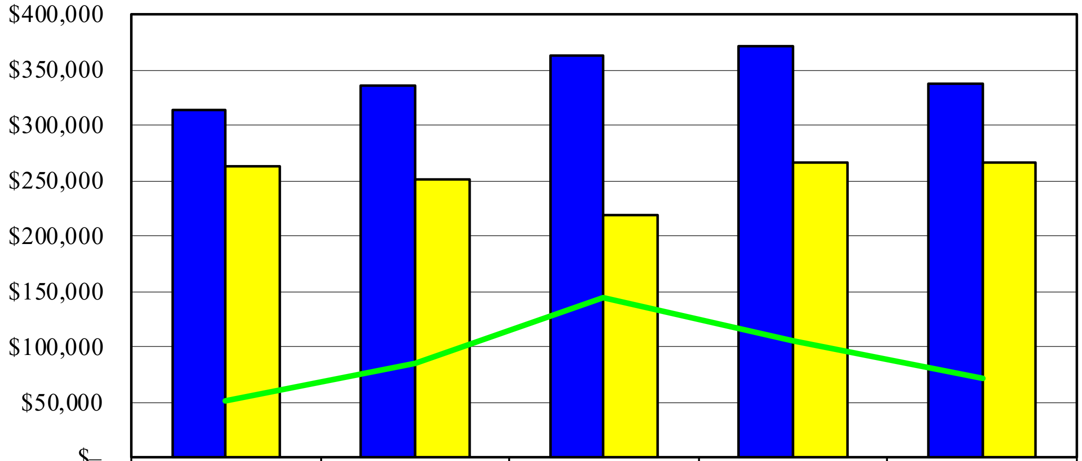
Operating revenue in the Storm Water Utility Fund was $1,034,300, an increase of $133,076 (14.8 percent) from the prior year, due to a rate increase. Storm Water Utility Fund operating expenses before depreciation for 2025 were $495,620, a decrease of $555,359 (52.8 percent), mainly in materials and supplies due to decreased repairs and maintenance projects.

During the current year, this utility operation recognized capital contributions of $34,872.

STREET LIGHT UTILITY FUND

The following graph presents five years of comparative operating results for the City's Street Light Utility Fund:

Street Light Utility Fund
Year Ended December 31,



	2021	2022	2023	2024	2025
Oper Rev	$314,315	$335,173	$363,198	$372,002	$338,495
Oper Exp	$263,057	$250,889	$219,125	$266,708	$266,717
Oper Inc	$51,258	$84,284	$144,073	$105,294	$71,778

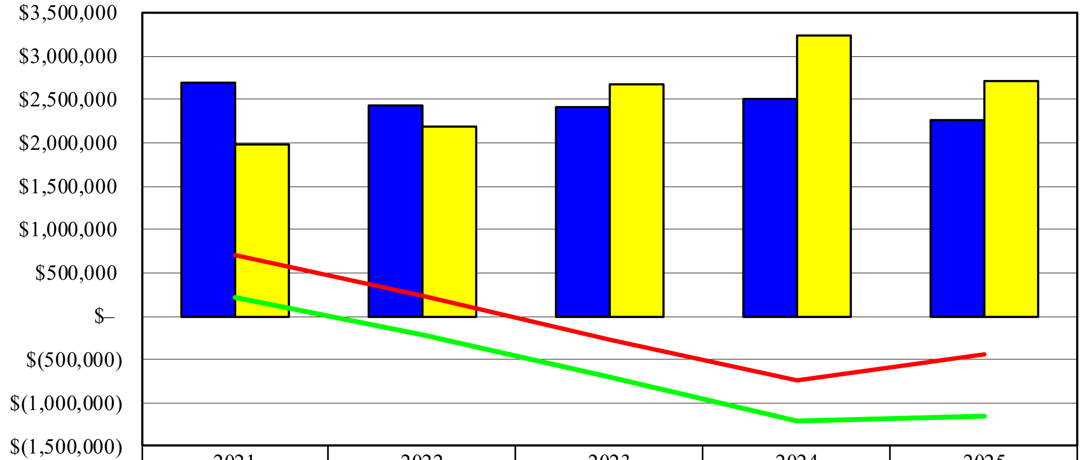
The Street Light Utility Fund ended 2025 with a total net position of $746,100, an increase of $73,667 from the prior year. This entire balance represents unrestricted net position.

Street Light Utility Fund operating revenue for fiscal 2025 was $338,495, a decrease of $33,507 (9.0 percent) from the prior year. Operating expenses for 2025 were $266,717, consistent with the prior year.

LOW RENT HOUSING FUND

The following graph presents five years of comparative operating results for the City's Low Rent Housing Fund:

Low Rent Housing Fund
Year Ended December 31,



	2021	2022	2023	2024	2025
Oper Rev	$2,686,295	$2,438,441	$2,418,125	$2,498,913	$2,266,610
Oper Exp Before Depr	$1,980,572	$2,194,044	$2,685,008	$3,240,813	$2,708,657
Oper Inc (Loss)	$217,805	$(216,349)	$(705,929)	$(1,218,477)	$(1,151,087)
Inc (Loss) Before Depr	$705,723	$244,397	$(266,883)	$(741,900)	$(442,047)

The Low Rent Housing Fund ended 2025 with a total net position of $8,066,043, a decrease of $719,137 from the prior year. Of this, $5,592,501 represents the investment in low rent housing capital assets, leaving $2,473,542 of unrestricted net position.

Operating revenue (including intergovernmental revenue) in the Low Rent Housing Fund was $2,266,610, a decrease of $232,303 (9.3 percent) from the prior year, mainly due to a decrease in operating grants and intergovernmental revenue received in the current year.

Low Rent Housing Fund operating expenses before depreciation for 2025 were $2,708,657, a decrease of $532,156 (16.4 percent) from the previous year, mainly in decreased contractual service costs due to the John Carroll remodel in the prior year.

During the current year, this housing operation recognized capital contributions of $313,688.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

In addition to fund-based information, the current reporting model for governmental entities also requires the inclusion of two government-wide financial statements designed to present a clear picture of the City as a single, unified entity. These government-wide financial statements provide information on the total cost of delivering services, including capital assets and long-term liabilities.

STATEMENT OF NET POSITION

The Statement of Net Position essentially tells you what the City owns and owes at a given point in time, the last day of the fiscal year. Theoretically, net position represents the resources the City has leftover to use for providing services after its debts are settled. However, those resources are not always in spendable form, or there may be restrictions on how some of those resources can be used. Therefore, net position is divided into three components: net investment in capital assets, restricted, and unrestricted.

The following table presents the components of the City's net position as of December 31, 2024, and 2025, for governmental activities and business-type activities:

	As of December 31,		
	2025	2024	Change
Net position			
Governmental activities			
Net investment in capital assets	$ 86,537,846	$ 82,267,766	$ 4,270,080
Restricted	18,735,856	18,491,139	244,717
Unrestricted	9,922,156	7,362,578	2,559,578
Total governmental activities	115,195,858	108,121,483	7,074,375
Business-type activities			
Net investment in capital assets	35,677,508	35,064,701	612,807
Unrestricted	20,308,484	18,150,678	2,157,806
Total business-type activities	55,985,992	53,215,379	2,770,613
Total net position	$ 171,181,850	$ 161,336,862	$ 9,844,988

Net position for governmental activities increased by $7,074,375, as presented above, due to a $7,040,997 increase from current year operations and a $33,378 increase from a change in fund structure. The net investment in capital assets increased $4,270,080 this year, mainly due to the increased construction activity in the current year. The remaining change in this category of net position typically depends on the relationship of the rate at which the City is adding capital assets, the rate capital assets are being depreciated, and how the City finances the purchase and construction of capital assets. The unrestricted portion of net position increased $2,559,578, mainly due to the improved financial position in the governmental funds.

The change in net position for business-type activities is consistent with our earlier discussion for enterprise fund operations, which are presented under the same full accrual basis of accounting.

STATEMENT OF ACTIVITIES

The Statement of Activities tracks the City's yearly revenues and expenses, as well as any other transactions that increase or reduce total net position. These amounts represent the full cost of providing services. The Statement of Activities provides a more comprehensive measure than just the amount of cash that changed hands, as reflected in the fund-based financial statements. This statement includes the cost of supplies used, depreciation of long-lived capital assets, and other accrual-based expenses.

The following table presents the change in the net position of the City for the years ended December 31, 2024, and 2025:

	2025			2024
	Expenses	Program Revenues	Net Change	Net Change
Net (expense) revenue				
Governmental activities				
General government	$ 3,260,943	$ 1,639,210	$ (1,621,733)	$ (2,127,716)
Public safety	11,175,543	1,134,229	(10,041,314)	(9,743,384)
Public works	8,217,273	5,116,996	(3,100,277)	(2,828,878)
Community development	1,747,806	457,711	(1,290,095)	(1,470,274)
Parks, arena	3,464,000	1,386,012	(2,077,988)	(1,376,733)
Economic development	1,705,164	1,347,916	(357,248)	(3,184,020)
Transportation	2,327,063	2,686,617	359,554	2,914,302
Interest on long-term debt	968,150	–	(968,150)	(864,592)
Business-type activities				
Water and sewer utility	7,121,642	10,102,392	2,980,750	2,032,538
Storm water utility	872,214	1,240,177	367,963	(163,542)
Street light utility	266,717	338,495	71,778	105,294
Low rent housing	3,417,697	2,615,939	(801,758)	1,757,950
Total net (expense) revenue	$ 44,544,212	$ 28,065,694	(16,478,518)	(14,949,055)
General revenues				
General property taxes			18,201,785	17,368,768
Tax increments			1,041,789	3,390,691
Franchise tax			1,518,291	1,346,855
Unrestricted grants and contributions			3,784,583	3,740,833
Investment income			1,650,448	1,682,799
Gain on sale of capital assets			93,232	130,306
Total general revenues			26,290,128	27,660,252
Change in net position			$ 9,811,610	$ 12,711,197

One of the goals of this statement is to provide a side-by-side comparison to illustrate the difference in the way the City's governmental and business-type operations are financed. The table clearly illustrates the dependence of the City's governmental operations on general revenues, such as property taxes and unrestricted grants. It also shows if the City's business-type activities are generating sufficient program revenues (service charges and program-specific grants) to cover expenses. This is critical given the current downward pressures on the general revenue sources.

Significant shifts in net change between the current and prior year are largely driven by shifts and timing of capital projects and capital grants and contributions reported during the year. The decrease in tax increments is due to the decertification of the Concord TIF district at the end of 2024.

ACCOUNTING AND AUDITING UPDATES

The following is a summary of Governmental Accounting Standards Board (GASB) standards expected to be implemented in the next few years.

GASB STATEMENT NO. 103, *FINANCIAL REPORTING MODEL IMPROVEMENTS*

The objective of this statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This statement also addresses certain application issues.

This statement continues the requirement that the basic financial statements be preceded by management's discussion and analysis (MD&A), which is presented as required supplementary information (RSI). This statement requires that the information presented in MD&A be limited to the related topics discussed in five sections: (1) Overview of the Financial Statements, (2) Financial Summary, (3) Detailed Analyses, (4) Significant Capital Asset and Long-Term Financing Activity, and (5) Currently Known Facts, Decisions, or Conditions. Furthermore, this statement stresses that the detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed. In addition, this statement continues the requirement that information included in MD&A distinguish between that of the primary government and its discretely presented component units.

This statement defines unusual or infrequent items as transactions and other events that are either unusual in nature or infrequent in occurrence, and requires governments to display the inflows and outflows related to each unusual or infrequent item separately.

This statement requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses. In addition to the subtotals currently required in a proprietary fund statement of revenues, expenses, and changes in fund net position, this statement requires that a subtotal for operating income (loss) and noncapital subsidies be presented before reporting other nonoperating revenues and expenses.

This statement requires governments to present each major component unit separately in the reporting entity's statement of net position and statement of activities if it does not reduce the readability of the statements. If the readability of those statements would be reduced, combining statements of major component units should be presented after the fund financial statements.

This statement requires governments to present budgetary comparison information using a single method of communication—RSI. Governments also are required to present (1) variances between original and final budget amounts and (2) variances between final budget and actual amounts. An explanation of significant variances is required to be presented in the notes to RSI.

The requirements of this statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*

The objective of this statement is to provide users of government financial statements with essential information about certain types of capital assets.

This statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by GASB Statement No. 34. Lease assets recognized in accordance with Statement No. 87, *Leases,* and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-Based Information Technology Arrangements*, also should be separately disclosed. In addition, this statement requires intangible assets other than those three types to be disclosed separately by major class.

This statement also requires additional disclosures for capital assets held for sale. A capital asset is considered held for sale if (a) the government has decided to pursue the sale of the capital asset and (b) it is probable that the sale will be finalized within one year of the financial statement date. Governments should consider relevant factors to evaluate the likelihood of the capital asset being sold within the established time frame. Capital assets held for sale are required to be evaluated each reporting period. Governments should disclose (1) the ending balance of capital assets held for sale, with separate disclosure for historical cost and accumulated depreciation by major class of asset, and (2) the carrying amount of debt for which the capital assets held for sale are pledged as collateral for each major class of asset.

The requirements of this statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 105, *Subsequent Events*

The objective of this statement is to improve the financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting the information needs of financial statement users.

This statement defines subsequent events as transactions or other events that occur after the date of the financial statements but before the date the financial statements are available to be issued. This statement describes the date the financial statements are available to be issued as the date at which (1) the financial statements are complete in a form and format that complies with generally accepted accounting principles and (2) approvals necessary for issuance have been obtained. That definition modifies the subsequent events time frame throughout the GASB literature. This statement also requires the date through which subsequent events have been evaluated to be disclosed.

This statement clarifies the subsequent events that constitute recognized and nonrecognized events and establishes specific note disclosure requirements for nonrecognized events.

The requirements of this statement are effective for fiscal years beginning after June 15, 2026, and all reporting periods thereafter. Earlier application is encouraged.

CITY OF SOUTH ST. PAUL
DAKOTA COUNTY, MINNESOTA

Special Purpose Audit Reports

Year Ended
December 31, 2025

LB | CARLSON

Certified Public Accountants Business Consultants

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CITY OF SOUTH ST. PAUL
DAKOTA COUNTY, MINNESOTA

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CITY OF SOUTH ST. PAUL

Schedule of Expenditures of Federal Awards
Year Ended December 31, 2025

Federal Grantor/Pass-Through Grantor/Program Title	Federal ALN	Federal Expenditures
U.S. Department of Housing and Urban Development		
Direct program		
Public Housing Operating Fund	14.850	$ 843,896
Direct program		
Public Housing Capital Fund	14.872	292,115
Direct program		
Economic Development Initiative, Community Project Funding, and Miscellaneous Grants	14.251	134,015
U.S. Department of Justice		
Direct program		
Bulletproof Vest Partnership Program	16.607	3,173
Direct program		
Public Safety Partnership and Community Policing Grants	16.710	240,000
U.S. Department of Transportation		
Passed through the Minnesota Department of Transportation		
Airport Improvement Program	20.106	163,258
Highway Planning and Construction	20.205	1,000,000
Passed through the Minnesota Department of Public Safety		
Highway Safety Cluster		
State and Community Highway Safety	20.600	4,631
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	3,679
U.S. Environmental Protection Agency		
Passed through the Minnesota Public Facilities Authority		
Drinking Water State Revolving Fund	66.468	2,245,404
Total federal awards		$ 4,930,171

Note 1: The Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting. The information in this schedule is presented in accordance with the OMB's *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.* Therefore, some amounts presented in this schedule may differ from the amounts presented in, or used in the preparation of, the City's basic financial statements.

Note 2: Unless noted in the table above, the pass-through entities use the same federal assistance listing numbers (ALN) as the federal grantors to identify these grants.

Note 3: The City did not elect to use the de minimis indirect cost rate.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL

OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS

BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN

ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the City Council and Management
City of South St. Paul, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of South St. Paul, Minnesota (the City) as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 24, 2026.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

(continued)

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REPORT ON COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,

LB Carlson, LLP

LB CARLSON, LLP
Minneapolis, Minnesota

June 24, 2026

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM; REPORT ON INTERNAL CONTROL
OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

To the City Council and Management
City of South St. Paul, Minnesota

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

OPINION ON EACH MAJOR FEDERAL PROGRAM

We have audited the City of South St. Paul, Minnesota's (the City) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2025. The City's major federal programs are identified in the Summary of Audit Results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major programs for the year ended December 31, 2025.

BASIS FOR OPINION ON EACH MAJOR FEDERAL PROGRAM

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance requirements referred to above.

(continued)

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RESPONSIBILITIES OF MANAGEMENT FOR COMPLIANCE

Management is responsible for compliance with the requirements referred to on the previous page and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF COMPLIANCE

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to on the previous page occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance, but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to on the previous page is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to on the previous page and performing such other procedures as we consider necessary in the circumstances.

- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

(continued)

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section on the previous page and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as finding 2025-001 to be a material weakness.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as finding 2025-002 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the City's responses to the internal control over compliance findings identified in our compliance audit described in the accompanying Schedule of Findings and Questioned Costs. The City's responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

(continued)

REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated June 24, 2026, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Respectfully submitted,

LB Carlson, LLP

LB CARLSON, LLP
Minneapolis, Minnesota

June 24, 2026

LB | CARLSON

INDEPENDENT AUDITOR'S REPORT

ON MINNESOTA LEGAL COMPLIANCE

To the City Council and Management
City of South St. Paul, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of South St. Paul, Minnesota (the City) as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 24, 2026.

MINNESOTA LEGAL COMPLIANCE

In connection with our audit, we noted that the City failed to comply with provisions of the contracting – bid laws section of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minnesota Statutes § 6.65, insofar as they relate to accounting matters as described in the Schedule of Findings and Questioned Costs as finding 2025-003. Also, in connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of the depositories of public funds and public investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Cities*, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

CITY'S RESPONSE TO FINDING

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the legal compliance finding identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

(continued)

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PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,

LB Carlson, LLP

LB CARLSON, LLP
Minneapolis, Minnesota

June 24, 2026

Schedule of Findings and Questioned Costs
Year Ended December 31, 2025

A. SUMMARY OF AUDIT RESULTS

This summary is formatted to provide federal granting agencies and pass-through agencies answers to specific questions regarding the audit of federal awards.

Financial Statements

What type of auditor's report is issued?

What type of auditor's report is issued?	X	Unmodified
	___	Qualified
	___	Adverse
	___	Disclaimer

Internal control over financial reporting:

Material weakness(es) identified?	___ Yes	X No
Significant deficiency(ies) identified?	___ Yes	X None reported
Noncompliance material to the financial statements noted?	___ Yes	X No

Federal Awards

Internal controls over major federal award programs:

Material weakness(es) identified?	X Yes	___ No
Significant deficiency(ies) identified?	X Yes	___ None reported

Type of auditor's report issued on compliance for major programs?

U.S. Department of Transportation Highway Planning and Construction	Unmodified
U.S. Environmental Protection Agency Drinking Water State Revolving Fund	Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	X Yes	___ No

Programs tested as major programs:

Program or Cluster	Federal ALN
U.S Department of Transportation Highway Planning and Construction	20.205
U.S. Environmental Protection Agency Drinking Water State Revolving Fund	66.468

Threshold for distinguishing type A and B programs: $ 1,000,000

Does the auditee qualify as a low-risk auditee?	X Yes	___ No

B. FINANCIAL STATEMENT FINDINGS

None.

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

MATERIAL WEAKNESS IN INTERNAL CONTROL OVER COMPLIANCE – SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – ALL FEDERAL PROGRAMS

2025-001 Reporting Compliance Requirement

Criteria – 2 CFR § 200.510 requires that the City of South St. Paul, Minnesota (the City) prepare appropriate financial statements, including the Schedule of Expenditures of Federal Awards (SEFA) for the year ended December 31, 2025, which must include the total federal awards expended as determined in accordance with 2 CFR § 200.502. Management is responsible for establishing and maintaining effective internal controls over compliance with requirements applicable to federal programs, including separately tracking federal expenditures within the finance system to provide for accurate preparation of the SEFA.

Condition – During our audit, we noted the City did not have sufficient controls in place to ensure the accurate preparation of the SEFA in compliance with this requirement. The City's SEFA for fiscal 2025 was overstated by $749,656 in federal expenditures, due to the inclusion of costs that were incurred in the previous fiscal year.

Questioned Costs – None. The 2025 SEFA was corrected when the misstatement was identified during the audit, and this would not have changed the determination that a Single Audit of federal awards expenditures was required for the 2024 fiscal year and would not have changed the risk assessment and major program testing for the 2024 fiscal year.

Context – The City's SEFA presented for audit for the year ended December 31, 2025 included $749,656 in two programs that should not have been included in this fiscal year.

Cause – This was an oversight by city personnel.

Repeat Finding – This is a current year finding.

Effect – An inaccurate SEFA could result in incorrect major program determination for the Single Audit and could be considered a violation of federal award agreements.

Recommendation – We recommend that the City review its internal control procedures over reporting and verify accuracy of expenditures reported on the SEFA in the future.

View of Responsible Official and Planned Corrective Actions – The City agrees with the finding. The City has separately issued a Corrective Action Plan related to this finding.

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

SIGNIFICANT DEFICIENCY IN INTERNAL CONTROL OVER COMPLIANCE – U.S. DEPARTMENT OF TRANSPORTATION – PASSED THROUGH MINNESOTA DEPARTMENT OF TRANSPORTATION – HIGHWAY PLANNING AND CONSTRUCTION FEDERAL ALN 20.205

2025-002 Internal Control Over Compliance With Federal Suspension and Debarment Requirements

Criteria – 2 CFR § 180 and 2 CFR § 200.318-327 requires the City to establish and maintain effective internal control over compliance with requirements applicable to federal program expenditures, including suspension and debarment requirements applicable to the Highway Planning and Construction federal program.

Condition – During our audit, we noted the City did not have sufficient controls in place within its major federal programs to ensure compliance with federal requirements related to assuring that the City was not contracting for goods or services with parties that are suspended or debarred, or whose principals are suspended or debarred from participating in contracts involving the expenditures of federal program funds.

Questioned Costs – None. Our testing did not indicate any instances of noncompliance with this requirement.

Context – The City did not obtain the appropriate documentation for three of four vendors tested applicable to the Highway Planning and Construction program to ensure the vendors were not suspended or debarred from participation in federal program contracts. This is not a statistically valid sample.

Repeat Finding – This is a current year finding.

Cause – This was an oversight by city personnel.

Effect – Noncompliance with suspension and debarment requirements could result in the City expending federal funds inappropriately or utilizing vendors that are not eligible to be parties to such transactions, which could be viewed as a violation of the award agreement.

Recommendation – We recommend that the City review its internal control procedures relating to suspension and debarment for the Highway Planning and Construction federal program. Internal controls over compliance for this area should include retention of adequate documentation of compliance with Uniform Guidance requirements related to suspension and debarment. These controls should include steps to ensure any vendor with which the City contracts for goods or services exceeding $25,000 is not listed as suspended or debarred on the federal Excluded Parties List System website.

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

SIGNIFICANT DEFICIENCY IN INTERNAL CONTROL OVER COMPLIANCE – U.S. DEPARTMENT OF TRANSPORTATION – PASSED THROUGH MINNESOTA DEPARTMENT OF TRANSPORTATION – HIGHWAY PLANNING AND CONSTRUCTION FEDERAL ALN 20.205 (CONTINUED)

2025-002 Internal Control Over Compliance With Federal Suspension and Debarment Requirements (continued)

View of Responsible Official and Planned Corrective Actions – The City agrees with the finding. The City will review procedures relating to suspension and debarment for its federal programs to ensure compliance with the Uniform Guidance in the future. The City has separately issued a Corrective Action Plan related to this finding.

D. MINNESOTA LEGAL COMPLIANCE FINDINGS

2025-003 Withholding Affidavit

Criteria – Minnesota Statutes § 270C.66.

Condition – Before making final settlement with any contractor under a contract requiring the employment of employees for wages by said contractor or subcontractors, the City must obtain a certificate by the Commissioner of Revenue that the contractor or subcontractor has complied with the withholding requirements of Minnesota Statutes § 270C.66 (either a Commissioner of Revenue Form IC134 or a Contractor's Withholding Affidavit). The City did not obtain the required certificate for one of two contracts selected for testing prior to making final settlement during fiscal year 2025.

Questioned Costs – Not applicable.

Context – One of two contracts tested was not in compliance.

Repeat Finding – This is a current year finding.

Cause – This was an oversight by city personnel.

Effect – The City did not obtain the required documentation of either a Commissioner of Revenue Form IC134 or a Contractor's Withholding Affidavit as required by state statutes prior to making final settlement.

Recommendation – We recommend that the City review contracting and bid requirements and obtain required documentation prior to making final settlement for future contracts.

View of Responsible Official and Planned Corrective Actions – The City agrees with the finding. The City will review its procedures relating to withholding affidavits to ensure compliance in the future. The City has separately issued a Corrective Action Plan related to this finding.

Corrective Action Plans and
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2025

A. FINANCIAL STATEMENT FINDINGS

None.

B. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

MATERIAL WEAKNESS IN INTERNAL CONTROL OVER COMPLIANCE – SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – ALL FEDERAL PROGRAMS

2025-001 Reporting Compliance Requirement

Finding Summary

2 CFR § 200.510 requires that the City of South St. Paul, Minnesota (the City) prepare appropriate annual financial statements, including the Schedule of Expenditures of Federal Awards (SEFA), which must include the total federal awards expended as determined in accordance with 2 CFR § 200.502. During our audit, we noted the City did not have sufficient controls in place to ensure the accurate preparation of the SEFA in compliance with this requirement. The City's SEFA for fiscal 2025 was overstated by $749,656 in federal expenditures, due to the inclusion of costs that were incurred in the previous fiscal year.

Corrective Action Plan

Actions Planned – The City has implemented new processes and procedures in 2026 which address this internal control finding to comply with the Uniform Guidance in the future. Finance department personnel will work with federal grant coordinators to assure that federal expenditures are accurately reported on the SEFA for all federal programs.

Official Responsible – Clara Hilger, Finance Director.

Planned Completion Date – June 30, 2026.

Disagreement With or Explanation of Finding – The City agrees with this finding.

Plan to Monitor – The City's Finance Director, Clara Hilger, will ensure the new process and procedures implemented in this area ensure future compliance with the Uniform Guidance.

B. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

SIGNIFICANT DEFICIENCY IN INTERNAL CONTROL OVER COMPLIANCE – U.S. DEPARTMENT OF TRANSPORTATION – PASSED THROUGH MINNESOTA DEPARTMENT OF TRANSPORTATION – HIGHWAY PLANNING AND CONSTRUCTION FEDERAL ALN 20.205

2025-002 Internal Control Over Compliance With Federal Suspension and Debarment Requirements

Finding Summary

2 CFR § 180 and 2 CFR § 200.318-327 requires the City to establish and maintain effective internal control over compliance with requirements applicable to federal program expenditures, including suspension and debarment requirements applicable to the Highway Planning and Construction federal program. During our audit, we noted the City did not have sufficient controls in place within this program to ensure compliance with federal requirements related to assuring that the City was not contracting for goods or services with parties that are suspended or debarred, or whose principals are suspended or debarred from participating in contracts involving the expenditures of federal program funds.

Corrective Action Plan

Actions Planned – The City has implemented new processes and procedures in 2026 which address this internal control finding to ensure compliance with the Uniform Guidance in the future. The procedures will include steps to assure that City personnel are following the requirements of the Uniform Guidance related to suspension and debarment, including maintaining appropriate documentation.

Official Responsible – Clara Hilger, Finance Director.

Planned Completion Date – June 30, 2026.

Disagreement With or Explanation of Finding – The City agrees with this finding.

Plan to Monitor – The City's Finance Director, Clara Hilger, will oversee the evaluation of this process, and the implementation of any procedural changes deemed necessary to ensure the City's control procedures over suspension and debarment are performed and adequately documented in the future.

C. MINNESOTA LEGAL COMPLIANCE FINDINGS

2025-003 Withholding Affidavit

Finding Summary

Before making final settlement with any contractor under a contract requiring the employment of employees for wages by said contractor or subcontractors, the City must obtain a certificate by the Commissioner of Revenue that the contractor or subcontractor has complied with the withholding requirements of Minnesota Statutes § 270C.66 (either a Commissioner of Revenue Form IC134 or a Contractor's Withholding Affidavit). The City did not obtain the required certificate for one of two contracts selected for testing prior to making final settlement during fiscal year 2025.

Corrective Action Plan

Actions Planned – The City will review its procedures relating to withholding affidavits to ensure compliance in the future.

Official Responsible – Clara Hilger, Finance Director.

Planned Completion Date – June 30, 2026.

Disagreement With or Explanation of Finding – The City agrees with this finding.

Plan to Monitor – The City's Finance Director, Clara Hilger, will oversee the implementation of the corrective action plan to ensure future compliance with this requirement.

D. SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No audit findings were reported for the year ended December 31, 2024.

WORK SESSION AGENDA REPORT

DATE: July 13, 2026
DEPARTMENT: Community Affairs
PREPARED BY: Deb Griffith
AGENDA ITEM NUMBER: 2.B.

MEETING TYPE
Regular Meeting

AGENDA ITEM
Arnour Gate Memorial Committee Update

ACTION TO BE CONSIDERED OR DESIRED OUTCOME
No action required

OVERVIEW
In January 2026, the South St. Paul City Council approved the creation of the SSP Armour Gate Community Task Force to create a vision of how the bricks and other items from the historic Armour Gates could be used as a memorial and/or a monument for the community.

The Task Force's goal is to research, gather and discuss ideas to create a community memorial or monument and to make a recommendation to bring back to the City Council for approval.

Since January, we have made progress and would like to share a PowerPoint presentation with the City Council this evening on the progress and future steps.

SOURCE OF FUNDS
N/A

ATTACHMENTS
None

WORK SESSION AGENDA REPORT

DATE:	July 13, 2026
DEPARTMENT:	Economic Development
PREPARED BY:	Ryan Garcia
AGENDA ITEM NUMBER:	2.C.

MEETING TYPE
Regular Meeting

AGENDA ITEM
EDA Programs (Housing-Related) Update

ACTION TO BE CONSIDERED OR DESIRED OUTCOME
For discussion only; any action items may return to future business meetings.

OVERVIEW
The Economic Development Authority (EDA) was created via Resolution 2015-27 by the City Council in accordance with Minnesota Statutes 469.001 through 469.047 ("HRA Statutes") and Minnesota Statutes 469.090 through 469.1082 ("EDA Statutes"). Since the time of its creation, the EDA has been the City's lead agency in advancing policies and programs related to commercial and industrial development while also serving an important role in supporting housing programs and policies to maintain and improve an adequate, healthy and diverse supply of housing options within the community. While Resolution 2015 - 197 transferred many programs of the City's Housing and Redevelopment Authority (HRA) to Dakota County, there were a few programs that remain within the direct purview of the City. Most specifically, the City (primarily through its EDA and supported by external partnerships as appropriate) continues to play a significant role in:

- administration of a Home Improvement Loan program;
- administration of the Local Affordable Housing Aid (LAHA) program; and
- administration of a Public Housing Program at the John Carroll and Nan McKay Highrises.

Staff will provide an update on these three programs at Monday's worksession and solicit feedback as we prepare for future budget discussions (beginning in earnest in August).

Home Improvement Loan Program
At their February 5, 2024 meeting, the EDA approved Resolution 2024 - 5 which established a Housing Reinvestment Fund (Fund 20298) and established a renovation and rehabilitation loan program to provide funding to residential property owners in the City and meet the goals and objectives of the City's Master Housing Strategy and Comprehensive Plan. The program was set up to offer a couple of distinct loan products:

- A "Senior Deferred" loan which offers 0% interest, fully deferred loans to eligible householders over the age of 55 that have owned/occupied their property for at least 5 years and have a household income of 120% or less of the Area Median Income.
- A "Home Improvement" loan which offers 3.875% fixed interest loans up to 15 years in term and fully amortized for homeowners with a household income of 120% or less of the Area Median Income.
- A "Multi-Family Home Improvement" Loan which offers 6.5% fixed interest loans up to 15 years in term, fully amortized to owners of 2 - 16 unit properties within SSP.

Fund 20298 was capitalized initially through a $625,000 transfer of (cash) fund balance in Funds 20293 and 20294 at the time, which were both "legacy" funds of the former HRA that no longer had a defined program purpose but which had been accumulating cash balances through the payoff over the previous three decades of home improvement loans that the HRA previously administered. Since then, the Council authorized dedicating $100,000 in 2025 HRA Levy and $150,000 in 2026 HRA

Levy to the fund, and at the same time a small number of loan payoffs totaling just under $100,000 from the HRA legacy funds (20293 & 20294) have "revolved" back into 20298. All told, between the previously authorized transfers, the proceeds from loan payoffs and progress payments, the total fund size has grown to almost $1,000,000. Not accounted for here are the nineteen (19) still-outstanding loans from 20293 and 20294, totaling a little more than $500,000 in principal and interest. Presumably we will continue to see a small handful of these loans paid off each year.

These programs - specifically the Senior Deferred and Home Improvement programs - have generated a significant level of applicant interest, such that as of August we anticipate fully depleting the budgeted cash ($625,000 + $100,000 in 2025 HRA Levy). About 75% of the loans that have been extended ($520,000) are in the "Senior Deferred" program, meaning that no payments are coming back in to the fund on more than a half million dollars of loans unless and until these borrowers sell their home or title otherwise transfers to the property (death, trust, etc).

While the popularity of the program is encouraging, it is clear that the EDA is or will very soon be at an inflection point where the demand on the program will exceed the funds available to fully fund all applications that might be submitted through the end of the year and into the future. At the same time, it is reasonable to contemplate whether it is in the EDA's interest to continue to grow the size of this loan fund - including loans receivable, Fund 20298 is a roughly $1,500,000 fund - and / or whether it's in our interest to have that much and potentially more (if we continue to levy dollars) "tied up" in rehab loans throughout the community. With these considerations and more in mind as we approach the 2027 budget, Council is asked to consider:

- Whether there is an "upper limit" to how large Fund 20298 in total should be,.
- Whether to focus the allocation of remaining funds specifically towards the "Home Improvement Loan" (3.875% amortizing) or continue to "take what comes", which likely means a continued focus more heavily on the Senior Deferred (0% fully deferred) program. Again, about 75% ($520,000) of the funds that have been loaned to date from 20298 have been for the Senior Deferred program. To be clear - "senior" householders are still eligible to apply for the amortizing loan.
- Whether we should modify the program to eliminate the Multi-Family program from this fund. It has not generated any interest since the program's inception and it would appear in any event that demand for the two single-family programs already constrains available funding.

Local Affordable Housing Aid Program
Local Affordable Housing Aid helps metropolitan local governments like South St. Paul to develop and preserve affordable housing within their jurisdictions, to keep families from losing housing and to help those experiencing homelessness find housing. Funded through a metropolitan sales tax (which went into effect October 1, 2023), Local Affordable Housing Aid is distributed to Cities and Counties in July and December each year. The state defines qualifying projects as any of the following:

- Emergency rental assistance for households earning less than 80 percent of area median income as determined by the United States Department of Housing and Urban Development
- Financial support to nonprofit affordable housing providers in their mission to provide safe, dignified, affordable and supportive housing; and
- Projects designed for the purpose of construction, acquisition, rehabilitation, demolition or removal of structures, construction financing, permanent financing, interest rate reduction, refinancing, and gap financing of housing to provide affordable housing to households that have incomes which do not exceed:
    - For homeownership projects, 115% of the greater of state or area median income as determined by the United States Department of Housing and Urban Development
    - For rental housing projects, 80% of the greater of state or area median income as determined by the United States Department of Housing and Urban Development

In 2024, the City received an aid payment of approximately $120,000, with which we administered (through a JPA with Dakota County CDA) a radon mitigation grant program and a low-interest loan program for households with a gross annual income at or below 80% of the Area Median Income. In 2025, the City received a total aid amount of $313,527.18; per Resolution 2026-37 the Council authorized extending a loan to the Public Housing Fund to help finance a number of energy efficiency projects at the high-rises with these funds. 2026 Aid amounts were published last week, indicating that the City will receive $315,709.93 in two equal installments as noted above.

With a clear picture of the City's 2026 Certified LAHA amount, Staff is seeking Council feedback about preferred "qualifying projects" towards which LAHA should be directed. As a reminder, LAHA can't be dedicated to the EDA's existing Housing Investment Fund unless that program's eligibility requirements (as adopted in 2023) are modified to decrease the income eligibility criteria. That said, the Council may consider one or more of the following programs if there is a desire to expand the City's affordable housing toolbox in support of the City's Master Housing Strategy:

- *Extend/re-up JPA with Dakota County CDA:* The CDA has substantially more organizational infrastructure in place than most cities (including SSP) and our previous agreement for LAHA administration relieves the City of most administrative burden related to these funds. It is expected that demand for the CDA's programs will continue to outpace the amount of funding available. As such, continued and increased investment in this partnership would likely be met with continued success.
- *Down-Payment Assistance*: as the name would indicate, a fund could be created to offer first-time homebuyers with funds for down-payment on a home purchase in South St. Paul. This could be structured as a zero-interest, deferred, or fully forgivable loan if the applicant retains ownership and primary residency in the home for a period of years, but obviously the funds are "one and done" and effectively grants if forgiveness is the way we go.
- *Affordable Housing Pre-Development / Development*: a fund could be created to provide funding through a competitive grant or forgivable loan to developers (public, nonprofit, private) of new housing meeting the State's income-eligibility requirement (115% AMI for homeownership projects, 80% for rental projects). The program could be specifically for pre-development activities (such as environmental assessments, survey/title work, design services, market studies) or for development activities (such as acquisition, demolition, utilities, stormwater management, etc.).
- *Affordable Rental Preservation*: a fund could be created to provide funding through a low-interest loan to owners of existing rental units/buildings in the City for repairs, rehabilitation, and reinvestment in affordable units. Given our discussion on the City's existing home improvement loan program (above), this could be an alternative to leveraging that already constrained fund for
- *De-Conversion*: a fund could be created to provide funds to homebuyers seeking to convert an existing rental property to an owner-occupied property. This could be structured as a zero-interest, fully forgivable loan if the applicant retains ownership and primary residency in the home for a period of years.

Public housing Program

Beginning in 1968, Affordable Senior Public Housing has been available in South St. Paul, with the 132-unit Nan McKay Highrise (200 Marie Avenue) and the 166-unit John Carroll Highrise (300 W. Grand Avenue) providing one-bedroom apartments for rent to income-qualified adults over the age of 50. From 1968 - 2015, this program and the buildings were overseen and managed by the South St. Paul Housing and Redevelopment Authority (HRA), an independent agency with its own board of commissioners and staff. In 2015, the HRA was effectively "brought in" as a department of the City, with only the Public Housing Program retained from its book of business. At this time, Staff consisted of a Housing Manager, Property Manager, Administrative Assistant, (1/2 time) Office Specialist, two maintenance technicians, and a caretaker. Financial management of the program was generally shifted to the City's Finance Department at this time, and overall program administration and HUD compliance was retained by the Housing Manager and Administrative Assistant (until the retirements of those two long-tenured employees in 2018 and 2019, respectively). Given the loss of this specialized expertise and a lack of internal knowledge and capacity to oversee the Public Housing Program, in 2019 the City Administrator issued a request for proposal for Public Housing Management Services. From 2019 – 2022, the Public Housing Program in South St. Paul involved day-to-day owners representation, lease administration, property management and maintenance by a third-party contractor, with most “high-level” ownership and financial functions shifted to the City’s Community & Economic Development and Finance Staff. When this approach proved to be both more costly and less effective in maintaining a high-quality public housing program, the City Council authorized the creation of several new positions and approved job descriptions to “fully staff” the Public Housing program internally, and terminated the Property Management Agreement with Nath Management, Inc.

It has been over four years since the City internalized the public housing program, hiring all new (and generally, minimally trained at the time) employees to staff the program. While significant strides have been made to improve waitlist management, tenant recertifications, lease administration, capital improvements, and other aspects of the program, in late 2024 the Administration recognized that our relative lack of in-house industry expertise likely left us with blind spots with regard to certain areas of the operation, leaving us potentially vulnerable to administering an operation that lacked in efficiency, effectiveness, compliance, and accountability. In August 2024, the EDA authorized staff to engage Nan McKay & Associates (NMA), the foremost public housing consultancy in the country, in an objective, informed analysis of our current public housing program, including an assessment of the existing organizational structure. Given NMA's workload, they began the assignment in November 2024, and in late-February 2025 delivered a final draft of their assessment report to City Staff. In brief, the NMA report laid out quite a few deficiencies in how the program was functioning, while also laying out a "roadmap" of sorts for optimizing the public housing program operationally and administratively.

While some of the NMA report recommendations have been implemented in the 18 months that have passed since its publication, by and large implementation of the plan is very much still a work in progress. Staff intends to provide a more comprehensive update on this topic at a formal HRA board meeting later in Q3 2026, but wanted to contextualize the worksession conversation within the report's findings as we continue to navigate the "measurable" performance of the public housing program in anticipation of 2027 Budgeting. Three meaningful, measurable, and objective indicators have surfaced in recent months that I hope to acknowledge and discuss with Council at the worksession:

- the "recapture" by HUD of $874,722 in Capital Program Funds for FY 2024, officially recaptured in April 2026;
- the aggregate inspection score of "79" (out of 100 possible) for the NSPIRE (National Standards for the Physical Inspection of Real Estate) Inspection conducted by HUD at John Carroll on 4/10/2026; and
- the aggregate score of "81" (out of 100 possible) on the FY2024 PHAS (Public Housing Assessment System) Score released by HUD on 6/25/2026, yielding a designation by HUD as a "Substandard Management" performer due to a substantially low score (9 out of 25 possible) as measured via HUD's "Management" Assessment.

These objective standards indicate that there is room for improvement as it relates to our administration of the Federally Subsidized Public Housing Program, and I will be prepared to acknowledge and identify opportunities for taking concrete steps to this end at the Worksession.

SOURCE OF FUNDS

Housing programs are funded through various sources, including Federal subsidy, state aid, local levy, rental revenues, and state grants.

ATTACHMENTS

1. Home Improvement Loan Program Guidelines
2. Public Housing Assessment Report (February 2025)
3. CFP Amendment - 2024 Recapture
4. NSPIRE Deficiencies Follow Up Letter
5. Response to NSPIRE Deficiencies Follow-Up Letter
6. PHAS Score Report

EXHIBIT A1

PROGRAM GUIDELINES

This document includes guidelines for the
South St Paul Loan Programs

SOUTH ST PAUL LOAN PROGRAM GUIDELINES

The South St. Paul Economic Development Authority is making funds available for homeowners to make improvements to their properties. Center for Energy and Environment shall serve as the administrator for the South St. Paul Loan Programs and will secure the most beneficial financing based on the borrower's needs independent of the funding source.

Home Improvement Loan

Interest Rate: 3.875% fixed

Amortization Type: Amortizing (Monthly Payments Required)

Loan Amount: Up to $25,000

Total Project Cost: The borrower must have sufficient funds necessary to cover the cost of the entire project (as outlined in the bid(s).

Loan term: Up to 15 years. The loan is 100% due when the borrower sells, transfers ownership, cash-out refinances or no longer occupies the property as the borrower's primary residence.

Eligible Properties: 1-4 unit owner-occupied properties located within the geographical boundaries of the City of South St. Paul. Townhomes and Condominiums are eligible.

Ineligible Properties: Dwellings that are more than 4 units, cooperatives, properties held in a Trust and properties used for commercial purposes.

Eligible Borrowers: All borrowers must be legal residents of the United States.

Ineligible Borrowers: Including but not limited to: - Foreign Nationals, Non-Occupant Co-Borrowers, business entities and Properties held in the name of a Trust.

Ownership/Occupancy: Non-Owner-occupied.

Loan - to - Value Ratio: The ratio of all loans secured by the property, including the new loan, should not exceed 110% of the property value. Half of the improvement value may be added to the initial property value.

Income Limit: 120% AMI based on family size. Income shall be determined by the adjusted gross income from the most recent Federal Tax Return. If a tax return is not required to be filed by the borrower(s) the income will be based on projected income for the next 12 months.

Debt - to - Income Ratio: 50%

Credit Requirements: 1) All mortgage payments must be current and reflect no 30 day late payments history in the past 12-month period (without reasonable explanation) 2) All real estate taxes must be current. 3) No outstanding judgements or collections. 4) Chapter 7 Bankruptcy must have been discharged for at least 18 months prior to loan closing. Chapter 13 Bankruptcy does not need to be discharged but needs to have no late payments and approval by the Trustee. 5) The redemption period on prior foreclosures must have occurred at least 18 months prior to the loan application date. 6) Generally, no more than two 60-day late payments on credit report (without reasonable explanation) 7) No defaulted government loans.

Multiple Loans per Property: More than one loan per property is allowed, however, the outstanding balance(s) cannot exceed $25,000.

Eligible Use of Funds: Most permanent exterior or interior projects, including but not limited to roofing, siding, windows/doors, insulation, solar, HVAC, electrical, plumbing, garage repair-replacement or new construction, interior remodeling, driveways, sidewalks/steps, painting, fences and permanent landscaping.

Contractors must be properly licensed, and permits must be obtained when required. Assessments from an Association are NOT eligible.

Ineligible Use of Funds: Payment for work initiated prior to the loan being approved and closed, unless due to emergency. Recreation or luxury projects (pools, lawn sprinkler systems, playground equipment, saunas, whirlpools, etc.), furniture, non-permanent appliances, and funds for working capital, debt service, homeowner labor or refinancing existing debts are NOT allowed. CEE will refer to the City of South St. Paul whenever eligibility of a project is questionable.

Bids: A minimum of 1 bid is required, however two bids are encouraged. All contractors must be properly licensed.

Sweat Equity / Homeowner Labor: Work may be performed by property owners on a "sweat equity" basis. Loan funds may be used only for the purchase of materials, including rental of tools and equipment. Loan funds cannot be used to compensate for labor.

Remodeling Advisor Visit (RAV)/Property Inspection(PI): The Remodeling Advisor Visit provides rehabilitation and/or remodeling advice and to determine eligible improvements. The intent is to help residents improve their property by providing technical assistance before and during the bidding and construction process. All residents are eligible for this service regardless if applying for the South St. Paul Loan Program or not.

Post Installation Inspection: Permits must be obtained and signed off by a City inspector where required; when not required, a post installation inspection will be performed by CEE to ensure the work has been completed before any funds will be released.

Loan Security: All loans will be secured with a mortgage in favor of the the South St. Paul Economic Development Authority. Borrower will pay all applicable title and filing fees, which may be financed in the loan amount.

Borrower Fees: Borrower will be responsible for a 1% origination Fee, Document Preparation Fee, mortgage filing and service fees, flood certificate and credit report fees all which may be financed in the loan amount.

Underwriting Decision: Applicants must have acceptable credit history. CEE will approve or deny loans based on a credit report, income verification and other criteria as deemed necessary through CEE's underwriting guidelines. CEE's decision shall be final. Appeals can be made to the South St. Paul Economic Development Authority.

Work Completion: All work must be completed within 120 days of the loan closing. However, when warranted, CEE may authorize exceptions on a case-by-case basis.

Multi-Family Home Improvement Loan

Interest Rate: 6.5% fixed

Amortization Type: Amortizing (Monthly Payments Required)

Loan Amount: Up to $50,000

Total Project Cost: The borrower must have sufficient funds necessary to cover the cost of the entire project (as outlined in the bid(s).

Loan term: Up to 15 years.

Eligible Properties: 2-16 owner or non-owner-occupied properties located within the geographical boundaries of the City of South St. Paul. Townhomes and Condominiums are eligible.

Ineligible Properties: Single Family and properties that are more than 16 units, cooperatives, properties held in a Trust and properties used for commercial purposes.

Eligible Borrowers: All borrowers must be legal residents of the United States or a business registered with the MN Secretary of State. Business must have been in business for at least 2 years and have a positive cash flow on the most recent Federal Tax Return.

Ineligible Borrowers: Including but not limited to: - Foreign Nationals, Non-Occupant Co-Borrowers and Properties held in the name of a Trust. Tenants or renters are not eligible.

Ownership/Occupancy: Owner or Non-Owner occupied.

<u>Loan - to - Value Ratio:</u> The ratio of all loans secured by the property, including the new loan, should not exceed 110% of the property value. Half of the improvement value may be added to the initial property value.

<u>Income Limit</u>: 120% AMI based on family size. Income shall be determined by the adjusted gross income from the most recent Federal Tax Return. If a tax return is not required to be filed by the borrower(s) the income will be based on projected income for the next 12 months. There is no income limit if the borrower is a business.

<u>Debt - to - Income Ratio:</u> 50% for properties owned by a individual. If property is owned by a business the business must show a positive cash flow on the most recent Federal Tax Return.

<u>Credit Requirements:</u> 1) All mortgage payments must be current and reflect no 30 day late payments history in the past 12 month period (without reasonable explanation) 2) All real estate taxes must be current. 3) No outstanding judgements or collections. 4) Chapter 7 Bankruptcy must have been discharged for at least 18 months prior to loan closing. Chapter 13 Bankruptcy does not need to be discharged, but needs to have no late payments and approval by the Trustee. 5) The redemption period on prior foreclosures must have occurred at least 18 months prior to the loan application date. 6) Generally, no more than two 60-day late payments on credit report (without reasonable explanation) 7) No defaulted government loans.

<u>Multiple Loans per Property:</u> More than one loan per property is allowed, however, the outstanding balance(s) cannot exceed $50,000.

<u>Eligible Use of Funds:</u> Most permanent exterior or interior projects, including but not limited to roofing, siding, windows/doors, insulation, solar, HVAC, electrical, plumbing, garage repair-replacement or new construction, interior remodeling, driveways, sidewalks/steps, painting, fences and permanent landscaping.

Contractors must be properly licensed, and permits must be obtained when required. Assessments from an Association are NOT eligible.

<u>Ineligible Use of Funds</u>: Payment for work initiated prior to the loan being approved and closed, unless due to emergency. Recreation or luxury projects (pools, lawn sprinkler systems, playground equipment, saunas, whirlpools, etc.), furniture, non-permanent appliances, and funds for working capital, debt service, homeowner labor or refinancing existing debts are NOT allowed. CEE will refer to the City of South St. Paul whenever eligibility of a project is questionable.

<u>Bids:</u> A minimum of 1 bid is required, however two bids are encouraged. All contractors must be properly licensed.

<u>Sweat Equity / Homeowner Labor:</u> Work may be performed by property owners on a "sweat equity" basis. Loan funds may be used only for the purchase of materials, including rental of tools and equipment. Loan funds cannot be used to compensate for labor.

<u>Remodeling Advisor Visit (RAV)/Property Inspection(PI):</u> The Remodeling Advisor Visit provides rehabilitation and/or remodeling advice and to determine eligible improvements. The intent is to help residents improve their property by providing technical assistance before and during the bidding and construction process. All residents are eligible for this service regardless if applying for the South St. Paul Loan Program or not.

Post Installation Inspection: Permits must be obtained and signed off by a City inspector where required; when not required, a post installation inspection will be performed by CEE to ensure the work has been completed before any funds will be released.

Loan Security: All loans will be secured with a mortgage in favor of the South St. Paul Economic Development Authority. Borrower will pay all applicable title and filing fees, which may be financed in the loan amount.

Borrower Fees: Borrower will be responsible for a 1% origination Fee, Document Preparation Fee, mortgage filing and service fees, flood certificate and credit report fees all which may be financed in the loan amount.

Underwriting Decision: Applicants must have acceptable credit history. CEE will approve or deny loans based on a credit report, income verification and other criteria as deemed necessary through CEE's underwriting guidelines. CEE's decision shall be final. Appeals can be made to the South St. Paul Economic Development Authority.

Work Completion: All work must be completed within 120 days of the loan closing. However, when warranted, CEE may authorize exceptions on a case by case basis.

Senior Deferred Loan

Interest Rate: 0%

Loan Amount: Up to $25,000.

Loan term: The loan is 100% due when the borrower sells, transfers ownership, cash-out refinance or no longer occupies the property as the borrower's primary residence.

Eligible Properties:
1-4 unit owner-occupied properties located within the geographical boundaries of the City of South St. Paul. Townhomes and Condominiums are eligible.

Ineligible Properties: Dwellings that are more than 4 units, cooperatives, mobile homes, properties held in a Trust and properties used for commercial purposes.

Eligible Borrowers: **At least one borrower must be at least 55 years of age and have owned and occupied the property for at least the past 5 years prior to loan application.** All borrowers must be legal residents of the United States.

Ineligible Borrowers: Include but are not limited to nonresident owners, non-occupant co-borrowers, business entities and properties held in the name of a Trust.

Ownership / Occupancy: Owner-occupied. Contract for Deeds are eligible.

Loan- to-Value Ratio: 110%

Income Limit: 120% AMI based on family size. Income shall be determined by the adjusted gross income from the most recent Federal Tax Return. If a tax return is not required to be filed by the borrower(s) the income will be based on projected income for the next 12 months.

Debt- to-Income Ratio: Not applicable

Multiple Loans per Property/Borrower: Multiple Senior Deferred Loans are allowed if the outstanding balance is within the maximum loan limit.

Eligible Improvements: Most permanent exterior or interior projects, including but not limited to: roofing, siding, windows/doors, insulation, solar, HVAC, electrical, plumbing, garage repair-replacement or new construction, interior remodeling, driveways, sidewalks/steps, painting, fences and permanent landscaping.

Contractors must be properly licensed, and permits must be obtained when required. Assessments from an Association are NOT eligible.

Ineligible Improvements: Payment for work initiated prior to the loan being approved and closed, unless due to emergency. Recreation or luxury projects (pools, lawn sprinkler systems, playground equipment, saunas, whirlpools, etc.), furniture, non-permanent appliances, and funds for working capital, debt service, homeowner labor or refinancing existing debts are NOT allowed.

Bidding: 1 bid is required. Bids must detail the scope of the work to be completed, the associated cost(s) and any rebates. All contractors must be properly licensed.

Sweat Equity: Not permitted.

Property Inspection: Required. Eligible improvements will be determined through an analysis of the inspection of the property. A CEE representative will perform the analysis to prioritize the project eligibility.

Post Installation Inspection: Properties are subject to a post installation inspection by a CEE representative when a permit is not required. Where a permit is required, the work must be signed-off by a City inspector prior to release of funds.

Work Completion: All work must be completed within 120 days of loan closing. Extensions may be granted by CEE.

Borrower Fees: Borrower will be responsible for a 1% Origination Fee, Document Preparation Fee, title work, mortgage filing and service fees, flood certificate, credit report fees and any other applicable fees. All may be financed in the loan amount.

Underwriting Decision: Borrowers must be current on all mortgage payments and property taxes.

Loan Security: All loans will be secured with a mortgage (lien for manufactured homes) in favor of the South St. Paul Economic Development Authority.

General Program Conditions

Application Processing: Loans will be distributed on a first come first serve basis as borrowers qualify. **Applicants must provide a completed application package including the following in order to be considered for funding.**

- Completed and signed application form
- Proof of income
- Bids or estimates for proposed projects
- Other miscellaneous documents loan officers may require.

Contractors/Permits: Contractors must be properly licensed to work in the City of South St. Paul. Permits must be obtained when required by city ordinance.

Program Costs: Loan origination, post installation inspection and remodeling advisor visit fees ARE NOT paid out of the Program Budget. Loan program marketing efforts will be billed directly to the South St. Paul EDA and is a separate expense should the EDA choose to commission CEE for marketing support. Borrowers will pay all mortgage filing fees and related closing costs.

Disbursement Process: Payment to the contractor (or owner in sweat equity situations) will be made upon completion of work. An inspection will be performed by a City Inspector and/or CEE to verify the completion of the work. The following items must be received prior to final disbursement of funds:

- Final invoice or proposal from contractor (or materials list from supplier);
- Final inspection verification by a City Inspector (or CEE);
- Completion certificate(s) signed by borrower and contractor;
- Lien waiver for entire cost of work;
- Evidence of city permit (if required)

REMOTE PUBLIC HOUSING ASSESSMENT

2/24/2025

South St. Paul Housing & Redevelopment Authority

NAN MCKAY & ASSOCIATES, INC.
1810 GILLESPIE WAY, SUITE 202
EL CAJON, CA 92020
www.nanmckay.com
800.783.3100

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1. INTRODUCTION

1.1 BACKGROUND

The South St. Paul Housing & Redevelopment Authority ("SSPHRA" or "the HRA") entered into a contract with Nan McKay & Associates ("NMA") for a remote assessment of its public housing program and operations.

SSPHRA owns and manages two properties in South St. Paul; John Carroll and Nan McKay, for a total of 298 units. There is only one two-bedroom unit; the rest are all one-bedroom units. Both properties have been approved by HUD for designation as elderly properties. There is one waiting list for both properties.

The PHA adopted NMA's model Admissions and Continued Occupancy Policy (ACOP) in January 2024. The policy is updated for the Housing Opportunities Through Modernization Act (HOTMA).

SSPHRA, because it has less than 400 units, is not required to transition to HUD's asset management model of project-based budgeting, fee-for-service accounting, and property management.

1.2 HISTORY

Before 2015, the housing authority was independent of City government. The South St. Paul City Council then made the decision to dissolve the existing housing authority and transferred its programs to the Dakota County Housing & Redevelopment Authority. For legal reasons, the City was obligated to retain ownership of the two public housing developments, John Carrol and Nan McKay. SSPHRA became a direct City department, with the City Administrator acting as Executive Director.

A management company was hired to manage the public housing developments, with a property manager and maintenance staff at each development. Under the management company, Yardi software was purchased and implemented.

Ultimately, the management company failed to demonstrate competency, especially with waiting list management and lease-up, under HUD audits. Upon transferring management of John Carrol and Nan McKay to the City, many Yardi software tracking and reporting modules were not retained.

1.3 AREAS OF FOCUS

Under the terms of the contract, NMA's operational review included:

1. Eligibility and waiting list management
2. Denials and informal hearings
3. Unit offers and lease-up
4. Occupancy rate
5. Rent collection
6. Maintenance repairs and make-readies
7. Annual and interim reexaminations
8. Transfers
9. Reasonable accommodation and physical modification requests
10. Lease enforcement and terminations; and
11. Hearings

In addition, contractual obligations also included:

1. A review of HRA job descriptions to assess whether the essential functions (above) are reflected in job duties.
2. Interviewing HRA management and staff to assess whether staff is performing essential functions and tracking performance of functions through logs, software and/or reports; and
3. Reviewing quality control (QC) systems used for supervision of staff and to ensure compliance with HUD regulations and PHA policies.

1.4 DOCUMENT DISCOVERY

The following documents were requested, received and analyzed:

1. HRA's Admissions & Continued Occupancy Policy (ACOP)
2. Any HUD program findings
3. PHAS scores
4. Occupancy reports
5. Waiting list in preference order
6. Denial of admission notice
7. Timeliness of annual reexaminations
8. Lease termination notice for nonpayment of rent
9. Lease termination notice for criminal activity
10. Grievance procedures

11. Rent collection rate report

The following documents were requested but SSPHRA does not utilize these documents:

1. Unit offer tracking report
2. Make-ready times (part of the vacant unit turnaround time report)
3. Reasonable accommodation tracking report
4. Hearing log
5. Transfer log

1.5 INTERVIEWS CONDUCTED

Interviews were conducted with the following staff at the South St. Paul HRA:

1. Ryan Garcia, City Administrator
2. Tiffany Greene, Housing Programs Administrator
3. Alma Pena, Property Manager
4. Jennifer Xiong, Property Manager
5. Debra Breitenfeldt, Office Specialist
6. Sophie Moua, Housing Support Specialist

2. EXECUTIVE SUMMARY

2.1 INTRODUCTION

NMA wishes to thank the South St. Paul Housing & Redevelopment Authority for the opportunity to work with directors and staff to assess SSPHRA's public housing program. NMA found directors and staff to be committed and cooperative. A spirit of willingness and teamwork was evident from everyone at the HRA.

Typically, agencies contract for these types of assessments because there's a sense that things could be better, but the agency isn't clear on what the problem is. Credit is due to these agencies who choose a fact-based analysis. We can't solve a problem we don't know we have, and we don't want to waste time "solving" something that isn't the core problem.

NMA hopes the concerns and recommendations detailed in this report will help the HRA establish a clear baseline to identify how the HRA is performing now and ongoingly, in order to effectively oversee program and staff performance and make sound, fact-based decisions.

2.2 SUMMARY OF OBSERVATIONS & CONCERNS

South St. Paul Housing & Redevelopment Authority's staff is committed and busy.

However, supervision is inadequate. The City Administrator is not adequately supervising the Housing Programs Administrator. The Housing Programs Administrator is not adequately supervising the performance of the public housing program or the Property Managers. It is not clear whether the maintenance function is being adequately supervised because the work order system is not electronic and is not being tracked manually.

While site staff are to be commended for their teamwork and helping each other, there is a lack of accountability and responsibility when "everyone pitches in".

The HRA's overall occupancy rate as of December 2024 was 96.59 percent. Thus, the PHA is losing operating subsidy and of course is losing rent that would be paid for an occupied unit. The occupancy rate improved from 93.9 percent in January 2024, but everyone at the HRA needs to understand that more urgency is required to fill units in a timely manner. See *3.5.1* for fuller description of occupancy rate and consequences of an occupancy rate below 97 percent.

SSPHRA's ACOP is inadequate; the SSP HRA revised its ACOP for HOTMA in January 2024; however, HOTMA is delayed by HUD, and the HOTMA chapters are not yet effective. SSP HRA's previous ACOP is not comprehensive and updated enough for staff to effectively administer its public housing program until full HOTMA implementation. With the lack of clear policies, much of staff's practice is not based on policy or does not match policy. These concerns are elaborated in *3.1.1*.

Further, SSPHRA is not utilizing the reports essential to monitor and track program and staff performance. Without accurate, on-time data, supervisors are not supervising by fact-based information. Staff evaluation should be more tied to program performance. Clear reporting, with performance expectations, are needed for effective oversight of staff performance.

These serious vulnerabilities leave the SSPHRA staff under-supervised and the performance of the public housing program not monitored sufficiently.

2.3 SUMMARY OF RECOMMENDATIONS

1. The South St. Paul HRA needs to set performance expectations at every level, with clear measures establishing what constitutes "meeting" and "not meeting" performance expectations. Directors need to supervise supervisors, and supervisors need to supervise line staff.

   Clearer responsibility and accountability need to be established for each task. For example, one staff person should be responsible and accountable for each reexamination conducted. Timeliness and accuracy for each staff person should be documented when file audits are performed.

   Staffing recommendations are described in detail in *7.1*.

2. SSPHRA needs to obtain the necessary Yardi modules to generate on-time, accurate program data. Where Yardi modules do not exist (for example, hearing log, reasonable accommodation request log, etc.) the HRA needs to create those logs in Excel or Word and maintain electronic archives. Accurate, on-time reports are supervisory tools essential to evaluate performance of staff and performance of the public housing program. A list of recommended essential reports is found in *7.2*.

3. The Admissions & Continued Occupancy Policy (ACOP) is the key policy document for the public housing program and serves as the "GPS" for day-to-day operations." The SSP HRA's current ACOP is inadequate and not compliant with pre-HOTMA regulations. Concerns about the ACOP are explained in *3.1.1*. The SSP HRA should enter into an ACOP update facilitation that includes all relevant staff. A current, compliant ACOP will enable staff to administer the program in a manner that is clear to all staff and compliant with HUD regulations. This recommendation is more fully described in *7.3*.

4. Lastly, NMA noted a lack of comprehensive training to staff. Training seminars, with certification examinations, enable staff to demonstrate core competencies and ensure directors that staff has the necessary knowledge, skills and abilities to perform the tasks assigned. A list of recommended training is listed in *7.4*.

3. OPERATIONAL REVIEW

3.1 ADMISSIONS & CONTINUED OCCUPANCY POLICY (ACOP)

A PHA's Admissions & Continued Occupancy Policy (ACOP) is the definitive day-to-day guide for directors, managers and staff. This policy document informs the Board, PHA staff, applicants, residents and the public about HUD requirements and PHA discretionary policies. As such, the ACOP is the "GPS" for PHA staff.

3.1.1 Concern or Observation

The HRA's ACOP dated January 1, 2024 is revised for HOTMA, which has been delayed by HUD. Until full HOTMA implementation, the PHA must rely on its most current ACOP.

While it is beyond the scope of this contract to thoroughly review SSPHRA's current (pre-January 2024) ACOP, it appears that many policies are missing or inadequate. See an example pertaining to interim reexaminations at *3.8.1*. The old ACOP appears to be insufficient for current day-to-day work.

Having an ACOP compliant for HOTMA, which is delayed, requires the staff to "mix and match" the old ACOP with the new ACOP, much of which is not yet effective. This conundrum leaves managers and staff with inadequate policies and guidance.

3.1.2 Recommendation

With the delay of HOTMA until an indefinite time, the HRA needs a comprehensive, up-to-date ACOP that will allow the HRA to operate more effectively until full HOTMA implementation.

3.2 ELIGIBILITY & WAITING LIST MANAGEMENT

The PHA's waiting list has enough applicants to fill units. The waiting list for John Carroll and Nan McKay is continually open and accepts applications online. There were over 300 applicants on the PHA's waiting list at the time of the NMA consultant's interviews.

On a monthly basis the PHA selects applicants, does intake, screens for eligibility and suitability, and approves for final eligibility.

The PHA's Yardi system maintains the electronic waiting list.

3.2.1 Concern or Observation

There are enough families on the waiting list, but it appears that applicants are not being processed in sufficient numbers to achieve an optimum occupancy rate. Concerns about unit offers are addressed in *3.4.1*.

3.2.2 Recommendation

Without a valid vacant unit turnaround report, it is impossible to accurately diagnose why units are not being filled more quickly. See *3.4.2*, a sample unit offer tracking log in *Appendix 8.2*, and a sample vacant unit turnaround report in *Appendix 8.3*.

3.3 DENIALS & INFORMAL HEARINGS

The PHA processes applications and, before a unit offer is made, must determine final eligibility, including screening for criminal or violent activity. The HRA provided a notice of denial of admission.

Notices of denial are sent by the Housing Programs Administrator, who also conducts informal hearings for applicants who appeal SSPHRA denial.

3.3.1 Concern or Observation

1. The notice of denial did not inform the applicant of their right to request an informal hearing, or how to request an informal hearing. Thus, the denial notice is not in compliance with the following HUD regulation:

    > 24 CFR 960.208 Notification to applicants.
    >
    > (a) The PHA must promptly notify any applicant determined to be ineligible for admission to a project of the basis for such determination, and must provide the applicant upon request, within a reasonable time after the determination is made, with an opportunity for an informal hearing on such determination.

2. The notice of denial did not indicate that the notice was accompanied by, and did not appear to be accompanied by form HUD-5380 (notice of occupancy rights under the Violence Against Women Act) and form HUD-5382 (VAWA certification form). This is required by HUD regulation:

    > § 5.2005 VAWA protections.
    >
    > (a) ***Notification of occupancy rights under VAWA, and certification form.***

> (1) A covered housing provider must provide to each of its applicants and to each of its tenants the notice of occupancy rights and the certification form as described in this section:
>
> (i) A "Notice of Occupancy Rights under the Violence Against Women Act," as prescribed and in accordance with directions provided by HUD, that explains the VAWA protections under this subpart, including the right to confidentiality, and any limitations on those protections; and
>
> (ii) A certification form, in a form approved by HUD, to be completed by the victim to document an incident of domestic violence, dating violence, sexual assault or stalking…
>
> (2) The notice required by paragraph (a)(1)(i) of this section and certification form required by paragraph (a)(1)(ii) of this section must be provided to an applicant or tenant no later than at each of the following times:
>
> (i) At the time the applicant is denied assistance or admission under a covered housing program.

3. If a PHA uses a criminal record or sex offender registration information (that is not public record) as the basis of a denial, a copy of the record must precede the notice of denial, with an opportunity for the applicant to dispute the accuracy and relevance of the information, before the PHA can move to deny the application. A copy of the record must be provided to the subject of the record [24 CFR 5.903(f) and 5.905(d)]. It appears that SSPHRA is not taking this additional step if SSPHRA determines to deny based on criminal or sex offender information that is other than public record.

3.3.2 Recommendation

1. The notice of denial must inform the applicant of their right to request an informal hearing, or how to request an informal hearing.

2. The notice of denial must be accompanied by form HUD-5380 (notice of occupancy rights under the Violence Against Women Act) and form HUD-5382 (VAWA certification form).

3. SSPHRA must send a notice of intent to deny, before the notice of denial is sent, if SSPHRA determines to deny based on criminal or sex offender record other than public record. A sample notice of intent to deny is in *Appendix 8.1*.

3.4 UNIT OFFERS & LEASE-UP

In order to fill units efficiently, vacant units must be offered to applicants in a timely manner and in the right order. The PHA must keep records of unit offers as an audit trail, to ensure that names are not skipped on the waiting list.

The PHA's ACOP (page 5-5) states: "The PHA has adopted a "one offer plan" for offering units to applicants."

3.4.1 Concern or Observation

1. Although the ACOP establishes a one-offer policy, it appears that practice does not match policy. It was reported to NMA that if an applicant calls and "reschedules" to move in the following month, the offer to a vacant unit is made to the next available approved applicant. It was also reported to NMA that the HRA will show an approved applicant both buildings, and the applicant will choose which they prefer.

   Therefore, the practice, not compliant with the ACOP, sometimes provides applicants with more than one offer. In addition, the HRA's practice of letting an applicant choose between both buildings might be considered a "de facto" site-based waiting list. PHAs must go through the PHA plan process and be approved if the PHA wishes to adopt a site-based waiting list.

2. When asked to see a list of all the offers made before a unit is leased up, SSPHRA staff was unable to provide a record of all the unit offers made; only the move-in date is reported and retained when an offer is accepted.

3. SSPHRA's vacant unit turnaround time report is not accurate, and therefore SSPHRA is not adequately tracking make-ready time and lease-up time. Staff reported that "the turns aren't happening as quickly as they should be", but without the vacant unit turnaround time report, it's impossible to discern if the problem is with the maintenance make-readies, lease-up time, or both.

   The vacant unit turnaround time report looks at all the days between when the old tenant moves out and the new tenant moves out. Whereas the occupancy report is a snapshot in time – how many units are occupied at the end of the month – the vacant unit turnaround time report indicates how long it takes to fill units. Vacant unit turnaround time is broken into three categories:
   - Down time – how many days it takes to turn a unit to maintenance once the unit is vacant

- Make-ready time – how many days it takes for maintenance to make repairs and get the unit in a make-ready condition
- Lease-up time – how many days it takes to make unit offers to result in a move-in. This metric involves pulling enough applicants, determining eligibility, making unit offers and conducting the move-in.

Staff provided NMA a vacant unit turnaround time report for units turned between 01/01/24 and 10/01/24. Screenshot of the report provided to NMA is below:

Page

Property: John Carroll(johncarr)

Unit / Move-Out			PHA Unit Status	Start Date	End Date	Vacancy Days	Down	Turnaround Days: Make Ready	Turnaround Days: Lease Up	Turnaround Days: Total non-exempt	Exempt Days: Capital Fund	Exempt Days: Other
			Vacant - Down	05/01/2024	06/02/2024	33	33	-	-	33	-	-
						33	33	0	0	33	0	0
504	300 Grand Ave W											
05/31/2024	HUD: MN010000-002 504	BR: 1										
			Vacant - Down	06/01/2024	07/23/2024	53	53	-	-	53	-	-
						53	53	0	0	53	0	0
602	300 Grand Ave W											
	HUD: MN010000-002 602	BR: 1										
			Vacant - Down	04/03/2024	04/28/2024	26	26	-	-	26	-	-
						26	26	0	0	26	0	0
713	300 Grand Ave W											
	HUD: MN010000-002 713	BR: 1										
			Vacant - Down	01/01/2024	03/11/2024	71	71	-	-	71	-	-
						71	71	0	0	71	0	0
814	300 Grand Ave W											
03/08/2024	HUD: MN010000-002 814	BR: 1										
			Vacant - Down	03/09/2024	03/31/2024	23	23	-	-	23	-	-
						23	23	0	0	23	0	0
902	300 Grand Ave W											
	HUD: MN010000-002 902	BR: 1										
			Vacant - Down	04/01/2024	05/22/2024	52	52	-	-	52	-	-
						52	52	0	0	52	0	0
			Units Turned:	13	**Property Totals:**	562	562	0	0	562	0	0
					Averages:		43.23	0.00	0.00	43.00	0.00	0.00

Property: Nan McKay(nanmckay)

Unit / Move-Out			PHA Unit Status	Start Date	End Date	Vacancy Days	Down	Turnaround Days: Make Ready	Turnaround Days: Lease Up	Turnaround Days: Total non-exempt	Exempt Days: Capital Fund	Exempt Days: Other
105	200 Marie Ave											
	HUD: MN010000-001 105	BR: 1										
			Vacant - Down	12/01/2023	02/29/2024	91	91	-	-	91	-	-
						91	91	0	0	91	0	0

Vacant Unit Turnaround Time

Thursday, October 24, 202

Some significant problems were noted:

a. The report indicates total days in "turn", but all days are in "Down" time. Down time should be the number of days after the unit becomes vacant, to turn the unit over to maintenance for make-ready.

The report shows no days in make-ready time. Staff indicated that maintenance does not have access to the Yardi work order module. It appears that no one is inputting any work orders into the Yardi work order module. Make-ready time is an essential measure to assess if make-readies are happening efficiently, and is thus an essential tool for the supervision of this function.

b. NMA questioned why unit 105 at Nan McKay had been vacant since 12/01/2023. See *3.5.1*. HRA staff was not sure of the data and said they were "figuring it out".

Putting aside unit 105 at Nan McKay, if the number of total vacancy days is accurate in the above report, the average number of vacancy days in the report is 43 days. While not currently being measured or scored under HUD's Public Housing Assessment System (PHAS), an average of 43 days to fill units would have resulting in a failing grade under the previous PHAS.

SSPHRA staff reported that the Yardi module to track vacant unit turnaround time was not retained when the City terminated the contract with the property management company.

4. Note that although SSPHRA removed the deconcentration provision in its ACOP waiting list chapter, deconcentration is still a provision under SSPHRA's transfer chapter (page 12-15 of the ACOP dated January 1, 2024). SSPHRA is not subject to HUD's deconcentration provision because SSPHRA does not have any general occupancy developments.

   If SSPHRA wishes to provide a "bonus" offer to transfer tenants, this policy needs to be more specific.

3.4.2 Recommendation

1. SSPHRA's practice must match its policy. The ACOP states SSPHRA has adopted a one-offer policy.

   Under a one-offer ACOP policy, if an applicant refuses a unit offer and does not have "good cause" (as defined in the ACOP) for refusal, the applicant's name goes to the bottom of the waiting list and the unit offer is made to the next qualified applicant.

   SSPHRA's practice needs to match its policy.

2. The unit offer function has not been sufficiently supervised. Staff who makes unit offers needs to be trained more thoroughly on the ACOP, and the supervisor needs to ensure that unit offers are made according to the ACOP.

   It is essential that all unit offers are tracked. The Yardi module to track unit offers should be purchased and staff trained on utilization of the Yardi module. A sample log of unit tracking is in *Appendix 8.2*, and should be used until Yardi software is obtained and staff is trained on its use.

3. Vacant days need to be much more closely tracked, the waiting list and unit offer process needs to be much more closely supervised, and the HRA needs to set time standards for acceptable performance. For example, an average of 14 days in vacant unit turnaround time could be an acceptable standard. The HRA management team should establish strategies and closely monitor if the strategies are working to achieve the goal of 14 average days in vacant unit turnaround time.

4. The vacant unit turnaround report module described in 3.3.1 and the work order module described in 3.7.2 should be purchased from Yardi, analyzed monthly, and used as a management tool. The maintenance make-ready time is a concern and is discussed in 3.7.1. The average number of days in lease-up time should be closely analyzed to determine if enough applications are being processed monthly, applicants are either determined eligible or denied, and unit offers are made efficiently. Managers and staff should be trained in the utilization of Yardi software and electronic reports generated. A sample vacant unit turnaround time report can be found in Appendix 8.3 – Yardi software has the capability to generate this report.

3.5 OCCUPANCY

Filling units quickly and collecting rents are two essential functions in any housing rental business. Public housing, of course, is a nonprofit housing rental business.

A vacant unit generates no rental income. In addition, if the occupancy rate is at least 97 percent, the project will receive 100 percent of its operating subsidy the next month. If the occupancy rate is below 97 percent, the project’s operating subsidy will be reduced correspondingly the following month.

Occupancy should be tracked monthly, YTD and yearly. An occupancy report should indicate the occupancy rate; that is, not only total units and how many are occupied, but the percentage of units occupied. This numeric is important because the number of total units change, as is the case for substantial rehab where vacant units are not filled while offline. The plumbing project at John Carroll is an example of such substantial rehab.

The PHA's occupancy rate has significantly improved, as reported by staff, with the addition of the Housing Support Specialist. The extensive plumbing project at John Carroll, requiring relocation, has understandably affected occupancy rate. The plumbing project is expected to be completed in December 2024.

The occupancy rate report received by NMA is shown below:

12 Month Occupancy Page 1
For Selected Properties
Month Year = 01/2024

Property	Name	Units	Sq Ft	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
johncarr	John Carroll	165	515.00	96.69	97.00	97.69	97.23	95.94	96.11	96.56	96.23	95.57	95.22	95.80	0.00
nanmckay	Nan McKay	132	0.00	90.40	94.85	97.54	99.14	95.79	96.64	95.30	96.94	97.62	97.77	98.48	0.00
Weighted Average :		**297**	**515.00**	**93.90**	**96.05**	**97.62**	**98.08**	**95.88**	**96.34**	**96.00**	**96.54**	**96.47**	**96.35**	**96.98**	**0.00**
Overall Weighted Average :		**297**	**515.00**	**93.90**	**96.05**	**97.62**	**98.08**	**95.88**	**96.34**	**96.00**	**96.54**	**96.47**	**96.35**	**96.98**	**0.00**

Under the Public Housing Assessment System (PHAS), which is HUD's objective measure of a PHA's public housing performance, occupancy rate is weighted significantly. Under PHA, if occupancy rate is at 98 percent or above for the fiscal year, the PHA receives the full 18 points for the occupancy subindicator under the management indicator. If the PHA's occupancy rate is at least 96 percent but not yet 98 percent, the PHA's score is reduced to 12 points. PHAS is discussed more fully in *Section 4*.

3.5.1 Concern or Observation

1. SSPHRA's occupancy rate YTD shows 96.96 percent. As explained, if occupancy rate is not at least 97 percent in any month, SSPHRA loses proportional operating subsidy (delivered monthly by HUD) the following month. In addition, the PHA's PHAS score suffers.

   If the PHA's occupancy rate is not at least 97 percent, the PHA needs to closely analyze the vacant unit turnaround time report; this report is the PHA's diagnostic tool to analyze make-ready time and lease-up time. See *3.4.1* for a description of the vacant unit turnaround time report.

2. In an occupancy report reviewed by the NMA consultant, one unit showed vacant since 8-05-24. Staff at SSPHRA stated the report wasn't correct, that a resident was transferred to that unit.

As noted in *3.4.1*, NMA questioned why unit 105 at Nan McKay had been vacant since 12/01/2023. HRA was not sure of the data and said they were "figuring it out".

3. It appears that data is not accurate between reporting systems. For example, unit 105 does not show up in the Yardi Community Manager Dashboard (screenshot below).

Property	Unit	Unit Type	BR	Market Rent	Date Available	Days Vac.	Sqft	Occ.	Amenities	Brochure	Specials	Hold Until
johncarr	810	1b1b	1	0.00	12/31/2023	374	0	Past		Brochure	Specials	
nanmckay	900	1bed1ba	1	0.00	08/05/2024	0	0	Past		Brochure	Specials	
johncarr	1009	1b1b	1	0.00	09/15/2024	54	515	Past		Brochure	Specials	
nanmckay	300	1bed1ba	1	0.00	09/24/2024	45	0	Past		Brochure	Specials	
johncarr	1101	1b1b	1	0.00	09/26/2024	43	0	Past		Brochure	Specials	
johncarr	1013	1b1b	1	0.00	09/30/2024	39	0	Past		Brochure	Specials	
nanmckay	808	1bed1ba	1	0.00	10/31/2024	0	0	Notice		Brochure	Specials	
nanmckay	516	1bed1ba	1	0.00	10/31/2024	0	0	Notice		Brochure	Specials	
johncarr	201	1b1b	1	0.00	10/31/2024	0	0	Notice		Brochure	Specials	
johncarr	612	1b1b	1	0.00	10/31/2024	23	0	Past		Brochure	Specials	
johncarr	1111	1b1b	1	0.00	11/21/2024	0	0	Notice		Brochure	Specials	
nanmckay	716	1bed1ba	1	0.00	11/21/2024	0	0	Notice		Brochure	Specials	
johncarr	1309	1b1b	1	0.00	11/30/2024	0	0	Notice		Brochure	Specials	

It is a concern that SSPHRA does not appear to rigorously maintain and check its occupancy reports. It appears that staff is not closely monitoring performance by analyzing reports at least monthly and resolving discrepancies in reports in a timely manner. It appears that staff sometimes has no report, or there are two versions of a report (Yardi or another internal report). In addition, NMA was told a number of times by staff that they "did their own reports" instead of relying on electronic data.

3.5.2 Recommendation

1. Staff should continue to monitor and improve occupancy rate to achieve at least a 97 percent occupancy rate at all times.

2. Staff should utilize one system. Yardi software is designed to track the waiting list, unit offers, vacant unit turnaround, lease-up and maintenance functions. SSPHRA should purchase any Yardi software module needed and receive training in all the Yardi modules.

   SSPHRA should decide on one set of electronic reports (again, the Yardi modules are recommended), and ensure that data is accurate.

3. Reports should be generated on time (by an established date every month), disseminated to all property staff (Property Managers and Maintenance Technicians), and reports should be reviewed and discussed as a team at least monthly. Improvement goals and measurements should be established if needed, and the following month's reports should be analyzed to determine if improvement measures are being met.

3.6 RENT COLLECTION

The PHA provided a report of total rent owed and total rent due.

3.6.1 Concern or Observation

As with occupancy, a listing of total rent owed and total rent paid (aggregate numbers) is not sufficient to conduct a trend analysis. Rent collection rate expresses the percentage of rent paid and gives a more complete picture. This rate, or percentage, is important because the number of occupied units fluctuates, whereas rent collection rate is a continual analytic regardless of how many units are occupied or vacant.

3.6.2 Recommendation

It appears that SSPHRA has either not purchased the rent collection report module, or has not been sufficiently trained in this Yardi module. SSPHRA should obtain and be trained in the rent collection, including rent collection rate, module available from Yardi.

3.7 MAINTENANCE REPAIRS & MAKE-READIES

Maintenance and make-readies are performed by SSPHRA maintenance staff.

Essential reports to oversee the maintenance function are the work order log, average number of days to complete work orders, and the vacant unit turnaround time report.

The work order log allows the property manager and maintenance supervisor to identify systemic problems and analyze work done by each maintenance technician. Analyzing the work order log at least monthly is a function of adequate supervision of maintenance.

In order to effectively supervise maintenance, the manager and the maintenance supervisor need to analyze, at least monthly:

- The work order log; and
- Report indicating average number of days to complete nonemergency work orders; and
- Report indicating the percentage of emergency work orders completed or abated within 24 hours; and
- The vacant unit turnaround report.

As explained in *3.4.1*, the vacant unit turnaround time report is an essential report because it indicates all the days between when the old tenant moves out and the new tenant moves out – how long it takes to fill units. Vacant unit turnaround time is broken into three categories, *down time*, *make-ready time*, and *lease-up time*. *Make-ready time* indicates how many days it takes for maintenance to make repairs and get the unit in a make-ready condition. These days are tracked as a total for each month and then averaged. The average number of days in make-ready can and should be tracked for trend analysis throughout the year.

3.7.1 Concern or Observation

3.7.1.1 Software

SSPHRA did not retain the Yardi work order module when the City terminated the management contract in 2016. Work orders are done manually by maintenance technicians and input into a system by SSPHRA staff, but there does not appear to be maintenance reports. It is unclear if all work done by a maintenance technician is accurately indicated on a manual form and input by SSPHRA staff.

3.7.1.2 Average number of days to complete non-emergency work orders

The PHA could not produce a report indicating average number of days to complete nonemergency work orders, since the Yardi work order module was not retained by the City.

Without this report, the manager is not able to determine how well the maintenance function is being performed. In addition, this is a statutory sub-indicator under PHAS; when HUD issues a final PHAS, number of days to complete nonemergency work orders will be assessed, whether scored or not.

In order to administer the program effectively, the HRA must establish performance measures; time standards should be established for the average number of days it takes maintenance to complete non-emergency work orders.

Under NSPIRE, the PHA must correct Moderate deficiencies within 30 days and Low deficiencies within 60 days, or as otherwise provided in the NSPIRE standards. Repairs should be permanent fixes, unless otherwise approved by HUD in writing. Currently, SSPHRA is not able to track compliance with these NSPIRE time standards.

3.7.1.3 Emergency work orders

Completing or abating 100 percent of emergency work orders is essential, and HUD's REAC inspectors' identification of any life-threatening deficiencies carry a large deduction from the physical condition score under PHAS. SSPHRA did not produce such a report.

3.7.1.4 Vacant unit turnaround time report

As explained in *3.4.1*, the HRA's vacant unit turnaround time report does not report accurately. All days are counted in down time; therefore, there is no indication of how long it takes for maintenance to make the unit move-in ready (make-ready time), or how long it takes to process applicants from the waiting list and make enough unit offers to result in a move-in (lease-up time). See sample vacant unit turnaround time report in *Appendix 8.3*.

One staff person interviewed stated that the make-readies are taking too long. However, without a valid vacant unit turnaround report, it is impossible to discern with any accuracy how long make-readies are taking or to adequately supervise the maintenance staff's performance.

3.7.2 Recommendation

1. SSPHRA should purchase the Yardi work order module and ensure that all relevant staff are trained in the utilization of this module. Reports (addressed below) should be generated and disseminated by a specified time each month. Managers and supervisors should review and analyze these reports, set improvement goals, and track for improvement or lack thereof.

2. Utilizing the Yardi work order module, each month SSPHRA should generate, disseminate, and analyze the report indicating average number of days to complete nonemergency work orders. A sample report tracking average number of days to complete non-emergency work orders is in *Appendix 8.4*.

   SSPHRA should establish time standards that exceed the NSPIRE requirements, because for the REAC inspection under PHAS, HUD-contract REAC inspectors only inspect a sample of the units. SSPHRA needs to set a higher standard to ensure that NSPIRE standards are met or exceeded. An average of 14 calendar days to complete nonemergency work orders is an acceptable industry standard; establishing a baseline and then tracking over time would enable SSPHRA to determine improvement or if improvement is still needed.

3. SSPHRA should also generate a report indicating the percentage of emergency work orders completed or abated within 24 hours.

4. Utilizing the Yardi work order module, each month SSPHRA should generate, disseminate, and analyze the vacant unit turnaround time report, closely tracking make-ready time. Time standards should be established for completion.

3.8 ANNUAL & INTERIM REEXAMINATIONS

Performing accurate and on-time reexaminations is an essential function. While it was beyond the scope of this contract to analyze accuracy of income determination and rent collection (often referred to as a file audit), submitting annual reexaminations on time was checked.

The PHA tracks its annual and interim reexaminations electronically. See screenshot below.

Rows By: Month
Columns By: Action Type

Year	Month	1-New	2-Annual	3-Interim	6-End	7-UnitChange	12-FlatRent	15-Void	Total
2023	January	3	6	3	4	1	0	2	19
2023	February	0	15	1	0	0	0	1	17
2023	March	1	4	0	2	0	0	0	7
2023	April	0	7	2	3	0	2	1	15
2023	May	3	12	4	2	0	0	1	22
2023	June	2	15	2	0	0	0	1	20
2023	July	0	6	1	2	0	0	0	9
2023	August	0	10	1	1	1	0	1	14
2023	September	0	7	2	5	0	0	1	15
2023	October	4	9	1	2	0	1	0	17
2023	November	1	10	1	4	5	1	0	22
2023	December	2	12	1	2	0	0	1	18
Totals For Year 2023:		**16**	**113**	**19**	**27**	**7**	**4**	**9**	**195**
GrandTotal:		**16**	**113**	**19**	**27**	**7**	**4**	**9**	**195**

298 annual reexaminations are required. NMA was informed that an additional 4-5 interim reexaminations were usually performed each month. Given those figures, approximately 29 reexaminations are performed each month. In public housing, this is an acceptable full-time caseload. Typically, a staff person with this caseload would have limited time to perform full property management duties such as supervision of maintenance, property management, lease enforcement, etc.

The HRA Office Specialist conducts a 100 percent file audit (quality control review); all annual and interim reexaminations. The Office Specialist reviews reexaminations and makes corrections.

3.8.1 Concern or Observation

1. Staff indicated that they “help each other out” when conducting annual or interim recertifications. Final accountability in accuracy seems to be somewhat vague.

   If staff has demonstrated competence (knowledge, skills and abilities) in the rent calculation function, it is unusual for a 100 percent file audit to be conducted. SSPHRA staff seems very busy, yet essential functions are not being tracked adequately, while recertifications may be overly audited.

2. Although the Office Specialist reviews 100 percent of reexaminations for accuracy, it is not clear that the HRA has established a clear training and mentoring component when errors are found.
3. As mentioned in *3.1.1*, the PHA's ACOP dated January 1, 2024 is revised for HOTMA, which has been delayed by HUD. HOTMA codifies when interim reexaminations must be conducted and when they may not (are not allowed to) be conducted. Until full HOTMA implementation, the PHA must rely on its most current ACOP before HOTMA.

   SSPHRA's pre-HOTMA interim reexamination policies are inadequate. There is no policy that defines when the HRA will conduct an interim increase. The only interim policy concerns interim decreases (page 47 of the pre-HOTMA ACOP), below:

   > Families are not required to, but may at any time, request an interim reexamination on a decrease in income, an increase in allowable expenses, or other changes in family circumstances.

   The lack of comprehensive and cohesive policies, and the confusion of pre-HOTMA vs HOTMA regulations and policies, leave staff with no guidance whether and when to conduct interim reexaminations for interim increases.

3.8.2 Recommendation

1. One person should be ultimately responsible for each annual or interim recertification. Results of the file audits (quality control reviews) performed by the Office Specialist should be tracked for each Property Manager accountable for each reexamination. Both timeliness and accuracy should be tracked. See discussion of a quality control (QC) schedule in *Section 6*.

   If a Property Manager demonstrates an accuracy and timeliness rate of 98 percent or above, the Office Specialist should track a lesser amount of those recertifications each month. This QC schedule could phase down to 50 percent; then, if the Property Manager continues to have an accuracy and timeliness rate of 98 percent or above, the QC schedule could phase down to 20 percent. If the Property Manager's accuracy and timeliness rate falls below 98 percent, the QC schedule could phase up.

   If a Property Manager consistently demonstrates a timeliness or accuracy rate below 95 percent, the HRA should establish an individual improvement plan for the Property Manager's, including:
   a. Improvement goals, with clear measures

b. Their work should be more closely supervised and monitored
c. They should be required to attend a rent calculation seminar and successfully pass a certification examination.

The Office Specialist could potentially monitor (perform quality control on) other key functions of SSPHRA's public housing program if 100 percent file review were phrased down.

SSPHRA should establish an Excel spreadsheet system, recording timeliness and accuracy. An example of a simple tracking system can be found in *Appendix 8.5* and *Appendix 8.6*.

2. Until full HOTMA implementation (which, as mentioned, has been further delayed by HUD), the PHA's current ACOP is inadequate. SSPHRA needs ACOP pre-HOTMA income, verification, and reexamination chapters. NMA recommends that all staff involved in public housing operations participate in an ACOP revision facilitation engagement.

3.9 TRANSFERS

Because John Carroll and Nan McKay are mostly one-bedroom developments, the PHA's transfers are very limited.

3.9.1 Concern or Observation

SSPHRA could not provide a transfer list. There was a list of units leased up by transfer tenants, but there was no list of residents approved and waiting for a transfer. SSPHRA staff reported that when a resident was approved for a transfer, the team made the unit offer to the next available transfer tenant, but there was no historical record kept. It was reported that there are no residents waiting for a transfer.

For many years, HUD required PHAs to submit their "tenant selection and assignment plan", which included waiting list preferences, unit offers, and transfers. Since 1998, any discretionary policy changes to these policies are included in the PHA plan process. There have been HUD audits and fair housing challenges regarding transfer lists and transfer offers.

3.9.2 Recommendation

Even though currently there is no resident waiting for a transfer, SSPHRA should keep a transfer log and keep the historical record of transfers.

3.10 VIOLENCE AGAINST WOMEN ACT (VAWA)

The Housing Programs Administrator oversees compliance with the Violence Against Women Act (VAWA).

3.10.1 Concern or Observation

It appears that SSPHRA's notices of denial and notices of termination are not accompanied by form HUD-5380 (notice of occupancy rights under the Violence Against Women Act) and form HUD-5382 (VAWA certification form).

3.10.2 Recommendation

All notices of denial and notices of termination must be accompanied by form HUD-5380 (notice of occupancy rights under the Violence Against Women Act) and form HUD-5382 (VAWA certification form).

3.11 LIMITED ENGLISH PROFICIENCY (LEP)

The Housing Programs Administrator oversees Limited English Proficiency (LEP) compliance. Between the six staff members at SSPHRA, staff is available to interpret in French, Hmong, Taiwanese, English, and Spanish. It was reported that sometimes applicants bring in a family member to interpret.

3.11.1 Concern or Observation

While it is commendable that SSPHRA staff speaks many languages, HUD's Final Guidance Notice to Federal Financial Assistance Recipients Regarding Title VI Prohibition Against National Origin Discrimination Affecting Limited English Proficient Persons, published January 22, 2007, states:

> The ''safe harbor'' provided in this Guidance is for written translations only. There is no ''safe harbor'' for oral interpretation. In fact, no matter how few LEP persons the recipient is serving, oral interpretation services should be made available in some form. Depending on the circumstances, reasonable oral interpretation assistance might be an in-person or telephone service line interpreter.

3.11.2 Recommendation

SSPHRA should contract with a language line to provide competent oral interpretation, free of charge, upon request. The language line will provide a graphic, in many languages, of the availability of this service; this graphic should be posted in SSPHRA offices and on its website.

3.12 REASONABLE ACCOMMODATION & PHYSICAL MODIFICATION REQUESTS

The Housing Programs Administrator oversees requests for reasonable accommodation and physical modifications.

The HRA has a reasonable accommodation (RA) packet and describes the RA process.

3.12.1 Observation or Concern

1. The request form lists limited types of requests. The PHA should consider adding more examples, for example, an assistance animal.

2. The *Verification of Need for a Reasonable Accommodation Form* asks the knowledgeable professional named by the tenant to “verify his or her disability”. The wording here should be “to verify his or her disability-related limitation”. The PHA’s form does state, “This form should not be used to discuss the person’s diagnosis or any other information that is not related to the request for an accommodation.” However, the form should be clearer that no confidential medical information should be submitted.

3. The *Response to a Request for Reasonable Accommodation* lists, as a reason for denial, “It will cost too much money and/or is more work than our staff can do (an undue financial and/or administrative burden)”. “Costing too much money” does not meet the threshold for an undue financial and administrative burden under the Fair Housing Act (FHA). Also, note that the denial, under the Fair Housing Act is for undue financial and administrative burden, not undue financial *and/or* administrative burden as indicated in the PHA’s form.

4. At the end of the packet, under "Next Steps", the form states, "If you disagree with this decision, you may appeal to: (blank), and then, "If you are still unhappy with the results, you may appeal to: (blank). The form should state, for an applicant denied a reasonable accommodation request, that the applicant has the right to request an informal hearing. If a tenant disagrees with the request, the tenant has the right to a grievance hearing. The first step in the grievance hearing is the informal settlement. The form should be clearer and more specific.

3.12.2 Recommendation

A sample *Reasonable Accommodation Request Form* can be found in *Appendix 8.7* and a sample *Verification of Need for a Reasonable Accommodation* can be found in *Appendix 8.8*. SSPHRA should consider using these sample forms or amending their forms to comply with the Fair Housing Act and HUD regulations.

3.13 LEASE ENFORCEMENT & TERMINATIONS

3.13.1 Concern or Observation

A minor concern is that a SSPHRA termination notice provided to NMA informed the tenant of their right to an "informal hearing" This is not the correct term. Tenants have the right to a "grievance hearing". Applicants have the right to an "informal hearing".

3.13.2 Recommendation

Revise language to "grievance hearing" or "hearing".

3.14 HEARINGS

The HRA contracts with an attorney to serve as the hearing officer.

3.14.1 Concern or Observation

1. SSPHRA did not produce a hearing log. Per 24 PIH 2016-05(HA), the PHA must maintain a log of all hearing officer decisions and make that log available upon request of the hearing officer, a prospective complainant, or a prospective complainant's representative. At a minimum, the log must include:
    a. The date of the hearing decision
    b. The general reason for the grievance hearing (failure to pay rent, community service and self-sufficiency noncompliance, etc.) and

   c. Whether the decision was in favor of the complainant or PHA

2. NMA was provided with SSPHRA's "Tenant Grievance Procedure" document, revised 8/2023. A minor observation is that #2 on page 2 is no longer a regulatory requirement:

   > The SOUTH ST. PAUL HOUSING & REDEVELOPMENT AUTHORITY shall consult the tenant organizations before appointment of each Hearing Officer (or panel member). Any comments or recommendations submitted by the tenant organizations shall be considered by the SOUTH ST. PAUL HOUSING & REDEVELOPMENT AUTHORITY before the appointment.

   Per 24 CFR 966.53(e), PHAs must include their policies regarding the selection process of hearing officers in the tenant lease. Changes to the lease are subject to a 30-day comment period.

3. While NMA was not provided a termination case based on criminal records or sex offender records, a PHA is required, before issuing a notice of termination, to provide the tenant the opportunity to dispute the accuracy and relevance of criminal records obtained other than public records. This HUD requirement mirrors the obligations for applicants denied for criminal or sex offender records as described in *3.3.1*.

4. This requirement is codified in 24 CFR 5.903(f), 24 CFR 5.905(d) and 24 CFR 966.4(l)(5)(iv).

5. It is not clear if SSPHRA is taking this required step before issuing a notice of termination. This is something the Hearing Officer must seriously consider when making a hearing decision, because the hearing decision is based on two pillars: did the party seeking the change in the status quo meet the standard of proof (preponderance of the evidence), and did the PHA follow all due process.

3.14.2 Recommendation

1. Establish a hearing log. Ensure that the log includes:
   a. The date of the hearing decision
   b. The general reason for the grievance hearing (failure to pay rent, community service and self-sufficiency noncompliance, etc.) and
   c. Whether the decision was in favor of the complainant or PHA

   SSPHRA should also consider tracking:

a. When the hearing was requested (to track that hearings are scheduled and held promptly, per SSPHRA policy)
b. When the hearing was held (to ensure that hearing decisions are rendered promptly, per SSPHRA policy)

While HUD regulations do not require a log for applicant informal hearings, it is advisable for the PHA to track these as well.

2. Amend the grievance procedure to state: "The South St. Paul Housing & Redevelopment Authority's lease includes policies regarding the selection process of hearing officers."

   The lease could simply state: "The hearing officer shall be appointed by the PHA and will be an impartial person, other than the person who made or approved the decision under review, and other than a subordinate of that person."

3. Use, or customize, the sample *Notice of Intent to Terminate Leased Based on Criminal Records*, found in *Appendix 8.9.*

4. PUBLIC HOUSING ASSESSMENT SYSTEM (PHAS)

4.1 BACKGROUND

The Public Housing Assessment System (PHAS) is a system of accountability to assist the Department of Housing and Urban Development (HUD) in monitoring and evaluating public housing performance nationwide.

PHAS defines acceptable standards for key areas of public housing management. PHAS is scored as follows:

Physical Condition	Maximum Points
Physical Condition	40
Financial Condition	25
Management Operations	25
Capital Fund	10

PHAS scores issued by HUD should be used as a management tool by directors and property managers.

SSPHRA, due to its PHAS scores, had been designated a "high performer" in recent years:

Year	SSPHRA PHAS Score
2017	90
2018	90
2022	91

4.2 CONCERN OR OBSERVATION

1. While COVID-19 significantly affected HUD's issuance of PHAS scores, for PHAs with 250 units or more, HUD does generally issue a PHAS score every year. For developments that score 90 or above in the physical condition score, those developments undergo a REAC inspection every three years. Developments scoring at least 80 but less than 90 undergo REAC inspections every other year. Developments that score less than 70 and all developments in a troubled or Capital Fund-troubled PHA undergo REAC inspections annually.

When NMA asked to see the HRA's most recent PHAS scores, staff at first stated they "don't think we get a PHAS score like most PHAs.".

2. SSPHRA's most recent PHAS score, for the PHA's fiscal year end (FYE) 12/31/2023 was:
    a. 2023 overall PHAS score 87

    This brings the HRA into a "standard performer" designation. While this is still an acceptable score, the downward trend should be a concern. Any time performance is trending downward, careful analysis is required.

    b. The HRA lost crucial points under "occupancy" because units were left vacant too long.

    c. Of equal concern is the points lost for "debt service coverage ratio" under the financial condition indicator, and related points lost under "accounts payable" under the management indicator.

        The "debt service coverage ratio" is a measure of the PHA's ability to meet its regular debt obligations, indicating whether the PHA has generated enough income from operations to meet annual interest and principal payments on long-term debt obligations.

        The "accounts payable" measures the money that a development owes to vendors at the end of the development's fiscal year for products and services purchased on credit against total operating expenses.

    It is NMA's understanding that the City Finance Department pays the HRA's bills. It also appears that, although a financial audit is beyond the scope of this contract, HRA has sufficient liquidity and reserves to pay its bills.

4.3 RECOMMENDATION

The downward trend in HUD's PHAS assessment is helpful, because it provides SSPHRA the impetus to systematically analyze its tracking of program and staff performance, reporting and monitoring schedules, and supervision and training.

1. SSPHRA should have quick access to current and previous PHAS scores, and all staff should be informed when HUD issues PHAS scores, educated about what those scores mean, and, when needed, goals established to improve PHAS scores

2. NMA's recommendations to improve occupancy rate are found in *3.4.2* and *3.5.2*.

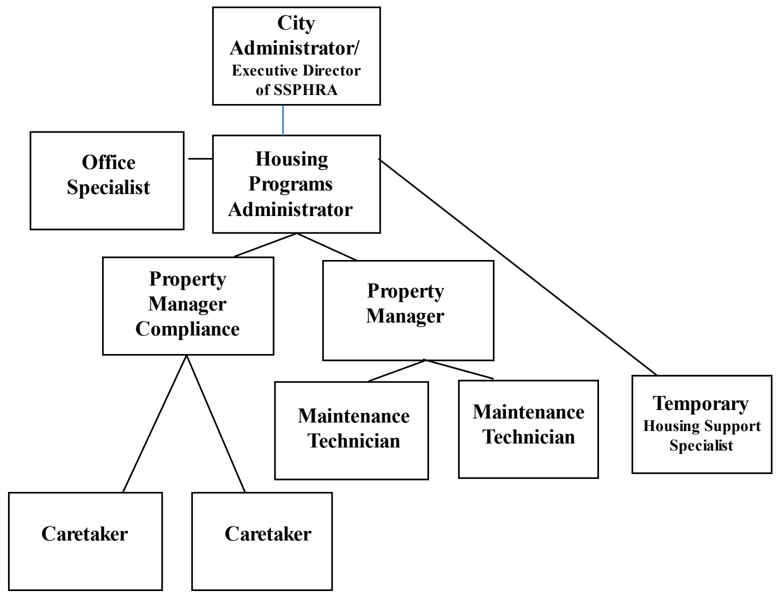
3. If both NMA's assumptions are correct (that the City pays the HRA's bills and that the HRA has sufficient funding to pay its bills), then either HRA staff is not providing the City the invoices (bills due) in a timely manner, or the City is not paying in a timely manner. In either case, there seems to be a process/communication gap that the HRA should investigate and remedy.

   The HRA should set up a tracking schedule and a log, to ensure, monitor, and follow up that bills are being paid on time.

5. JOB DESCRIPTIONS & ESSENTIAL FUNCTIONS

5.1 SSPHRA ORGANIZATION

SSPHRA's organizational chart is shown below:



Usually, a public housing development has its own property manager, but in SSPHRA's case, the two property managers are assigned public housing-wide duties.

> One property manager handles compliance (annual and interim recertifications, pulling income verification reports from HUD's Enterprise Income Verification (EIV) software, and managing the caretakers.
>
> The other property manager performs property management duties: overseeing the maintenance technicians (and occasionally performing basic maintenance tasks), overseeing make-readies, conducting inspections, and handling transfers upon approval by the Housing Programs Administrator.

5.1.1 Concern or Observation

It is not clear whether the division of Property Manager's duties were for operational efficiency or to reflect the strengths and weaknesses of particular staff persons.

Having one property manager supervise maintenance technicians, and the other property manager supervise caretakers is not functional. Maintenance should be supervised by one supervisor. Further, it is NMA's understanding that it is the Housing Program Administrator who actually supervises these positions, i.e., conducts performance reviews and takes disciplinary action when needed.

5.1.2 Recommendation

NMA's recommendation here will be included in *Section 7*.

5.2 JOB DESCRIPTIONS

5.2.1 Housing Programs Administrator

Typically, the director (Executive Director in a small PHA, Portfolio/Public Housing Director in a larger PHA), develops and submits the budgets, oversees the Capital Fund, submits documents to HUD, oversees the PHA Plan and public hearing process, and oversees grant writing. SSPHRA's Housing Programs Administrator performs these duties in addition to officially overseeing the public housing program and supervising the two Property Managers.

The Housing Programs Administrator is working at a director level, which is reflected in the job description.

5.2.1.1 Concern or Observation

While the Housing Programs Administrator is doing an admirable job of performing strategic executive duties described above (and in the job description), the oversight of public housing performance and direct supervision of public housing staff is a concern. The Housing Programs Administrator does not have access to and/or is not utilizing essential reports to fully monitor performance of the two developments.

Without accurate and on-time reports, it is impossible to assess if the Housing Programs Administrator does not have the capability (in time or in knowledge and skills) to perform both the strategic administrative functions typically reserved for a higher level director and adequately supervise performance of the public housing program and staff, or does not have the tools necessary for adequate supervision of public housing performance and staff.

5.2.1.2 Recommendation

See *Section 7.2*.

5.2.2 Property Manager Job Description

There is one Property Manager job description, yet the two property managers' duties are quite divided; one property manager is assigned the annual and interim recertifications and the other property manager oversees performance of the physical properties and maintenance technicians.

5.2.2.1 Concern or Observation

1. It appears that actual job duties may be assigned based on strengths and weaknesses of individual staff, not because the division of duties is optimal. From information gathered in the interviews, it appears that "everyone pitches" in and there is not enough clear ownership and accountability. For example, it was reported that the (temp) Housing Specialist "does the rent calculation first" and then one of the property managers "double-check". As mentioned earlier, while SSPHRA staff are to be commended for their team spirit, job duties need to be clearer. One person interviewed stated that jobs are "too mixed", and NMA tends to agree. Having one job description for very different expectations of the two property managers results in lack of accountability.

2. In addition, the Property Managers appear to be interrupted in their work frequently by residents and seem to feel it is expected that they be available at all times to residents. While NMA certainly understands the mission of customer service to residents, especially elderly residents and residents with disabilities, Property Managers must do their jobs.

5.2.2.2 Recommendation

1. Whether the current system of dividing duties whereby one property manager performs "compliance" and the other oversees the properties, or whether both property managers perform typical property management functions, SSPHRA should establish performance standards, generate on-time electronic reports, establish clear responsibilities and accountability, and track performance.

2. There is a DARTS office at both John Carrol and Nan McKay, which are open daily. DARTS is a local nonprofit organization that provides personalized and professional services for older adults. Residents should be encouraged to take advantage of the DARTS staff presence. The Property Managers could set office hours when residents can drop in, enabling them to focus on essential duties.

5.2.3 Office Specialist

The job description of the Office Specialist seems to be congruous with their actual duties. The Office Specialist's work has been tremendously impacted with the plumbing project at John Carroll – vendor and work invoices, checks and gift cards for relocation, etc., - but this project is expected to end in December 2024.

5.2.3.1 Concern

As noted in *3.8.1*, the Office Specialist conducts 100 percent file reviews of recertifications. SSPHRA has other essential functions to track that are not being tracked.

5.2.3.2 Recommendation.

If staff are held accountable for each annual and interim recertification, and if accuracy and timeliness of the accountable person is being tracked, then SSPHRA should phase down file audits for staff with a high accuracy rate (SSPHRA should define "high accuracy rate", e.g., 97 percent accuracy).

If SSPHRA obtains Yardi modules and develops essential logs/spreadsheets, the Office Specialist could oversee the schedule of reporting and disseminate essential reports monthly and assist in tracking functions of public housing performance in addition to reexaminations.

6. QUALITY CONTROL – TRACKING PERFORMANCE

6.1 DEFINITION & PURPOSE OF QUALITY CONTROL

A quality control (QC) system is how a PHA measures success by establishing key

areas of performance to monitor. An effective QC system helps the PHA understand where they are now (the baseline) and track performance (trend analysis) over time.

The purpose of a quality control system is to:

1. Prevent errors in high-stakes or unrecoverable areas of liability and compliance;
2. Enable the PHA to take action in areas where performance is lacking;
3. Document improvements in performance; and
4. Incrementally enhance the overall quality of the program.

An effective quality control system facilitates conversations about expectations for staff. It also enables managers to be proactive rather than reactive; the PHA can more quickly identify performance areas that are not working and take steps toward improvement.

Sometimes quality control affirms assumptions, e.g., the program is doing great and QC results back that up. Or the director wondered if one of the employees needed more training in rent calculation, and the QC reports will support recommendations and suggestions.

Sometimes QC results are a surprise; those surprises are valuable – results may highlight problems of which the PHA was unaware. Or results may show that performance is exceeding expectations.

6.1.1 Three Types of Quality Control

6.1.1.1 Periodic Quality Control

This type of quality control is usually conducted by higher-level management as needed (at least annually) to review policies, procedures and forms. Defining the 504 coordinator function and updating the ACOP are examples of periodic quality control.

6.1.1.2 Preventive Quality Control

High-stakes issues that represent potential liability or money impact should be reviewed before they “go out the door.” Reviewing termination cases before a hearing, reviewing any denial of a request for a reasonable accommodation, and following up on all insurance risks are examples of preventive action.

6.1.1.3 Continuous Quality Control

This fact-based check of critical performance areas extends from the frontline supervisor up through every level of supervision to the executive director and the board.

Continuous quality control is the monthly identification of the PHA's critical areas of performance. It is impossible (and not practical) to check everything, so the PHA needs to identify the most important areas to track.

> For example, in the area of income determination and rent calculation, the PHA might set up a QC schedule whereby a percentage of each staff person's files are checked monthly and the results are reported appropriately.
>
> Over time, there may be a staff person who never makes a mistake—the PHA may decide to check their files quarterly.

An example of a simple QC tracking schedule for annual reexaminations is found in *Appendix 8.5*.

6.2 LEADERSHIP & SUPERVISION

Staff at the South St. Paul Housing & Redevelopment Authority are committed and cooperative. It was beyond the scope of this contract to assess the competencies of each staff person. However, there are clearly gaps in leadership and supervision:

1. The City Administrator oversees administration of South St. Paul. Acting as the Executive Director of SSPHRA as well is probably not tenable. Even though the former housing authority was disbanded and the housing choice voucher program assigned to another HRA, the public housing program remains under the City of South St. Paul. A public housing program, whether comprised of 29 units, 298 units, or 2,988 units, is a public nonprofit corporation that owns and administers housing that must comply with industry standards of rental real estate plus the universe of HUD regulations and requirements. The City Administrator is too busy to effectively oversee SSPHRA.

   In addition, it was reported that SSPHRA's Board of Commissioners meets only three times per year, resulting in further under-supervision of SSPHRA and staff.

2. The Housing Programs Administrator's current day-to-day duties mostly involve what an executive director (in a small PHA) or director (in a medium-sized or large PHA) would be responsible for: budgets, capital planning and administration, procurement, PIC and REAC submissions to HUD, grant administration, and the PHA plan process. The Housing Programs Administrator has been extremely impacted with the plumbing project at John Carrol, but the capital fund program (CFP) is ongoing in any public housing program. The Housing Programs Administrator also serves as the fair housing coordinator.

   These responsibilities, in combination with the City Administrator's lack of time to monitor SSPHRA, and the lack of software capability/reporting, leave the Housing Program Administrator clearly unable to effectively supervise the daily performance of the public housing and staff.

3. As discussed in *5.2.2*, having one job description for two Property Managers who reportedly have very different responsibilities, yet job performance is not adequately supervised, is not functional unless clearer authority and accountability is established.

6.2.1 Concern or Observation

As noted throughout this report, there is a noticeable lack of supervision at all levels. Again, while staff are committed and cooperative, the lack of clear responsibility and thus accountability is a problem.

6.2.2 Recommendation

See *Section 7*.

6.3 EXPECTATIONS & PERFORMANCE STANDARDS

The South St. Paul HRA team is to be commended for clearly working well together and pitching in to help each other when needed.

6.3.1 Concern or Observation

There is a marked lack of tracking staff performance via on-time, accurate reporting. Many functions essential in any public housing program are not being adequately tracked at SSPHRA.

A system of onboarding and regular training also appears to be lacking.

6.3.2 Recommendation

Evaluation of staff needs to be more closely tied to performance of the essential functions, i.e., occupancy, unit offers, accuracy of rent calculation, etc.

Essential reports needed are summarized in *7.2*.

Recommended training is discussed in *7.4*.

6.4 KEY REPORTS TO TRACK PROGRAM PERFORMANCE

There are key reports that are essential to track performance of the public housing program. Without on-time and accurate reports, it is impossible to accurately assess how the program is actually performing at any given moment and over time (trend analysis).

6.4.1 Concern or Observation

NMA found a pattern of nonexistent or inadequate reports, a lack of management and staff knowledge about what the essential reports are, and line staff does not know how to access reports that SSPHRA actually is producing.

6.4.2 Recommendation

SSPHRA should obtain the necessary Yardi modules and/or develop internal spreadsheets to generate the following reports monthly, YTD, quarterly, and annually. These reports should have detail for both John Carroll and Nan McKay as well as have aggregate figures. Essential reports are described in *7.2*.

7. KEY RECOMMENDATIONS

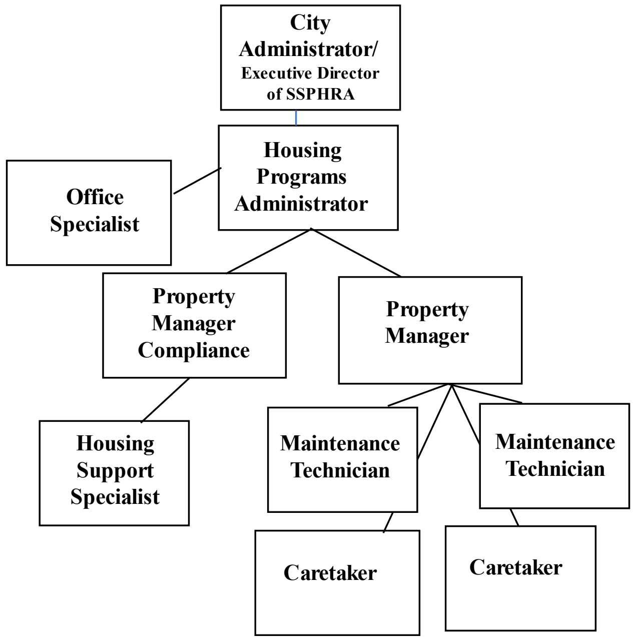
7.1 STAFFING

It is impossible to accurately determine whether SSPHRA is appropriate staffed without clearer performance reports. Before SSPHRA makes any radical changes to staffing, SSPHRA needs to obtain the necessary Yardi modules to produce on-time and accurate reports on program and staff performance.

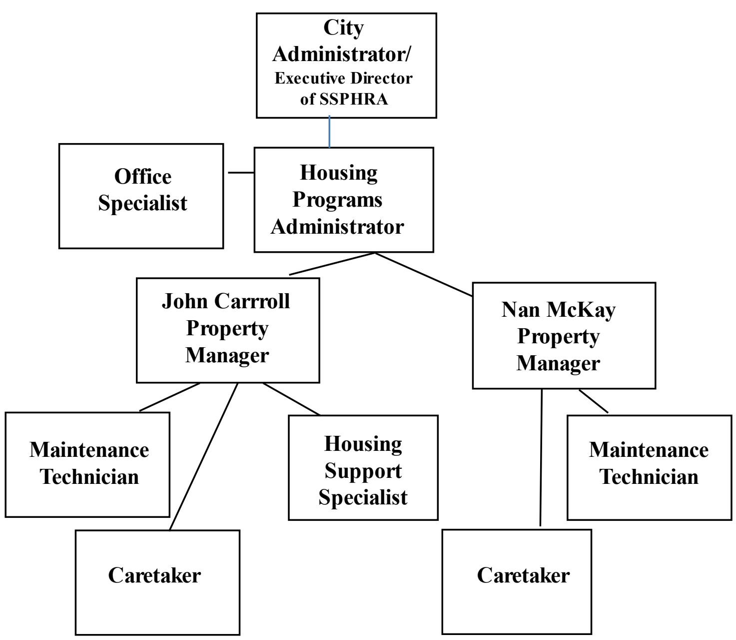
1. SSPHRA should have a director who oversees and monitors the strategic work of SSPHRA. The director should:
    a. Establish performance standards for the properties and the public housing program as a whole by analyzing essential reports monthly. YTD and year-by-year, performing trend analysis (i.e., is performance improving, staying the same, or trending downward).
    b. Establish performance standards for staff, by assigning clear authority and responsibility, providing frequent management best practices and mentoring, ensuring training, and analyzing accurate reports.
    c. Ensure that SSPHRA Yardi software capability encompasses all aspects of public housing program and property management to result in on-time accurate reporting.
    d. Work collaboratively with the City and SSPHRA to establish a strategic, long-range vision for the public housing program, establish strategic goals, measure attainment of those goals, and report on attainment of goals.

2. SSPHRA's property managers' duties should either be the same, with one property manager overseeing the property and maintenance assigned to John Carroll and one to Nan McKay; or, if the City wishes to retain the current structure, supervise performance more effectively by assigning clear duties and accountability.

3. SSPHRA should consider one of two models:
    a. Maintenance staff (including caretakers) should be supervised by one manager, and the Housing Support Specialist supervised by the other Property Manager as below:



b. Alternatively, maintenance could be decentralized, with maintenance staff (including caretakers) assigned to a Property Manager with full duties at John Carroll and the other at Nan McKay. This more industry-standard model would enable SSPHRA to more effectively analyze the job performance of the Property Managers. See graphic below:



4. The Housing Support Specialist should be a permanent position, with training and close supervision, particularly for the first year. For example, the lack of keeping track of unit offers is an oversight of the supervisor, not of the Housing Support Specialist. New staff do not know what they do not know. The Housing Support Specialist should report to the Property Manager who does not oversee maintenance, if SSPHRA decides to keep the Property Manager job duties divided as is.

7.2 ESSENTIAL REPORTS

The South St. Paul Housing & Redevelopment Authority should run essential reports monthly, YTD and annually, with trend analysis comparing past vs current performance. These reports should be run for John Carroll and Nan McKay and in aggregate figures. Reports should be disseminated to the Executive Director, Housing Programs Administrator, Property Managers, and to the Maintenance Technicians and Housing Support Specialist as relevant. Any improvements needed should be discussed among staff and improvement goals established and monitored.

SSPHRA should purchase the necessary Yardi modules to obtain and run the following reports:

1. Occupancy rate report
2. Rent collection rate report
3. Work order log
4. Vacant unit turnaround time report, with down time, make-ready time, and lease-up time.
5. Average number of days to complete nonemergency work orders.
6. Percentage of emergency work orders completed or abated within 24 hours.
7. Annual unit inspections
8. Unit offer report
9. Transfer list

In addition, SSPHRA should maintain the following reports, whether in Yardi, in an Excel spreadsheet, or in a log:

1. PHAS scores Hearing decisions
2. Reasonable accommodation requests
3. Accuracy of rent calculation for annual and interim reexaminations

A schedule of reporting for trend analysis purposes should be run at least annually, comparing past FY performances with current FY. A sample schedule can be found in *Appendix 8.10*.

7.3 ADMISSIONS & CONTINUED OCCUPANCY POLICY (ACOP)

As detailed in *3.1.1*, the HRA's ACOP is inadequate until full implementation of HOTMA, which is further delayed by HUD.

NMA recommends that the HRA enter into a facilitation agreement to update their current ACOP to establish compliant, up-to-date policies. NMA recommends a three-day custom facilitation to include relevant staff at all levels. A custom facilitation would include more explanation and brief training to staff.

7.4 TRAINING

After interviewing staff, NMA noted a lack of comprehensive, regular training. Staff reported that they attended conferences. While attending conferences can be helpful, NMA recommends that staff attend more in-depth training on a somewhat regular basis. NMA also strongly recommends that staff take any certification examination with relevant seminars. While, of course, it is an HR issue whether staff will be required to pass a certification examination and retain their position (which many PHAs do require), passing a certification examination demonstrates a basic level of competency in the subject area. If a staff member did not pass a certification examination, this should trigger closer supervision and mentoring, and further training.

NMA recommends the following seminars:

1. Executive Director – Public Housing Management (PHM)
2. Housing Programs Administrator – PHM, Supervision & Management
3. Property Managers – PHM
4. Housing Support Specialist – PHM
5. Office Specialist – Public Housing Rent Calculation

8. APPENDICES

Included within this section are the following appendices:

8.1 Sample Notice of Intent to Deny Based on Criminal/Sex Offender Records
8.2 Sample Unit Offer Tracking Log
8.3 Sample Vacant Unit Turnaround Time Report
8.4 Average Number of Days to Complete Nonemergency Work Orders
8.5 Sample Annual Reexamination Quality Control (QC) Monthly Report by Employee
8.6 Sample Annual Reexamination Quality Control (QC) Aggregate Reports
8.7 Sample Reasonable Accommodation/Modification Request Form
8.8 Sample Verification of Need for Reasonable Accommodation/Modification
8.9 Sample Notice of Intent to Terminate Lease Based on Criminal Records
8.10 Sample Schedule of PHA Reporting – Trend Analysis

8.1 SAMPLE NOTICE OF INTENT TO DENY BASED ON CRIMINAL / SEX OFFENDER RECORDS

Housing Authority Name
Address
City, State, Zip
Phone
TDD or TTY

Date

Resident Name
Address
City, State, Zip

NOTICE OF INTENT TO DENY ADMISSION BASED ON CRIMINAL RECORDS

Head of Household: [Resident Name],
Subject of Record: [Name]

Dear [Resident Name]:

The Housing Authority of [Jurisdiction] (acronym, or "the PHA") intends to deny admission to its public housing program based on criminal record database(s) and/or sex offender information obtained from a state or local agency. This notice is being sent to the head of household and the subject of record, if the subject of record is other than the head of household.

You signed a consent form authorizing the release of criminal records to the PHA. A copy of that consent form is enclosed.

The PHA has obtained criminal records and/or sex offender information showing that the adult household member named above was involved in a crime that constitutes grounds for denial of admission. This is the PHA's notification of its intention to deny your admission to public housing based on this information.

Enclosed is a copy of the criminal record(s) and/or sex offender information upon which the PHA is basing this decision. In compliance with 24 CFR §5.903 and §5.905(d), you have the right to dispute the accuracy and relevance of these records used to make this determination. If you do not dispute the accuracy and relevance of these records within 10 business days, or if the PHA upholds its decision to deny, you will be sent a notice of denial and be informed of your right to request an informal hearing.

If you have any questions, please call: [name] Phone:

PHA Representative:____________________________________ Date:____________________

Authorizing Signature: __________________________________ Date: ___________________

Cc:

8.2 SAMPLE UNIT OFFER TRACKING LOG

In Yardi system. Sample report to be used until Yardi system is operational. Units listed by date of move-out.

Unit Number or Address	Move-out Date	Date of Expected Make-Ready	Date of Actual Make-Ready	Unit Offer #1	Unit Offer #2 (if first offer refused for good cause)	Lease-up Date
				Applicant Name Date	Applicant Name Date	
				☐ Transfer ☐ 1st offer – *if good cause refusal, keep as "Eligible" for another offer* ☐ Refused ☐ No resp ☐ Accepted	☐ Transfer ☐ 1st offer – *if good cause refusal, keep as "Eligible" for another offer* ☐ Refused ☐ No resp ☐ Accepted	
				Applicant Name Date	Applicant Name Date	
				☐ Transfer ☐ 1st offer – *if good cause refusal, keep as "Eligible" for another offer* ☐ Refused ☐ No resp ☐ Accepted	☐ Transfer ☐ 1st offer – *if good cause refusal, keep as "Eligible" for another offer* ☐ Refused ☐ No resp ☐ Accepted	
				Applicant Name Date	Applicant Name Date	
				☐ Transfer ☐ 1st offer – *if good cause refusal, keep as "Eligible" for another offer* ☐ Refused ☐ No resp ☐ Accepted	☐ Transfer ☐ 1st offer – *if good cause refusal, keep as "Eligible" for another offer* ☐ Refused ☐ No resp ☐ Accepted	

Copy more pages as needed and maintain in binder, or maintain in computer.

8.3 SAMPLE VACANT UNIT TURNAROUND TIME REPORT

AMP 1	This Month	Year-to-Date
a. Move-ins	5	27
b. Move-outs	4	41
c. Evictions (included with move-outs)	0	10
d. Down time for units leased	5	30
e. Make-ready time for units leased	53	285
f. Lease-up time for units leased	37	138
g. Total turnaround days (d+e+f)	95	553
h. Average turnaround time (g/a)	19 days	20 days

Detail report – tracked and submitted monthly for each AMP, the portfolio as a whole, YTD, and FY. Calculated from WO system and IMS-PIC.

Unit	Move-out	Move-in	Down Time	Make-Ready	Lease up	Exempt		Total Days
						Capital	Other	
102	8/18/24	10/2/24	1	20	23			44
204	8/20/24							
58	9/15/24	10/7/24	1	14	6			21
143	9/30/24	10/6/24	0	4	1			5
65	10/2/24	10/16/24	1	9	3			13
23	1/19/24	10/31/24	1	6	4			11
TOTAL			**5**	**53**	**37**			**95**

8.4 AVERAGE NUMBER OF DAYS TO COMPLETE NON-EMERGENCY WORK ORDERS

In Yardi system. To be used until Yardi is operational. Tracked and submitted monthly for each AMP, the portfolio as a whole, YTD and FY. Calculated by WO system.

AMP 1	This Month	Year-to-Date
a. Beginning balance from previous month(s)	8	102
b. Number of non-emergency work orders received – include work orders from a (above)	57	534
c. Total number of calendar days to complete non-emergency work orders in b (above)	289	3216
d. Average number of calendar days to complete non-emergency work orders (c/b)	5.1 days	6.0 days

8.5 SAMPLE ANNUAL REEXAMINATION QUALITY CONTROL MONTHLY REPORT – BY EMPLOYEE

QC Report – Q4 2024											
Staff	Caseload	Number of Files		Files with Errors		Types of Errors (may be more than one type of error)					
		Completed	Reviewed	Number	Accuracy Rate %	Lack of verification (or did not follow HUD hierarchy)	Income	Allowances	Data Entry	Did not apply PHA policy	Late
Oct-24											
Staff #1	200	24	10	1	90%			1			
Staff #2	256	31	10	8	20%	4	5	3		3	3
Staff #3	320	35	10	0	100%						
Nov-24											
Staff #1	200	19	10	2	80%		1	1			
Staff #2	256	27	10	5	50%	3	3	3			4
Staff #3	320	29	10	0	100%						
Dec-24											
Staff #1	200	25	10	1	90%		1				
Staff #2	256	27	10	5	50%	2	3	3			1
Staff #3	320	29	10	0	100%						

8.6 SAMPLE ANNUAL REEXAMINATION QUALITY CONTROL – AGGREGATE REPORTS

PHA QC Monthly Summary Report Dec 01, 2024 – Dec 31, 2024				
Status	Review Type		Number	Rate %
Completed			30	100.00%
	Error	Files with Errors (list main reason)	5	16.70%
		Verification or hierarchy	1	20.00%
		Income/Assets/Expenses	2	40.00%
		Administrative Error (data entry or did not follow PHA policy)	1	20.00%
		Late	1	20.00%
	No Error		25	83.30%

Aggregate Reexamination Quality Control YTD 2024													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	TOTAL
Accuracy %	78.0	78.7	79.4	80.8	78.3	89.6	86.3	94.3	90.4	92.0	95.4	83.3	85.5
Late %			2	1			2	2		1		1	9

8.7 SAMPLE REASONABLE ACCOMMODATION/MODIFICATION REQUEST FORM

Request for Reasonable Accommodation or Physical Modification

(THIS FORM IS AVAILABLE IN LARGER FONT OR ALTERNATIVE FORMAT UPON REQUEST)

PLEASE
PRINT
CLEARLY

Head of Household: ______________________________ **TDD/Phone:** ______________________________

Address: ______________________________ **State/Zip:** ______________________________

Currently, I am: ☐ **An applicant on the waiting list for public housing, or**
☐ **Currently living in public housing**

Household member who needs accommodation: ______________________________

The household member above is a person with a disability because they have a physical, mental or emotional impairment that limits one or more major life activities.

Please DO NOT submit medical records or tell us about the nature or severity of your disability.
The purpose of an accommodation is to remove or relieve a barrier posed by the disability-related limitation. As a result of this disability, the following reasonable accommodation(s) is/are being requested by or on behalf of the person with disabilities listed above.

Please answer the following questions.

1. The person with a disability is requesting a **service or support animal**. Please answer the questions below.
   1.a. **Service animal**. Is the animal (a dog) required because of a disability?
   ☐ Yes. If "Yes", answer question 1.b. below.
   ☐ No. If "No, skip to question #2.
   1.b. Has the animal been trained to do work or tasks that assist or help you with the limitation(s) posed by your disability? Some examples include guiding an individual who is blind or has

low vision, pulling a wheelchair, fetching items, or alerting persons to impending seizures, falls, or other medical crises.

☐ Yes. If "Yes", answer question 1.c. below.

☐ No. If "No, skip to question #2.

1.c. What work or tasks has the animal been trained to do? Note that the PHA is not asking for proof or certification of training. ***Do not provide medical information about the nature of your disability.***

____
____

2. ☐ **Support animal**. Is a result of this disability, the household member needs a support animal. *Please note that verification by a healthcare professional may be required.*

   What type of support animal do you need?__________________________________
   ____

3. ☐ The household member **needs a live-in aide**. *A live-in aide is not a daily in-home worker or caregiver doing rotating shifts. Please note that verification may be required.*

4. As a result of this disability, the person with disabilities needs the following reasonable accommodation(s) from the PHA. Please check one or more boxes below.

   ☐ Special unit features ☐ Physical modifications to unit ☐ Physical modifications to common areas

   ☐ Transfer to another unit that meets my disability-related needs ☐ Other ____________
   ____

   ☐ Extra bedroom for medical equipment. *Please note that, if necessary, a PHA inspector may view the equipment to confirm that all sleeping and living spaces are not adequate as an accommodation.*

   ☐ The household member needs a change in a rule, policy or procedure. (Note that fundamental requirements must still be met). Please specify the necessary change.

If necessary, please explain further what you need. ***Do not provide information about the nature of your disability.***

I understand that the information obtained by the PHA will be kept completely confidential and used solely to make a determination on my reasonable accommodation request.

Under the lease and the PHA's Admissions & Occupancy Policy, the PHA requires that statements made and information provided by the tenant be true and accurate, to the best of the tenant's knowledge.

I certify by signing below that all the information provided above is true, accurate and complete to the best of my knowledge.

____ _____________________ _____________

Signature Date

For PHA Use ONLY: PHA Certification

☐ I certify that this individual's disability is obvious or otherwise known to the PHA and no further verification is required.

☐ I certify that this individual's need for the accommodation is readily apparent or known to the PHA and no further verification is required.

____ ________________________

Signature of PHA Official Date

____ ________________________

Approval of PHA 504 Coordinator Date

Authorization

I/we authorize the PHA to verify that the above-referenced household member has a disability and that the accommodation(s) requested is necessary in order to remove or alleviate barriers to housing. To verify this information, the housing authority may contact the below-named knowledgeable professional (health care professional if the request is for a support animal) who is knowledgeable about my situation. I understand the information the housing authority obtains will be kept completely confidential and used solely to evaluate the request.

This authorization is requested because third-party verification may be needed.

Name of Professional: ____

Field of Practice: _________________________ Agency/Clinic/Facility: ____________________

Email: ____ Phone: (____)____________________

Address: ____

____ ____________________

Signature of household member needing the accommodation (only if 18 years of age or older) Date

**** If the household member needing the accommodation(s) is under 18 years of age, are you the parent or guardian of household member needing the accommodation? ☐ Yes ☐ No**

____ ____________________

Signature of parent or guardian Date

Please return this form as promptly as possible so that the PHA can make a determination on this request.

____ ____________________

Property Manager/PHA Representative Date

8.8 SAMPLE VERIFICATION OF NEED FOR REASONABLE ACCOMMODATION/MODIFICATION

VERIFICATION OF NEED FOR REASONABLE ACCOMMODATION

Please do not send or attach medical records

Individual Requesting Accommodation ____________________

Name of PHA Head of Household: ___________________________

Dear Knowledgeable Professional:

Please read this form completely – the information provided here is very important. The individual listed above has identified themself as being disabled under the Fair Housing Act and has asked for an accommodation from the PHA to meet housing-related needs necessary in order to remove, alleviate, or mitigate barriers to their housing or housing programs due to their disability-related limitations.

You have been authorized to release information to us regarding the individual's need for an accommodation. That authorization is attached.

The PHA grants reasonable accommodation requests based, if necessary, on verification of need from a professional who is knowledgeable about the individual's situation and competent to render an opinion. Such verification may be from a physician, other medical or non-medical service agency professional, or other knowledgeable professional. For verification of the need for a support animal, the verification is from a health care professional. Verification could include but not be limited to:

- Verification that the person is a qualifying person with disabilities.
- Verification that there is a relationship ("nexus") between the nature of the person's disabilities and the accommodation requested.
- Verification that the accommodation is necessary for the person to have equal opportunity to participate in or access the PHA's programs and services.

Please complete and return this form to the PHA. ***Confidential medical records will not be accepted***.

If you are not able to verify the information requested in this form, the PHA will notify the family and they may request verification from another professional or licensed practitioner.

If you have any questions, or would like further information, please feel free to contact me at:

PHA Representative | Date

Title | Email | Phone

Section I – Verification of Disability

☐ **It is NOT necessary for you to fill out this Section. Please proceed to Section II.**

☐ **Please complete this Section before proceeding to Section II.**

An "individual with a disability" is any person who has a physical, mental or emotional impairment that limits one or more life activities, such as caring for one's self, performing manual tasks, walking, seeing, hearing, speaking, breathing, learning, and working.

The term "physical or mental impairment" includes, but is not limited to, such diseases and conditions as orthopedic, visual, speech and hearing impairments, cerebral palsy, autism, epilepsy, muscular dystrophy, multiple sclerosis, cancer, heart disease, diabetes, mental retardation, emotional illness, drug addiction and alcoholism. The definition of an "individual with a disability" does *not* include a person whose current use of alcohol or drugs is the barrier that prevents the person from participating in PHA's housing program and services. (A more detailed definition is provided in the Code of Federal Regulations at 24 CFR 8.3, which PHA staff would be glad to provide to you.)

Does the person named above qualify as an "individual with a disability," according to this definition?

☐ Yes ☐ No ☐ Unable to verify Initials __________

Section II – Verification of Need for Requested Accommodation ***Please do not include medical records***	
I am knowledgeable about this individual's situation.	☐ Yes ☐ No

<u>Special Unit Features Due to Disability</u>

<u>IMPORTANT:</u> Please fill out this section if the disabled household member needs a unit, facilities and/or common area with specific features due to his or her disability.

The following information is requested <u>solely</u> for the purposes of identifying the unit (size, type, and design) that most appropriately meets the needs of the disabled household member. The PHA will make every effort to make the appropriate modifications or identify an appropriate unit based on your professional opinion and assessment.

<u>Please check only those accommodations that are necessary due to limitations posed by the disability.</u>

In my professional assessment of the disabled individual's needs, I certify that:

☐ The disabled household member needs a **wheelchair-accessible unit**.

☐ The disabled household member needs features for the vision-impaired and/or hearing-impaired.

☐ The disabled household member **DOES NOT** need a wheelchair-accessible unit but needs a unit or common area with the following features. ☐ Tub grab bars ☐ Toilet grab bars ☐ Handheld shower ☐ Other ____

☐ Extra bedroom for medical equipment. *Note: if necessary, a PHA inspector may view the equipment to confirm that all sleeping and living spaces are not adequate as an accommodation.*

☐ The disabled individual **requires a live-in aide**. *A live-in aide is not a daily caregiver or rotating shifts. A daily in-home worker or rotating shifts are not adequate to provide an opportunity equal to that afforded others.*

☐ ***Health care professional only:*** The household member **needs a support animal as an assistance animal.** An assistance animal alleviates or removes a disability-related limitation. An example of an assistance animal is providing emotional support to persons with disabilities who have a disability-related need for such support.

☐ The household member **requires a change in a policy or procedure as a direct result of their disability** in order to be afforded an equal housing opportunity. Please explain what change in policy or procedure is being requested.

CERTIFICATION

Based on your professional opinion and assessment of needs, please **check only one** of the following:

☐ **I certify** that the enclosed request for an accommodation is necessary for the disabled household member, as a result of their disability-related limitations, in order to have an equal housing opportunity.

OR

☐ **I cannot certify** that the enclosed request is necessary for the disabled household member, as a result of their disability-related limitations, in order to have an equal housing opportunity.

Please certify below:

☐ This certification is true and accurate to the best of my professional judgment.

____ _______________________
Professional's Signature Date

____ _______________________
Name (Please print clearly) Title of professional

____
Agency or Clinic, if applicable

____
Complete Address

(_______)______________________________ ______________________________
Phone Email

Please return form to: [PHA] as soon as possible at [address] or [email]

Name: Title:

(_______)______________________________ ______________________________
Phone Email

8.9 SAMPLE NOTICE OF INTENT TO TERMINATE LEASE BASED ON CRIMINAL RECORD

Housing Authority Name
Address
City, State, Zip
Phone
TDD or TTY

Date

Resident Name
Address
City, State, Zip

NOTICE OF INTENT TO TERMINATE LEASE BASED ON CRIMINAL RECORDS

Head of Household: [Resident Name],
Subject of Record: [Name]

Dear [Resident Name]:

The Housing Authority of [Jurisdiction] (acronym, or "the PHA") intends to terminate your public housing lease and tenancy based on criminal record database(s) and/or sex offender information obtained from a state or local agency. This notice is being sent to the head of household and the subject of record, if the subject of record is other than the head of household.

You signed a consent form authorizing the release of criminal records to the PHA. A copy of that consent form is enclosed.

The PHA has obtained criminal records and/or sex offender information showing that the adult household member named above was involved in a crime that constitutes grounds for termination of tenancy. This is the PHA's notification of its intention to terminate your lease and tenancy based on this information.

Enclosed is a copy of the criminal record(s) and/or sex offender information upon which the PHA is basing this decision. In compliance with 24 CFR §5.903, §5.905(d), and §960.204(c), you have the right to dispute the accuracy and relevance of these records used to make the determination to terminate your lease. If you do not dispute the accuracy and relevance of these records within 10 business days, or if you do dispute but the PHA determines the record(s) is/are accurate and relevant, the PHA will then send you a notice of termination. You will be informed of how to appeal our decision.

If you have any questions, please contact::

PHA Representative:___________________________________ Phone: _______________

Authorizing Signature: _________________________________ Email: _______________

Cc:

8.10 SAMPLE SCHEDULE OF PHA REPORTING – TREND ANALYSIS

Portfolio Performance Report – Fiscal Year Ending December 31				
	FY 2024	FY 2023	FY 2022	FY 2021
Overall PHAS Score	96	92	89	81
PASS Score	94.2b 39 points	91.2b 38 points	89.8c* 35 points	86.4c* 34.points
FASS Score	22 points	22 points	22 points	20 points
MASS Score	25 points	22 points	22 points	17 points
Capital Fund Score	10 points	10 points	10 points	10 points
Occupancy Rate	98.2%	97.2%	96.5%	95.2%
Vacant Unit Turnaround Time	12 days	16 days	21 days	25 days
Emergency WOs Completed / Abated w/in 24 Hrs	100%	100%	100%	100%
Average Number of Days to Complete Nonemergency WOs	8 days	10 days	12 days	15 days
Annual Unit Inspections	100%	100%	100%	100%
Rent Collection Rate	96.2%	96.9%	95.8%	94.9%
Annual Reexaminations on Time	99.2%	99.2%	98.6%	98.1%
Annual Reexamination Accuracy	98.1%	97.8%	97.2%	96.4%

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

WASHINGTON, DC 20410-5000

PRINCIPAL DEPUTY ASSISTANT SECRETARY
FOR PUBLIC AND INDIAN HOUSING

Date: 4/21/2026

Ryan Garcia
Executive Director
Hra Of The City Of South St Paul, Minnesota
125 3rd Avenue N South
St Paul, MN 55075

Dear Ryan Garcia:

This letter is to notify the Hra Of The City Of South St Paul, Minnesota (HOTCOSSPM) (MN010) that it is in noncompliance with Section 9(j) of the United States Housing Act of 1937 (42 U.S.C§ 1437g(j)), and 24 CFR section 905.306 of the Capital Fund Rule. HOTCOSSPM failed to obligate 90% of grant MN46P01050121 by 2/22/2023, the grant's obligation end date (OED). A public housing authority (PHA) will receive a 1/12 penalty for each month after the OED that the grant is not obligated. The penalty is applied to the following year's grant.

Per the definition of obligation found in 24 CFR 905.108, funds budgeted for Operations (Budget Line Item (BLI) 1406 are considered obligated once they have been drawn down; funds budgeted to Administrative Costs (BLI 1410) are obligated when incorporated in a HUD-approved 5-Year Action Plan; and funds budgeted to General Capital Activity (BLI 1480) are obligated when a contract for work is signed.

After HUD's review of obligating documents provided by the PHA and/or drawdown reporting in LOCCS, the Office of Capital Improvements (OCI) determined that the grant was at least 90% obligated as of 12/28/2023. Therefore, the PHA will receive a penalty of 11/12 on grant MN46P01050124 reducing the amount of the grant from $954,242.00 to $79,520.00 .

Per 24 CFR 905.804 (b), a PHA may appeal this decision to HUD within 2 weeks of the date of this letter to PIHOCI@hud.gov. An appeal will **only** be considered under the following circumstances:

(1) the PHA clearly explains how HUD incorrectly or inconsistently applied a statute or regulation when imposing the penalty; and/or

(2) the PHA identifies inaccurate information that HUD relied upon in making its determination of the date funds were at least 90% obligated. This must include additional and/or corrected binding contracts or agreements fully executed before the OED or that funds in BLI1406 were drawn down in LOCCS on or before the OED.

An appeal will only be considered if the above information shows the grant was correctly obligated by the OED or the sanction calculation was an error based on the newly submitted documents.

If you do not wish to appeal, please sign, date and return the amended Annual Contributions Contract (ACC) to PIHOCI@hud.gov for processing. Should you have any questions concerning this matter, please contact David Fleischman, Director, Capital Program Division at PIHOCI@hud.gov.

Sincerely,

Digital Signature on file for:
David Fleischman

David Fleischman
Director, Office of Capital Improvements

cc: Kelley Lyons , Regional Director
Lucia Clausen, Field Office Director

Capital Fund Program
exp(10/31/2026)
(CFP) Amendment
to Consolidated Annual Contributions Contract
Terms and Conditions (HUD-53012)

Section 9j OED Recapture 2024 Capital Fund

U.S. Department of Housing and Urban Development
Office of Public and Indian Housing

OMB Approval No. 2577-0303

Whereas, (Public Housing Authority) **Hra Of The City Of South St Paul, Minnesota (HOTCOSSPM)** (herein called the "PHA")
and the United States of America, Secretary of Housing and Urban Development (herein called "HUD") entered into an Annual Contributions Contract
ACC(s) Numbers(s) (On File) dated (On File)
Whereas, in accordance with Section 235 of Public Law 118-42 Division L, Title II,
Whereas, HUD has agreed to provide CFP assistance, upon execution of this Amendment, to the PHA in the amount to be specified below for the purpose of assisting the PHA in carrying out capital and management activities at existing public housing projects in order to ensure that such projects continue to be available to serve low-income families. HUD reserves the right to provide additional CFP assistance in this FY to the PHA. When HUD provides additional amounts, it will notify the PHA and those amended grants will be subject to these terms and conditions.
Reduced (**$874,722.00**)
$79,520.00 for fiscal year 2024 to be referred to under the Capital Fund Grant Number **MN46P01050124**
PHA Tax Identification Number (TIN): On File UEI Number: On File
Whereas, HUD and the PHA are entering into the CFP Amendment Number: On File

Now Therefore, the ACC is amended as follows:

1. The ACC(s) is (are) amended to provide CFP assistance in the amount specified above for capital and management activities of PHA projects. This CFP Amendment is a part of the ACC.
2. The PHA must carry out all capital and management activities in accordance with the United States Housing Act of 1937 (the Act), 24 CFR Part 905 (the Capital Fund Final rule) as well as other applicable HUD requirements, except that the limitation in section 9(g)(1) of the Act is increased such that of the amount of CFP assistance provided for under this CFP amendment only, the PHA may use no more than 25 percent for activities that are eligible under section 9(e) of the Act only if the PHA's HUD-approved Five Year Action Plan provides for such use; however, if the PHA owns or operates less than 250 public housing dwelling units, such PHA may continue to use the full flexibility in accordance with section 9(g)(2) of the Act.
3. The PHA has a HUD-approved Capital Fund Five Year Action Plan and has complied with the requirements for reporting on open grants through the Performance and Evaluation Report. The PHA must comply with 24 CFR 905.300 of the Capital Fund Final rule regarding amendment of the Five Year Action Plan where the PHA proposes a Significant Amendment to the Capital Fund Five Year Action Plan.
4. For cases where HUD has approved a Capital Fund Financing Amendment to the ACC, HUD will deduct the payment for amortization scheduled payments from the grant immediately on the effective date of this CFP Amendment. The payment of CFP funds due per the amortization scheduled will be made directly to a designated trustee within 3 days of the due date.
5. Unless otherwise provided, the 24 month time period in which the PHA must obligate this CFP assistance pursuant to section 9(j)(1) of the Act and 48 month time period in which the PHA must expend this CFP assistance pursuant to section 9(j)(5) of the Act starts with the effective date of this CFP amendment (the date on which CFP assistance becomes available to the PHA for obligation). Any additional CFP assistance this FY will start with the same effective date.
6. Subject to the provisions of the ACC(s) and paragraph 3, and to assist in capital and management activities, HUD agrees to disburse to the PHA or the designated trustee from time to time as needed up to the amount of the funding assistance specified herein.
7. The PHA shall continue to operate each public housing project as low-income housing in compliance with the ACC(s), as amended, the Act and all HUD regulations for a period of twenty years after the last disbursement of CFP assistance for modernization activities for each public housing project or portion thereof and for a period of forty years after the last distribution of CFP assistance for development activities for each public housing project and for a period of ten years following the last payment of assistance from the Operating Fund to each public housing project. Provided further that, no disposition of any project covered by this amendment shall occur unless approved by HUD.
8. The PHA will accept all CFP assistance provided for this FY. If the PHA does not comply with any of its obligations under this CFP Amendment and does not have its Annual PHA Plan approved within the period specified by HUD, HUD shall impose such penalties or take such remedial action as provided by law. HUD may direct the PHA to terminate all work described in the Capital Fund Annual Statement of the Annual PHA Plan. In such case, the PHA shall only incur additional costs with HUD approval.

The parties have executed this CFP Amendment, and it will be effective on the date HUD signs below.

9. Implementation or use of funding assistance provided under this CFP Amendment is subject to the attached corrective action order(s).
(Mark one) : o Yes o No
10. The PHA is required to report in the format and frequency established by HUD on all open Capital Fund grants awarded, including information on the installation of energy conservation measures.
11. If CFP assistance is provided for activities authorized pursuant to agreements between HUD and the PHA under the Rental Assistance Demonstration Program, the PHA shall follow such applicable statutory authorities and all applicable HUD regulations and requirements. For total conversion of public housing projects, no disposition or conversion of any public housing project covered by these terms and conditions shall occur unless approved by HUD. For partial conversion, the PHA shall continue to operate each non-converted public housing project as low-income housing in accordance with paragraph 7.
12. CFP assistance provided as an Emergency grant or a Safety and Security grant shall be subject to a 12 month obligation and 24 month expenditure time period. CFP assistance provided as a Natural Disaster grant shall be subject to a 24 month obligation and 48 month expenditure time period. The start date shall be the date on which such funding becomes available to the PHA for obligation. The PHA must have a recorded and effective Declaration(s) of Trust on all property funded with Capital Fund grants (all types) or HUD will exercise all available remedies including recapture of grant funding.
13. Waste, Fraud, Abuse, and Whistleblower Protections. Any person who becomes aware of the existence or apparent existence of fraud, waste or abuse of any HUD award must report such incidents to both the HUD official responsible for the award and to HUD's Office of Inspector General (OIG). HUD OIG is available to receive allegations of fraud, waste, and abuse related to HUD programs via its hotline number (1-800-347-3735) and its online hotline form. You must comply with 41 U.S.C. § 4712, which includes informing your employees in writing of their rights and remedies, in the predominant native language of the workforce. Under 41 U.S.C. § 4712, employees of a government contractor, subcontractor, grantee, and subgrantee—as well as a personal services contractor—who make a protected disclosure about a Federal grant or contract cannot be discharged, demoted, or otherwise discriminated against as long as they reasonably believe the information they disclose is evidence of:
1. Gross mismanagement of a Federal contract or grant;
2. Waste of Federal funds;
3. Abuse of authority relating to a Federal contract or grant;
4. Substantial and specific danger to public health and safety; or
5. Violations of law, rule, or regulation related to a Federal contract or grant.
14. This grant may be subject to the requirements of the Build America Buy, America Act (BABA) which was enacted on November 15, 2021, as part of the Infrastructure Investment and Jobs Act (Public Law 117–58), unless waived by the Department: refer to HUD's BABA webpage for further information
(https://www.hud.gov/program_offices/general_counsel/build_america_buy_america)

U.S. Dept of HUD	PHA (Executive Director or authorized agent)
By: Date: 4/21/2026 Marianne Nazzaro Title: Deputy Assistant Secretary Office of Public Housing Investments Digital Signature on file for: Marianne Nazzaro	By: [signature] Date: 4/21/2026 Title: Executive Director

Previous versions obsolete

form HUD-53012 OMB Approval No. 2577-0303 (exp. 10/31/2026)

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
Minneapolis Field Office
Paul D. Wellstone Federal Building
212 Third Avenue South, Suite 150
Minneapolis, MN 55401

May 8, 2026

Board of Commissioners
c/o Mr. Matthew Thompson , Chair
HRA OF THE CITY OF SOUTH ST PAUL
125 3RD Avenue N
South St. Paul, MN , 55075
mthompson@southstpaul.org

Dear Commissioners:

HUD is responsible for ensuring that its assisted properties are decent, safe, sanitary, and in good repair and that its Public Housing Authorities (PHAs) follow relevant regulations. HUD relies on local housing authorities to maintain the properties, address health and safety hazards in a timely manner, and efficiently execute programs that improve housing quality.

The CITY OF SOUTH ST PAUL Housing and Redevelopment Authority (SSP HRA) had a National Standards for the Physical Inspection of Real Estate (NSPIRE) inspection on April 10, 2026 which resulted in 62 Total Deficiencies deficiencies:

Deficiency Type	Number of Deficiencies
Life-Threatening	41 LTS
Severe	19 of Severe
Moderate	2 of Moderate
Low	0 of Low

The SSP HRA was provided with advance notice of the NSPIRE inspection from HUD's Real Estate Assessment Center (REAC). The Minneapolis Field Office provided additional technical assistance with respect to NSPIRE access and various resources for the PHA to use in preparation for the inspection. Despite the resources provided, there were a significant number of deficiencies cited during the inspection.

Physical deficiencies typically result from PHAs who have failed to prioritize capital funding, failed to correct deficiencies identified in previous REAC inspection reports, failed to abide by the PHA's lease agreement with tenants and/or failed to effectively manage a proper maintenance program. Therefore, the Board of Commissioners of the SSP HRA should take immediate action to identify the source(s) of the physical deficiencies and to develop and implement productive strategies to ensure that the PHA is providing decent, safe, and sanitary housing to its residents.

The following list of actions is offered as common suggestions to the Board to use in self-diagnosing the source(s) of its physical deficiencies and identifying solutions to recover its performance for long-term sustainability:

- Capital Funding
  - Evaluate current contracts for priority and necessity in relationship to needed

capital funding.
    - Account for the amount of capital funds received and purchases made to date.
    - Evaluate the amount of capital funds that are being used to offset costs of PHA operations
    - Verify that capital funds are not being used for non-capital purposes.
    - Evaluate the most recent physical needs assessment (PNA) or conduct a new one.
    - Evaluate the use of resources for maintenance and modernization needs rather than for development.
- Physical Inspection Deficiencies
    - Verify that required annual inspections by the PHA are being conducted and that generated work orders are being completed timely and accurately.
    - Evaluate maintenance staffing levels, skill levels, and performance as well as how maintenance staff are deployed.
    - Evaluate the PHA's operations to include routine, preventative and routine maintenance as well as the planning efforts for REAC inspections.
    - Evaluate the use of previous REAC inspection reports and the PHA's maintenance requests for capital fund and maintenance planning.
        - Verify whether in-unit life-threatening deficiencies, which are cause for heavily weighted point deductions, are being targeted for immediate repairs. These include missing smoke and/or carbon monoxide detectors, exposed/damaged/non-working electrical, sprinkler head obstructions, and fire/safety hazards.
        - Verify whether in-unit severe deficiencies, which are cause for a magnitude of point deductions, are being targeted for repairs. These include non-working smoke and/or carbon monoxide detectors, unprotected/improper electrical, deteriorating paint, water leaks, and non-functional fire safety systems.
        - Verify whether the most common and frequent deficiencies are being repaired sufficiently. Based on the April 10, 2026 inspection, these are the following:
            - Sprinkler head assembly is encased or obstructed;
            - Three-pronged outlets not properly wired or grounded;
            - Unprotected outlets within six feet of water source;
            - Carbon Monoxide alarm missing or not installed in appropriate location.
    - Consider contracting maintenance to another entity or PHA.
    - Review tenant education materials and revise/modify as necessary to ensure tenants understand their lease obligations and how to report maintenance issues.

Please provide our office with a response within 30 days of the receipt of this letter. Once received, the Field Office will be scheduling a follow up Teams call with the Executive Director and Board Chair.

If you have any questions, please contact Ryan Raleigh, Portfolio Management Specialist, Office of Public Housing at ryan.raleigh@hud.gov or 612-370-3020.

Sincerely,

X LUCIA CLAUSEN

Digitally signed by: LUCIA CLAUSEN
DN: CN = LUCIA CLAUSEN C = US
O = U.S. Government OU =
Department of Housing and Urban
Development, Office of Public and
Indian Housing
Date: 2026.05.08 11:15:44 -05'00'

Lucia M. Clausen
Director, Office of Public Housing

Enclosure: NSPIRE Inspection Report

cc:
Joe Kaliszewski, Board Vice Chairperson
HRA OF THE CITY OF SOUTH ST PAUL
jkaliszewski@southstpaul.org

Pamela Bakken, Board Member
HRA OF THE CITY OF SOUTH ST PAUL
pbakken@southstpaul.org

Jimmy Francis, Board Member
HRA OF THE CITY OF SOUTH ST PAUL
jfrancis@sspmn.org

Lori Hansen, Board Member
HRA OF THE CITY OF SOUTH ST PAUL
lhansen@sspmn.org

Todd Podgorski, Board Member
HRA OF THE CITY OF SOUTH ST PAUL
rgarcia@sspmn.org

Thomas Seaberg
HRA OF THE CITY OF SOUTH ST PAUL
tseaberg@sspmn.org

Ryan Garcia, Executive Director
HRA OF THE CITY OF SOUTH ST PAUL
rgarcia@southstpaul.org

Tiffany Greene, HA Housing Director
HRA OF THE CITY OF SOUTH ST PAUL
tgreene@southstpaul.org

5KPH: Reader File

5KPH:RER:J:\PHA Portfolio Files\PHA Portfolio Files (MN001-MN049)\MN010

Matthew Thompson
Board Chair
South St. Paul HRA
125 Third Ave North
South St. Paul, MN 55075

June 23, 2026

Lucia M. Clausen
Director, Office of Public Housing
U.S. Department of Housing and Urban Development
Minneapolis Field Office
212 Third Avenue South, Suite 150
Minneapolis, MN 55401

RE: Response to NSPIRE Deficiencies Follow-Up Letter – SSP HRA (MN010)

Dear Ms. Clausen:

On behalf of the Housing and Redevelopment Authority of the City of South St. Paul (SSP HRA), thank you for your letter dated May 8, 2026, regarding the National Standards for the Physical Inspection of Real Estate (NSPIRE) inspection conducted at the John Carroll Highrise on April 10, 2026,

The SSP HRA Board of Commissioners and management team take the inspection findings seriously and remain committed to providing decent, safe, sanitary, and quality housing for our residents. We recognize that the inspection identified 62 deficiencies, including 41 life-threatening, 19 severe, and 2 moderate deficiencies. We appreciate HUD's guidance and the opportunity to address the issues identified.

Immediately following receipt of the inspection results, and while the inspection was still taking place, SSP HRA initiated corrective actions to address 100% of the life-threatening and severe deficiencies within 24 hours of the inspection date, including:

• Obstructed sprinkler head assemblies
• Improperly wired or ungrounded three-pronged outlets
• Unprotected outlets located within six feet of a water source
• Missing or improperly located carbon monoxide alarms

To date, maintenance staff and contracted vendors have completed corrective repairs for all identified life-threatening, severe, and moderate deficiencies. Documentation of completed repairs, including work orders and photographs, has been uploaded to the Nspire portal and retained for verification purposes.

In addition to correcting the cited deficiencies, SSP HRA has undertaken a comprehensive review of its maintenance and inspection practices. Actions currently underway include:

1. **Enhanced Preventive Maintenance Program**
    - Increased routine inspections of common areas and dwelling units.

   - Implementation of NSPIRE-focused inspection checklists to identify deficiencies before they become health or safety concerns.
2. **Maintenance Operations Review**
   - Evaluation of staffing levels, maintenance workflows, and work order completion timelines.
   - Increased monitoring of open work orders, tenant sprinkler head obstructions, and prioritization of health and safety-related repairs.
3. **Capital Planning Assessment**
   - Review of current Capital Fund expenditures to ensure alignment with physical needs and property preservation priorities.
   - Assessment of future capital improvement needs and incorporation of inspection findings into planning efforts.
4. **Resident Communication and Education**
   - Reinforcement of procedures for reporting maintenance concerns.
   - Review and update of resident educational materials regarding safety devices and resident responsibilities under the lease, specifically addressing sprinkler head clearance, and smoke alarms.
5. **Board Oversight**
   - Regular reporting to the Board of Commissioners regarding maintenance performance, inspection results, and corrective action progress.
   - Ongoing monitoring to ensure long-term compliance with HUD standards and NSPIRE requirements.

SSP HRA understands the importance of maintaining housing that meets HUD standards and is committed to strengthening internal processes to prevent recurrence of these deficiencies. We view the inspection findings as an opportunity to improve our operations and enhance the quality of housing provided to our residents.

We appreciate HUD's continued partnership and technical assistance. We look forward to discussing our corrective actions and ongoing improvement efforts during the upcoming follow-up meeting with the Minneapolis Field Office.

Should you require additional information, please contact Ryan Garcia, Executive Director, or Tiffany Greene, Housing Programs Administrator.

Sincerely,

Matthew Thompson
Board Chair
Housing and Redevelopment Authority of the City of South St. Paul

Ryan Garcia
Executive Director
Housing and Redevelopment Authority of the City of South St. Paul

U.S. Department of Housing and Urban Development

OFFICE OF PUBLIC AND INDIAN HOUSING
REAL ESTATE ASSESSMENT CENTER

Public Housing Assessment System (PHAS) Score Report for Interim

Report Date: 06/25/2026

PHA Code:	MN010
PHA Name:	HRA OF THE CITY OF SOUTH ST PAUL, MINNESOTA
Fiscal Year End:	12/31/2024

PHAS Indicators	Score	Maximum Score
Physical	39	40
Financial	23	25
Management	9	25
Capital Fund	10	10
Late Penalty Points	0	
PHAS Total Score	**81**	**100**
Designation Status:	**Substandard**	

Published 06/25/2026 Initial published 06/25/2026

Financial Score Details Audited/Single Audit	Score	Maximum Score
1. FASS Score before deductions	23.00	25
2. Audit Penalties	0.00	
Total Financial Score Unrounded (FASS Score - Audit	23.00	25

Capital Fund Score Details	Score	Maximum Score
Timeliness of Fund Obligation:		
1. Timeliness of Fund Obligation %	90.00	
2. Timeliness of Fund Obligation Points	5	5
Occupancy Rate:		
3. Occupancy Rate %	96.98	
4. Occupancy Rate Points	5	5
Total Capital Fund Score (Fund Obligation + Occupancy Rate):	10	10

Notes:

1. The scores in this Report are the official PHAS scores of record for your PHA. PHAS scores in other systems are not to be relied upon and are not being used by the Department.
2. Due to rounding, the sum of the PHAS indicator scores may not equal the overall PHAS score.
3. "0" FASS Score indicates a late presumptive failure. See 902.60 and 902.92 of the Interim PHAS rule.
4. "0" Total Capital Fund Score is due to score of "0" for Timeliness of Fund Obligation. See the Capital Fund
5. PHAS Interim Rule website - http://www.hud.gov/offices/reac/products/prodphasintrule.cfm