

| PHILADELPHIA HOUSING AUTHORITY ACT 130 REPORT



Philadelphia Housing Authority
Building Beyond Expectations

Kelvin A. Jeremiah
President and Chief Executive Officer

12 S. 23rd Street, Philadelphia, PA 19103
(215) 684-4174 F (215) 863-4163

TABLE OF CONTENTS

Executive Summary	2
Overview of PHA	3
Basic Facts about PHA	3
Recovery Plan	4
Summary of HUD Programs Administered by PHA.....	5
Moving to Work.....	7
Moving to Work – Year 13 Plan.....	8
Applicable Legal Requirements.....	10
Matrix of Selected Statutes.....	14
Legal Affairs Overview	15
Overview of the Financial Statements	16
Financial Highlights.....	16
Grant Summary	16
Capital Grants.....	16
Program Grants.....	17
PHA Executive Team	18
PHA Board of Commissioners	21
Capital Development Plans	23
Sequestration	24
Awards and Achievements	25
Conclusion.....	26
Appendix A.....	27
Recovery Plan Progress Report – April 2013.....	27
Appendix B.....	28
PHA Executive Team Roster	28
Appendix C.....	29
Moving to Work –Year 11 Report	29
Appendix D.....	30
Moving to Work –Year 13 Plan.....	30
Appendix E.....	31
Report on Audit of Financial Statements, Supplementary Information and Single Audit for the Year Ended March 31, 2012	31
Appendix F	32
Sequestration Letters to Staff, Residents and Stakeholders.....	32

EXECUTIVE SUMMARY

On July 5, 2012, Governor Corbett signed Senate Bill 1174 into law as Act 130 of 2012 ("Act 130"), which amended the Pennsylvania Housing Authorities Law (Act 265 of 1937) and restructured the Board of the Philadelphia Housing Authority ("PHA"). The Act took effect on September 3, 2012.

The key provisions of Act 130 affecting PHA include a restructuring of the Board of Commissioners, including the appointment process and terms; the establishment of at-will employment for the CEO and staff reporting to the CEO; and the requirement that PHA annually prepare a written report regarding its operations, administration, management, finances, legal affairs, housing production and development, and other relevant activities. The law also requires that the report be submitted to the Secretary of the Pennsylvania Department of Community and Economic Development, leadership in the General Assembly, the Mayor of Philadelphia and President of City Council. This report is intended to comply with this reporting requirement of Act 130.

This report includes short biographies of the newly appointed members of the Executive Team and the Board of Commissioners, statistics on PHA's resident population of approximately 80,000 people, a summary of PHA's programs, our five-year Capital Development Plan that aims to provide 6,000 more affordable housing units in five years, and the utilization of over five million dollars in grant funds to provide job training and educational programs to residents. As a designated Moving to Work ("MTW") agency, PHA has substantial budget flexibility and regulatory relief, which allows PHA to make program changes that increase efficiency, help residents become self-sufficient and provide various housing options. Included in this report is PHA's MTW Year 13 Plan, which carefully considers the immediate and long-term needs and programs for residents in public housing and the Housing Choice Voucher Program (formerly known as Section 8).

Additionally, this report incorporates the most up-to-date listing of PHA's Recovery Plan, as required by the Cooperative Endeavor Agreement ("CEA") between the U.S. Department of Housing and Urban Development ("HUD") and PHA. The CEA mandated the appointment of an Administrative Receiver for PHA who prepared and implemented a Recovery Plan to address deficiencies in PHA's operations and governance, including those tasks that must be completed in order to return PHA to local control.

This report fulfills the requirements of Act 130 of 2012 - Section 24.1 by summarizing and providing complete copies of PHA's annual reports on operations, management, administration, finances, legal affairs, housing production and development and other relevant activities.

PHA has made great strides toward improving its internal operations and continues to make improvements in the services and programs provided to the people it serves. This report highlights those changes and improvements.

OVERVIEW OF PHA

Established in 1937, the Philadelphia Housing Authority (“PHA”) is the largest landlord in Pennsylvania. Housing nearly 80,000 low and moderate income people in the City of Philadelphia and employing over 1,300 employees, PHA is an industry leader in property development, acquisition, and management of modern affordable housing. Ninety-three percent of PHA’s annual budget of \$383 million is provided by the U.S. Department of Housing and Urban Development (“HUD”). The bulk of this budget has been used to transform communities throughout Philadelphia under PHA’s Moving to Work (“MTW”) designation. This has resulted in the rehabilitation and revitalization of neighborhoods, the implementation of energy efficiency and green technologies, and support for resident economic self-sufficiency.

PHA’s mission is to provide quality housing for Philadelphia’s low and moderate income families by maintaining and improving its housing and facilities, achieving excellence in property management, providing opportunities for resident economic enhancement and workforce development, and by forming strategic partnerships with surrounding communities.

BASIC FACTS ABOUT PHA

Conventional Public Housing Program

- PHA provides homes to more than 32,000 public housing residents around the city.
- PHA has 57 developments spread across Philadelphia with over 9,500 units.
- PHA also has a portfolio of over 4,300 scattered site units in active use.
- Public housing families have an average income of \$10,645.24.
- The average rent is \$267 per month.
- 58% of public housing households are single parent families.
- 41% of public housing residents are under the age of 18.
- 18% of public housing residents are 55 or older.

Housing Choice Voucher (“HCV”) Program

- PHA houses over 15,000 families or over 43,000 authorized residents through the HCV Program, formerly known as Section 8. Heads of household enrolled in the program lease homes from private landlords and receive a rent subsidy.
- HCV families have an average income of \$10,061.09.
- The average tenant portion of rent is \$288.33 a month.
- Nearly 4,700 private landlords participate in the HCV Program.
- Qualified HCV recipients have the opportunity to become homeowners through the HCV Homeownership Program.

RECOVERY PLAN

In June 2011, PHA, HUD, the Mayor of Philadelphia and the City Controller entered into a Cooperative Endeavor Agreement that required the appointed Administrative Receiver of PHA to prepare and implement a Recovery Plan to address deficiencies in PHA's operations and governance, including tasks to be completed in order to return PHA to local control. Below are key accomplishments achieved by PHA under the Recovery Plan. Specifics of the Recovery Plan can be found in Appendix A.

- Agency-wide mandatory training was conducted on PHA's revised ethics, sexual harassment, Equal Employment Opportunity, fraud, and related policies.
- A new employee handbook was developed, published, and distributed in FY 2013. Significant progress was made in revising PHA's overall Human Resources policies and procedures handbook.
- New procedures were established to improve controls and documentation of construction field changes to scope and/or budget.
- A revised Procurement Policy was developed for Board review and was approved in FY 2012.
- Substantial progress was made in resolving and closing out findings from audits of PHA management and operations by HUD's Office of the Inspector General.
- PHA published and distributed "Employee Guide to Identifying and Preventing Corruption" and an "Anti-Corruption Guide for PHA's Contractors and Vendors."

In addition to the above, PHA also substantially restructured and staffed its Human Resources Department, Office of Audit and Compliance, and Office of General Counsel.

Human Resources Department: Prior to the Recovery Plan period, Human Resources was not organized or structured as a full service function to meet the needs of the organization. Routine labor and employee relations tasks were given to outside counsel and there were no employee handbooks or mandatory EEO trainings.

The restructured Human Resources Department has a centralized staff that provides expertise on employment, recruitment, labor relations, and benefits. The new department has completed a review of previous policies and procedures, which led to the development of an Employee Handbook for the first time since the 1990s. Every PHA employee now also completes sexual harassment, ethical standards, and fraud-prevention training.

Office of Audit and Compliance: As part of the Recovery Plan's focus on eliminating waste, fraud and abuse, the Office of Audit and Compliance was established and granted oversight authority.

The Office of Audit and Compliance performs investigative, audit and compliance-related activities relating to PHA's operations, programs and services. OAC operates under the general direction of PHA's President & CEO with a direct reporting relationship to the Board of Commissioners.

Since its inception, the department developed corruption prevention guidebooks for employees and contractors and increased coordination with law enforcement and investigatory agencies. PHA has also implemented rigorous ethical standards and policies to prevent workforce harassment and promote equal opportunity employment. Whistleblower protections have been established and both employees and the public are encouraged to use the newly created whistleblower hotline (215-685-8300) or email (OAC@pha.phila.gov).

Office of General Counsel: Prior to the Recovery Plan, PHA had virtually no in-house Legal Department and most legal work was outsourced to law firms. After an independent assessment of the legal function and needs at PHA, a new structure was put into place. As a result of the restructuring, annual expenditures on outside counsel have dropped more than \$6M compared to FY 2010.

The new Office of General Counsel assures that PHA has all necessary legal representation, using in-house counsel and outside counsel resources effectively, measured by results as well as costs. Such representation is required for legal advice, certain investigations, development and financing transactions, contracts and litigation, including thousands of lease enforcement and compliance matters annually.

The Office provides required reports to HUD, generally through the HUD Regional Counsel, and is responsible for all Right to Know and Records Management matters. The General Counsel also acts as PHA's Ethics Officer, accountable to both the President & CEO and the Board of Commissioners.

SUMMARY OF HUD PROGRAMS ADMINISTERED BY PHA

Moving to Work Designation (“MTW”): Created by Congress in 1996, MTW is a HUD demonstration program that provides designated housing authorities, such as PHA, fiscal and regulatory flexibility to design, test, and implement innovative, locally-designed strategies for providing low-income families with affordable housing and new paths to economic independence. MTW has three primary objectives:

1. Reduce costs and achieve greater cost effectiveness in federal expenditures;
2. Give incentives to families with children where the head of household is working, is seeking work, or is preparing for work by participating in job training, educational programs, or programs that assist people to obtain employment and become economically self-sufficient; and
3. Increase housing choices for low-income families.

As an MTW agency, PHA has the ability to convert a number of its Housing Choice Vouchers into activity vouchers, which are used for MTW-authorized purposes under the MTW block grant. At PHA, the funding is converted and used to support various programs and departments throughout the agency, such as resident self-sufficiency and training programs.

Public Housing (“Section 9”): PHA’s public housing rental portfolio falls into two general categories: PHA-owned and PAPMC/AME properties (see below for more information). PHA owns and manages conventional and scattered site housing, while PAPMC and AMEs manage other properties that maintain their own individual wait lists.

Conventional Sites: Conventional sites are traditional, multi-family housing developments owned and operated by PHA. They are designated Family, Seniors-Only, or Family and Seniors. An example of a Family and Seniors development is Wilson Park in South Philadelphia.

Scattered Sites: Scattered sites refer to individual properties scattered throughout the city. They are generally single family homes or low-rise multi-family homes with only a few units. They are all owned and managed by PHA through Community Based Management Offices.

Philadelphia Asset and Property Management Company (“PAPMC”): PAPMC is a private service affiliate that manages all Limited Partnership Low Income Housing Tax Credit (“LIHTC”)-financed properties. It is a nonprofit management entity that is separate from PHA and each PAPMC site maintains its own waiting list. PHA’s redeveloped Norris Apartments in North Philadelphia is managed by PAPMC.

Alternatively Managed Entities (“AMEs”): AMEs are privately-managed low-income housing developments affiliated with PHA. AME sites also manage their own wait lists and clients must apply directly to these properties. An example of an AME is Falls Ridge in East Falls, which is managed by Pennrose Properties.

Housing Choice Voucher Program (“HCV”): The HCV program, formerly known as Section 8, provides rental assistance to low-income families in privately owned housing units. Any rental assistance program administered by PHA, where the tenant resides in a privately-owned unit or home, falls under the HCV program.

The HCV Program is a tenant-based rental assistance (“TBRA”) program in which the program participant receives a subsidy in the form of a voucher. Tenant-based voucher subsidy follows the person or family, as opposed to being tied to a specific unit or building. Under the TBRA program, an eligible person or family is issued a voucher, which they can use in the private market to rent from individual landlords or property managers. The person or family pays approximately 30% of their gross monthly income toward rent and the voucher supplements this amount to the landlord.

Persons and families participating in the program are expected to comply with all lease terms of their individual landlords and a lease is executed much like that in the private market, with a separate lease executed with PHA for the voucher assistance.

Persons or families in the HCV Program are also able to “port out” of Philadelphia; they may use their voucher subsidy anywhere in the country that has a local housing authority, subject to any applicable restrictions.

Project-Based Rental Assistance or Vouchers (“PBV”): Unlike the HCV Program, project-based voucher subsidy is tied to a specific unit. However, unlike public housing, PHA does not own these units or buildings – PHA only provides rental subsidies for low-income tenants.

Persons or families would apply and be admitted directly by the organization that holds a PBV contract with PHA. Although

they are low-income and receiving PHA HCV subsidy, these tenants cannot take their subsidy with them if they wish to move because the subsidy remains tied to the specific unit or building.

Family Unification Program (“FUP”): FUP combines tenant-based HCV rental assistance with supportive services arranged by the local child welfare agency – the Philadelphia Department of Human Services (“DHS”).

The program targets two different populations: (1) families lacking adequate housing, which is causing imminent placement of a child or children in out-of-home care or delaying discharge of a child or children from out-of-home care; and (2) youths, aged 18-21 years old, lacking adequate housing who have “aged out” of the foster care system.

DHS refers families and youths to PHA for admissions and eligibility screening. Families and youths cannot directly apply to PHA for FUP assistance.

Veterans Affairs Supportive Housing (“VASH”): The VASH program combines tenant-based HCV rental assistance with case management and clinical services provided by the Department of Veterans Affairs (“VA”).

This is a special program whereby the VA refers homeless veterans to PHA for housing assistance. Veterans cannot apply directly to PHA.

VA provides services for participating veterans at VA medical centers (“VAMCs”) and community-based outreach clinics.

MOVING TO WORK

Moving to Work ("MTW") is a special, contractual agreement between PHA and HUD under which the Authority has substantial budget flexibility and regulatory relief. This allows PHA to make program changes that increase efficiency and help residents become self-sufficient. In October 2008, PHA signed a ten-year extension of its MTW agreement.

The agency entered the program effective April 1, 2001, one of twenty-seven public housing authorities to do so. PHA began its twelfth year of MTW on April 1, 2012, and has published a plan detailing goals and objectives for the current fiscal year. It has also held public hearings on its proposed plan for the next fiscal year. PHA's current MTW Plan is based on a comprehensive, critical appraisal of its operating, capital and support services. The Plan development process is one that carefully considers the immediate and long-term needs and programs for residents in public housing and the Housing Choice Voucher Program.

The MTW Annual Plan highlights five overarching strategic objectives:

MTW Objective 1: Reform the existing Housing Choice Voucher Program and public housing programs.

MTW Objective 2: Revitalize neighborhoods where MTW and MTW-eligible residents reside.

MTW Objective 3: Develop an MTW family program to furnish comprehensive economic self-sufficiency services to eligible MTW families.

MTW Objective 4: Establish a quality of life program to promote a living environment that fosters community values, encourages resident participation and positive peer group pressure, and reinforces the responsibilities of public housing residents, voucher and landlord participants and PHA to one another and the broader community.

MTW Objective 5: Establish efficient operating procedures and implement cost saving strategies

Each of the five objectives is supported by plans and strategies that aggressively and affirmatively promote improvements in the Philadelphia Housing Authority's operation and service delivery. A new plan is developed each fiscal year, which runs from April 1 to March 31.

Currently, PHA is drafting the MTW Year 12 Report, which will provide a status of the outcomes of the MTW Year 12 Plan. The report will be completed by June of 2013.

Some of the key components of the MTW Year 12 Plan and Report include: continuing comprehensive rehabilitation and neighborhood revitalization activities, implementing an asset repositioning strategy for the scattered site portfolio, developing a new Five Year Capital Plan, ending term limits on HCV participation, continuing to implement the rent simplification initiatives and continuing to invest in programs to increase administrative efficiency and streamline operations.

The Moving to Work Year 11 Report can be found in Appendix C.

MOVING TO WORK – YEAR 13 PLAN

The MTW Year 13 Annual Plan summarizes PHA's major plans and initiatives for PHA Fiscal Year 2014, which begins on April 1, 2013. Progress and outcomes of MTW tasks and objectives are tracked and updated on a routine basis. PHA will implement a coordinated, comprehensive program of capital improvements, development activities, maintenance and management initiatives, and resident supportive services in MTW Year 13.

In light of ongoing federal budget pressures, PHA is preparing for the impact of declining resources beyond the overall net 5% reduction experienced in PHA's FY 2013 annual budget of \$400 million. While FY 2014 funding levels are not yet finalized, Housing Choice Voucher funding is projected to remain somewhat flat over prior year levels and significant reductions (i.e. an additional 4-6%) are projected for both the Public Housing Operating and Capital Funding streams. PHA will continue to respond to these budget challenges by stretching budget dollars to do more with less, by driving efficiency and promoting sustainability and innovation in its operations wherever possible, and by creatively establishing strategic partnerships in support of the agency's mission.

In addition to completing all open Recovery Plan tasks, PHA will undertake a broad range of MTW and non-MTW activities in the coming year. The Annual Plan provides a summary of planned activities. Below is a listing of key components of PHA's Annual MTW Plan.

Development Principles: PHA will implement an ambitious affordable housing development and preservation program based on a set of development principles approved by the Board in September 2012. This policy statement is part of PHA's renewed commitment to transparency and accountability in all of its operations. It provides the framework for future development activities undertaken with public and private partners, and clarifies the process and key issues such as PHA's commitment to Section 3 jobs, to sustainable development and defensible space principles, and to achieving maximum leverage with limited public funds.

"6 in 5" Initiative: In tandem with newly articulated development principles, PHA has established a new initiative designed to create or preserve 6,000 affordable housing units over the next five years, subject to funding availability. The "6 in 5" Initiative will involve a range of strategies, including PHA-developed projects, collaboration with the Pennsylvania Housing Finance Agency to ensure the long-term affordability of Low Income Housing Tax Credit properties, and collaboration with the City, non-profits and local developers on new construction, acquisition and substantial rehabilitation projects. The current pipeline includes 655 units to be developed, subject to funding availability, including planned projects of Queen Lane, Queen's Row, Markoe Phase III, Strawberry Mansion, and other sites to be determined.

Sustainability Policy: In August 2012, PHA adopted a Sustainability Policy, which authorizes the appointment of a PHA Sustainability Working Group to develop proposals and budgets for a short and long term sustainability plan. The short term plan proposal is due in early 2013. The plan, when adopted, will be implemented throughout MTW Year Thirteen and beyond. The Sustainability Policy documents PHA's commitment to certain principles designed to reduce energy consumption; increase use of alternative energy sources; minimize environmental impacts in the areas of waste, water, energy and air quality; educate staff and residents about sustainability practices and healthy living choices; and increase the number of opportunities for residents in green jobs.

Public Safety Initiatives: Recognizing that safety and security are paramount concerns for residents and staff, PHA announced a major expansion of its policing and quality of life efforts. In 2013, up to fifty (50) new Police Officers will be hired, which will more than double the size of the PHA Police Department ("PHAPD"). Funding for the new hires comes from reductions in private security contracts. The new officers will focus their efforts primarily on six priority developments, while also rotating patrols throughout PHA developments. PHA is adopting a community-policing model that will link its policing activities to the broader framework provided by the City's Police Department and work in conjunction with members of the business community, faith-based organizations, community groups, nonprofit groups, victim service providers, health service providers, the media, individuals, and other city agencies. In tandem, a new task force consisting of residents, staff and partners has been charged with identifying other strategies to fight crime at and around PHA developments under the PHA Safe, Affordable Housing for Everyone ("SAFE") Program.

HCV Mobility Pilot Program: PHA plans to establish a new pilot Housing Choice Voucher Mobility Program in partnership with the First Suburbs Project and/or other local partners. The overall goal is to encourage voucher holders to find housing and jobs in areas that provide higher economic, educational and social mobility opportunities, both within the Philadelphia city limits or in the broader region. Participants will be provided with a broad range of support services, housing counseling and other efforts to promote the successful transition to higher opportunity areas.

Self-Sufficiency and Youth Development Programs: PHA will continue to offer a broad array of self-sufficiency services focused on helping residents prepare for the workforce and obtain jobs with living wage incomes, along with programs to support youth development and education. PHA is currently evaluating the structure and outcomes for all of its ongoing self-sufficiency initiatives, including the Family Self Sufficiency Program. PHA's goal is to identify program strategies and enhancements that will provide an integrated, holistic self-sufficiency system - one that incorporates appropriate incentives and disincentives, is evidence-based and outcome-oriented. A critical requirement is that PHA maximizes the leverage of its investments through innovative partnerships. The recently funded Assets for Independence initiative provides one model for future PHA efforts. Programs to help PHA youth succeed in school and obtain scholarships are also a high priority. PHA anticipates that significant changes will be made to its self-sufficiency program and youth development strategies over the coming year.

Smoke-Free Initiative: To promote staff and resident health and wellness, PHA will implement a no smoking policy in public housing beginning in MTW Year Thirteen. PHA will work with resident leadership to develop an implementation strategy that may include an initial pilot program.

Scattered Site Asset Repositioning Strategy: PHA will continue implementation of an asset repositioning strategy for the scattered site portfolio in order to promote neighborhood revitalization, generate revenue and reduce operating expenses. Comprehensive needs assessments have been completed of impacted properties, which will help guide PHA decision-making regarding appropriate strategies for these important assets.

Rent Simplification Initiatives: PHA will continue to implement previously approved MTW initiatives, which simplify program administration and provide incentives for economic self-sufficiency.

Additional information on PHA's MTW Year 13 Plan can be found in Appendix D.

APPLICABLE LEGAL REQUIREMENTS

Enabling Statute

The Housing Act of 1937, 42 U.S.C. § 1437, established a permanent housing program, which permitted state enabling legislation to create local public housing authorities. The Pennsylvania Legislature approved the Housing Authorities Law of Pennsylvania in an Act of Assembly on May 28, 1937, P.L. 955, No. 265, as amended by Act 130 of 2012 on July 5, 2012. This law established public agencies known as local housing authorities, and required a local legislative body to declare a need for a local housing authority in order for one to be created. The Philadelphia Housing Authority ("PHA"), a public body, corporate and politic, exercising public powers of the Commonwealth as an agency thereof, providing public housing services in Philadelphia, was established under this law on August 26, 1937.

Federal Laws

A. The Freedom of Information Act

As a commonwealth agency, not a federal agency, PHA is not subject to The Freedom of Information Act ("FOIA"), 5 U.S.C. Sec. 552 (1966), which requires agencies to provide documents after receiving a written request for them. However, it is subject to the Pennsylvania Right-to-Know Law, 65 P.S. §§ 67.101 *et seq.*

B. Privacy Act

Public Housing Authorities are responsible for safeguarding personally identifiable information ("PII") and preventing potential breaches of this sensitive data. Section 6 of the Housing Act of 1937, the Privacy Act of 1974, 5 U.S.C. § 552a, The Freedom of Information Act ("FOIA"), 5 U.S.C. § 552, and Section 208 of The E-Government Act are the primary federal statutes that limit the disclosure of information about public housing residents and recipients of the Housing Choice Voucher Program. In addition, the Housing and Community Development Act of 1987, 42 U.S.C. § 1437d (q)(4), 42 U.S.C. § 1437d (t)(2), 42 U.S.C. § 3543, and the Stewart B. McKinney Homeless Assistance Act of 1988, 42 U.S.C. § 3544, further regulate the treatment of this information.

C. Quality Housing and Work Responsibility Act

The Quality Housing and Work Responsibility Act ("QHWRA") (1998) was signed by President Clinton on October 21, 1998 and is found in Title V of HUD's FY 1999 Appropriations Act (P.L. 105-276). Section 505 of the QHWRA requires at least one resident to serve on the board of a Public Housing Authority. Congress viewed the resident board requirement as necessary to promote a better understanding of resident concerns and to foster better relations and communication between residents and Public Housing Authorities.

The resident Commissioner has the same authority and responsibilities as other Commissioners.

D. Fair Housing Act

The Fair Housing Act, Title VIII of the Civil Rights Act of 1968, works to eliminate and prevent housing discrimination and to ensure equal opportunity for all. The Act made it unlawful to refuse to sell, rent to, or negotiate with any person because of that person's inclusion in a protected class. Protected classes include: race, color, religion, national origin, age, sex, familial status, disability status, veteran status, or genetic information.

E. Procurement

PHA is subject to federal procurement obligations, set forth in 24 CFR 85.36. To the extent that the state procurement laws are more stringent, then PHA would be subject to those state requirements. All procurement transactions must be conducted in a manner providing full and open competition. Generally, in order to ensure the proper use of taxpayer monies, contracts should be awarded to the lowest responsive (providing a complete bid package) and responsible (meets all evaluation criteria) bidder.

Pursuant to 24 CFR 85.36, PHA has set forth its own Controlled Policy & Procedure for procurement and contract administration ("CPP10"), which can be found on the PHA website. Generally, PHA has broken down its bidding requirements under CCP10 as follows:

1. For purchases between \$35 and \$2,000, only one quotation need be solicited if the price received is considered reasonable.
2. For contracts between \$2,000 and \$10,000, PHA must receive and review no less than three written offers after solicitation. Contracts must be awarded to the bidder with the lowest responsive quotation.
3. For contracts over \$10,000, PHA contracts are generally awarded based on a Request for a Proposal, as permitted by CPP10.
4. The Board must approve contracts of \$100,000 or more, prior to award.

F. HUD Regulations

In addition to the above selected laws, PHA is subject to regulations codified in 24 CFR, which represents the HUD regulations.

Pennsylvania Laws

A. Housing Authorities Law

The Pennsylvania Legislature approved the Housing Authorities Law of Pennsylvania in an Act of Assembly on May 28, 1937. P.L. 955 §§ 1-24, 35 Pa. Cons. Stat. Ann. §§ 1541-64. This law established public agencies known as local housing authorities and “required a local legislative body to declare a need for a local housing authority in order for one to be created.”

On July 5, 2012, the Pennsylvania Legislature amended Section 5 (b) of the Housing Authorities Law to change the appointment process for members of the Board. As a result of the amendment, the Mayor of Philadelphia, with the approval of the majority of the members of the Council, shall appoint a total of nine members, two of whom shall be residents of housing owned or controlled by PHA. P.L. 1093 §5(c)(1).

The Legislature also amended Section 7 concerning the number of Commissioners required for a meeting quorum. For PHA, a quorum is a majority of the Board Commissioners then in office. P.L. 1093 § 7(a). In addition, the Legislature provided that the President & CEO of PHA and the staff with executive duties, who report directly to either the President & CEO or the Board, shall be at-will employees and shall serve at the pleasure of the Board of Commissioners. P.L. 1093 § 7(b).

Additionally, the Legislature requires PHA to maintain and monitor a whistleblower hotline for the reporting of fraud, waste, abuse or any wrongdoing in connection with the affairs of PHA. P.L. 1093 § 10.2.

B. Sunshine Act

As a public body, PHA is subject to Pennsylvania laws governing open meetings. The basic requirement of the Sunshine Act, 65 Pa. Cons. Stat. §§ 701 *et seq.* (1998), is that any time a government body (referred to in the Act as an agency) holds a meeting in which “deliberation” or “official action” by a quorum of its members takes place, the meeting must be open to the public, after public notice of the meeting, except for specified circumstances.

The Act defines “deliberation” as “the discussion of agency business held for the purpose of making a decision.” 65 Pa. Cons. Stat. § 703. Deliberation occurs whenever a majority of an agency’s members meet to discuss an issue and those discussions go towards making a decision on the matter. Simply discussing an issue to familiarize oneself with it can qualify as a deliberation, so long as a majority of the agency’s members are present.

The Sunshine Act defines “official action” as 1) agency recommendations made pursuant to statute, ordinance or executive order, 2) agency establishment of policy, 3) decisions made by an agency that concern agency business and 4) a vote taken by an agency on motions, proposals, resolutions, rules, regulations, ordinances, reports or orders. 65 Pa. § 703.

The date and time of the Board meetings must be published in advance. § 703. Members of the public are permitted to record a public meeting. § 711.

While meetings held by agencies must generally be open to the public, there are several exceptions. These exceptions come in the form of three categories: executive sessions, conferences and certain working sessions.

Closed executive sessions may be held during an open meeting, at the conclusion of an open meeting, or announced for a future time. Prior to convening an executive session, the agency must announce with proper specificity the purpose of the executive session. The permitted purposes for an executive session are: 1) to discuss matters of employment (such as prospective employment, appointment, terms and conditions of employment, promotions, and discipline of public officers and employees); 2) to hold strategy, information or negotiation sessions relating to collective bargaining agreements or labor relations and arbitrations; 3) to consider the purchase or lease of real property; 4) to consult with an attorney in connection with potential or current litigation; 5) to discuss or review agency business that could potentially violate a lawful privilege or information and confidentiality recognized by the law; and 6) for committees of trustees of State-owned, State-aided and State-related colleges and universities or the Board of Governors of the State System of Higher Education to discuss academic standing or admissions issues. § 708(a)(1)-(6).

Conferences can also be closed from public participation when not used for the deliberation of any agency business. § 707(b). A conference is defined as “[a]ny training program or seminar, or any session arranged by state or federal agencies for local agencies, organized and conducted for the sole purpose of providing information to agency members on matters directly related to their official responsibilities. § 703.

Certain working sessions may also be closed. This is the narrowest of the exemptions. It allows boards of auditors to examine, analyze, discuss and deliberate regarding accounts and records over which they are responsible. § 703. However, the Act demands that no official action be taken as a result of such working sessions outside of an open meeting.

The Act sets penalties for an agency that violates open meeting requirements. Should a meeting take place that violates the requirements of the Act, it is within the discretion of a judge to invalidate any or all official action that occurred therein. § 713. Further, any member of an agency who participated in a meeting with the intent of violating the Act commits a summary offense, punishable by a fine of up to \$2,000, in addition to the costs of prosecution. § 714. Finally, should a court determine that an agency “willfully or with wanton disregard” violated the Act, the Court must award at least a portion of prevailing party’s attorney fees and the costs of litigation. § 714.1.

C. Right to Know Law

The Pennsylvania Right to Know Law (“RTKL”), 65 Pa. Cons. Stat. §§ 67.101 *et seq.* (2008), provides for access to public information and for a designated open-records officer at PHA. The most significant recent change to the RTKL is that all records of an agency are presumed to be public unless disclosure is barred by: 1) state or federal law or regulation, or judicial order; 2) privilege, e.g., attorney-client, doctor-patient, or 3) one of the exceptions in Section 708 of the RTKL. The burden is now on the agency to establish why the record is not available.

D. Ethics Law

The Pennsylvania Public Official and Employee Ethics Act, 65 Pa. Cons. Stat. §§ 1101.1 *et seq.*, assures citizens that the financial interests of public officials and nominees and candidates do not conflict with the public trust. The Ethics Act provides that public office is a public trust and that any effort to realize personal financial gain through public office, other than compensation provided by law, is a violation of that trust.

Section 1103 of the Public Official and Employee Ethics Act sets forth certain restricted activities in which public officials and employees may not engage:

Conflict of Interest. No public official or public employee shall engage in conduct that constitutes a conflict of interest. A conflict of interest is defined as use by a public official or public employee of the authority of his office or employment or any confidential information received through his holding public office or employment for the private pecuniary benefit of himself, a member of his immediate family, or a business with which he or a member of his immediate family is associated. “Conflict” or “conflict of interest” does not include an action having a *de minimis* economic impact or which affects to the same degree a class consisting of the general public or a subclass consisting of an industry, occupation or other group which includes the public official or public employee, a member or his immediate family or a business with which he or a member of his immediate family is associated. 65 Pa. Cons. Stat. § 1103(a).

To avoid a conflict of interest, a public official should maintain a personal inventory of potential sources of conflicts by identifying all businesses with which the public official is associated, including clients and non-profit organizations. The inventory does not need to include other governmental entities. Similarly, the public official should identify all members of his or her immediate family and all businesses with which each member of the immediate family is associated. Immediate family includes parent, spouse, child, brother, sister.

Improper Influence. No person shall offer or give to a public official, public employee or nominee or candidate for public office or a member of his immediate family or a business with which he is associated, anything of monetary value, including a gift, loan, political contribution, reward or promise of future employment based on the offeror’s or donor’s understanding that the vote, official action or judgment of the public official or public employee or nominee or candidate for public office would be influenced thereby. 65 Pa. Cons. Stat. § 1103(b).

No public official, public employee or nominee or candidate for public office shall solicit or accept anything of monetary value, including a gift, loan, political contribution, reward, or promise of future employment based on any understanding of that public official, public employee or nominee that the vote, official action, or judgment of the public official or public employee or nominee or candidate for public office would be influenced thereby. 65 Pa. Cons. Stat. § 1103(c).

Contracts. No public official, public employee, or his spouse, child, or any business in which he or any of his immediate family is associated shall enter into any contract valued at \$500 or more with the governmental body with which the official or employee is associated, or any subcontract valued at \$500 or more with a party that has contracted with the official or employee’s governmental body unless the contract was awarded publicly, with full public notice and disclosure. In such a case, the official or employee shall not have any supervisory or overall responsibility for the administration of the contract. Any contract made in violation of this provision may be voided by a court of competent jurisdiction if a suit is commenced within 90 days of the making of the contract or subcontract. 65 Pa. Cons. Stat. § 1103(f).

Voting Conflicts. Unless otherwise provided for in the Pennsylvania Constitution or other law, any public official, who in the discharge of his official duties would be required to vote on a matter that would result in a conflict of interest,

shall abstain from voting and publicly disclose in writing to the person responsible for preparing minutes the nature of the conflict. If this abstention results in an inability of the body to take action, then the conflicted member may be permitted to vote if the disclosures are made. 65 Pa. Cons. Stat. § 1103(j).

E. Labor Law

Employees of the Philadelphia Housing Authority are covered by the Pennsylvania Public Employee Relations Act (43 P.S. §§ 1101.101 to 1101.2301) ("PERA").

Among other things, PERA grants public employees the right to organize; requires public employers (such as PHA) to negotiate and bargain with employee organizations on matters relating to the wages, hours, and other terms and conditions of employment and to enter into written collective bargaining agreements ("CBA"); and establishes procedures to provide for the protection of the rights of the public employee, public employer, and the public at large.

Under PERA, PHA is prohibited from, among other things, interfering, restraining or coercing employees in the exercise of the rights guaranteed under PERA; discriminating against an employee for exercising his or her rights under this Act; and failing to bargain collectively over matters relating to the wages, hours, and other terms and conditions of employment.

PHA currently has active collective bargaining agreements with the following unions: Service Employees Union 32BJ (MOA expires March 31, 2014), Building and Construction Trades Council of Philadelphia and Vicinity (MOA expires March 31, 2014); District Council 33, Municipal Workers American Federation of State, County and Municipal Employees AFL-CIO, Local 934 (MOA expires March 31, 2014); Fraternal Order of Housing Police (MOA expires March 31, 2014); District Council 47, Local 2186(B) (MOA expires March 31, 2014); District Council 47, Local 2187 (MOA expires March 31, 2014).

Matrix of Selected Statutes

Source	Title	Citation	Description
Federal	Housing Act of 1937	42 U.S.C. § 1437	Established a permanent housing program that permitted state enabling legislation to create local public housing authorities.
Federal	Quality Housing and Work Responsibility Act	Title V of HUD's FY 1999 Appropriations Act P.L. 105-276	Requires at least one resident to serve on the board of a Public Housing Authority.
Federal	Fair Housing Act	Title VIII of the Civil Rights Act of 1968 42 U.S.C. § 3601	Eliminates and prevents housing discrimination and ensures equal opportunity to protected classes.
Federal	HUD Regulations	24 CFR	HUD's section of the Code of Federal Regulations (CFR) is Title 24 and is often referenced as 24 CFR.
State	Housing Authorities Law of Pennsylvania	Pa. Cons. Stat. Ann. §§ 1541-64	Established public agencies known as local housing authorities.
State	Sunshine Act	65 Pa. Cons. Stat. § 701 <i>et seq.</i>	Open meeting requirements for government bodies
State	Right to Know Law	65 Pa. Cons. Stat. § 67.101 <i>et seq.</i>	Provides for access to public information and for a designated open-records officer
State	Public Official and Employee Ethics Act	65 Pa. Cons. Stat. § 1101.1 <i>et seq.</i>	Provides for ethical standards and prohibited activities for public officials and nominees and candidates

Legal Affairs Overview

Below is a summary of recent legal issues that PHA has resolved or is in the process of resolving.

The Carl Greene Litigation: The civil suit against PHA filed by Carl Greene, the former Executive Director, for the improper determination of his employment has been settled. After two weeks of trial in the Eastern District Court of Pennsylvania that cost PHA over \$1 million in legal fees, PHA and the attorneys for Mr. Greene reached a settlement in the amount of \$625,000 on February 25, 2013. At the outset of the litigation, Mr. Greene sought \$4 million in damages. As part of the settlement, Mr. Greene is prohibited from pursuing any future legal action against PHA.

The McDowell Litigation: More than a decade ago, residents living in scattered site homes sued, claiming PHA was not providing a sufficient amount to cover their Philadelphia Gas Works ("PGW") bills. However, in defending the lawsuit, PHA's outside legal counsel was able to show that PHA in fact had been overpaying residents in utility allowances in the late 1990s and early 2000s. As a result, a change to the utility calculation method was made in June 2003, saving PHA approximately \$400,000 per month—nearly \$5 million per year and more than \$44 million total in utility allowance payments to date. Those savings will continue well into the future. The residents' lawsuit over funds they receive to pay their utility bills has been settled and, although PHA has agreed to pay more than \$3 million in claims and legal fees, the process has actually netted the agency over \$40 million.

Under the terms of the settlement, PHA will establish a fund to pay residents who are part of the class-action lawsuit. The maximum amount the fund could pay out is \$2.65 million, and it is possible the amount could be significantly lower.

HUD Reimbursement for Prior Year Costs of Outside Legal Counsel: As part of PHA's Recovery Plan, PHA was charged with resolving the fees related to the use of outside legal counsel for routine legal affairs. Based on a review of PHA's legal invoices, HUD has determined that approximately \$7.9 million was "unsupported, not necessary or reasonable." Accordingly, PHA is expected to reimburse HUD's program for the unsupported/disallowed cost. This is the last remaining item for PHA completion of the Recovery Plan.

Settlement of the Licenses and Inspections Lien Issue: PHA executed an interagency MOU with the City of Philadelphia to reimburse it for certain services performed on behalf of PHA, including, but not limited to, demolition of unsafe structures and the repair of adjoining walls. Based on PHA's past failure to reimburse the City, the City assessed nearly two thousand PHA-owned properties with liens and water charges and started charging PHA penalties and interest charges totaling almost \$10,000,000.00. Under the terms of the MOU, PHA agreed to reimburse the City for its work in an amount not to exceed \$6,225,303 and the City has agreed to accept the reimbursement as full payment for all amounts owed. Additionally, the City agreed to work with PHA to prevent the accumulation of future delinquencies.

OVERVIEW OF THE FINANCIAL STATEMENTS

Pennsylvania State law requires that all general-purpose local governments and component units publish a complete set of financial statements, presented in conformity with generally accepted accounting principles in the United States of America ("GAAP") and audited in accordance with generally accepted auditing standards ("GAAS") by a firm of licensed certified public accountants. Isdaner & Company, LLC audited PHA's financial statements to complete a Comprehensive Annual Financial Report of the Philadelphia Housing Authority for the fiscal year ended March 31, 2012.

The report contained management's representations concerning PHA's finances. Consequently, management assumes full responsibility for the completeness and reliability of all information presented in this report. To provide a reasonable basis for making these representations, management of PHA has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of PHA's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, PHA's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement.

The goal of the independent audit was to provide reasonable assurance that the financial statements of PHA for the fiscal year ended March 31, 2012 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that PHA's financial statements for the fiscal year ended March 31, 2012, are fairly presented in conformity with GAAP. PHA's independent audit report for Fiscal Year ending March 31, 2012 can be found in Appendix E.

Financial Highlights

- The assets of PHA exceeded its liabilities at the close of the most recent fiscal year by \$1,119.1 million (net assets). Of this amount, \$486.2 million are unrestricted net assets, which includes \$331.0 million of notes and mortgages receivable from PHA's discretely presented component units. The remaining unrestricted net assets of \$155.2 million may be used to meet PHA's ongoing obligations to clients and creditors.
- PHA's total FYE 2012 net assets increased by \$65.8 million over FYE 2011, equivalent to a 6.2% increase.
- PHA's total revenue for FYE 2012 was \$403.7 million, \$20.8 million less than FYE 2011.
- PHA's total liabilities of \$136.3 million, as of March 31, 2012, decreased \$30.2 million compared to total liabilities as of March 31, 2011.

Grant Summary

The main purpose of grant-driven programs and partnerships is to generate programs and services for residents of public and assisted housing, to enhance their quality of life, and to increase their self-sufficiency, while leveraging PHA's resources through strategic partnerships, grant awards, and excellent grant management.

Current programs include American Recovery and Reinvestment Act ("ARRA") funded grants, such as the Healthy Homes Demonstration-Asthma Intervention and Reduction ("AIR") Program, Green Energy Works (Solar), Smoke Free Public Housing, and the Pre-Apprenticeship Building Maintenance and Construction Training.

Capital Grants

Grants in this category are awarded to provide support for the purchase of property, construction of a facility, rehabilitation, expansion of a development, and/or purchase of equipment.

Grant Title	Award Amount	Project Initiative	Start Dates	End Dates
HUD Emergency Safety & Security Grant ("DW")	\$ 250,000	Video cameras at West Park for security	6/24/2011	9/23/2012
Green Energy Works	\$ 700,000	Install 780 Schott Solar Panels at Mantua Square and 852 Sharp Solar Panels at Paschall Village.	1/1/2010	2/28/2013

Program Grants

Grants in this category are competitive grants that are awarded only for the purposes of creating or expanding programs that promote resident self-sufficiency.

Grant Title	Award Amount	Project Initiative	Start Dates	End Dates
HUD Grant	\$ 345,000*	(1st Award) 2011-2012 HCV FSS Program Coordinators (2nd Award) 2012-2013 HCV FSS Program	1/1/2011	12/31/2013
Drexel University Contract	\$ 96,400	Broadband Ambassadors program/ Netbook Distribution	3/1/2012	3/31/2013
PA Dept. of Labor and Industry (L&I)	\$ 1,000,000	Certified Nursing Assistant ("CNA") Grant	7/1/2010	6/30/2013
City of Philadelphia	\$ 30,000	PYN/Workforce Investment Board & Phila. Youth Network	4/2/2012	9/29/2012
PA Dept. of Education	\$ 276,406	Summer Food Service Program	6/18/2012	8/17/2012
Wells Fargo (formerly Wachovia) Foundations Grant	\$ 150,000	South Philadelphia Recreation Afterschool Center	4/1/2007	4/1/2010
U.S. DHHS Assets for Independence (AFI)	\$ 100,000	PHA Cash 4 Success IDA	9/30/2007	9/29/2013
Centers for Disease Control (CDC) City of Philadelphia Health Dept. & PHA Community Transformation Grant	\$ 202,008	Asthma Intervention and Reduction ("AIR") PHA Smoke Free Public Housing	1/1/2012	12/31/2017
Healthy Homes	\$ 871,664	PHA's Asthma Intervention	4/26/2009	6/9/2012
Congregate Housing Services Program	\$ 108,153	CHSP	10/11/2011	10/10/2013
2011 PHFSS Program Coordinator	\$ 69,000	Family Self-sufficiency	9/25/2012	6/23/2014
2012 PHFSS Program Coordinator	\$ 69,000	Family Self-sufficiency	9/25/2012	6/23/2013
2008 ROSS Family Service Coordinator	\$ 718,000	Family Self-sufficiency	7/2/2009	7/1/2013
2011 ROSS Family Service Coordinator	\$ 676,741	Community Operations and Resident Development	9/22/2011	7/1/2015
ROSS Family Homeownership	\$ 974,866	Homeownership	7/24/2008	7/23/2013
2011 Shelter Plus Care Program:-Kairos House, Hope Haven I & 1523 Projects	\$ 368,784	Homeless Assistance	12/22/2012	03/31/2018
2011 Veterans Affairs Supportive Housing (VASH)	\$ 349,392	Veterans Services	7/28/2011	7/27/2014
Philadelphia Corp. for Aging (PCA)	\$ 75,211	Senior Services	7/1/2012	6/30/2013

*PHA applies for this grant annually. The award referenced in the above chart is reflective of amounts awarded in 2012 and 2013.

PHA EXECUTIVE TEAM

In the winter of 2012, PHA implemented a reorganization of its corporate structure and adopted a private-sector organizational model consistent with its MTW designation. The information below reflects those changes.

Kelvin A. Jeremiah, President & Chief Executive Officer

Mr. Jeremiah was named President & CEO of the Philadelphia Housing Authority on March 14, 2013 after serving as Interim Executive Director for nine months. Prior to that appointment, he was hired as the agency's first-ever Director of Audit and Compliance in August 2011.

Mr. Jeremiah is passionate about reducing spending and increasing efficiency at PHA. Some of his major initiatives include reducing take home vehicle privileges for employees and ending the practice of employing provisional employees, a move that will save the agency \$10 million annually. Under his leadership, PHA is seeking to work with public and private partners to develop 6,000 affordable housing opportunities over the next 5 years.

Mr. Jeremiah formerly served as Inspector General at the New York City Housing Authority, the nation's largest housing authority, with a portfolio of 178,000 units housing over 450,000 residents and a Housing Choice Voucher Program with nearly 100,000 participating families.

Mr. Jeremiah emigrated from Grenada to the United States as a teenager. He received a Bachelor's degree in History/Business Administration from Pace University, a Master of Arts in American Social History from Rutgers University, and a Master of Public Administration from American International College. Mr. Jeremiah is a Certified Public Purchasing Official, a Certified Public Housing Management Specialist, and is a member of the Association of Inspectors General. He is a member of the Mayor's Office of Community Empowerment and Opportunity Oversight Board.

Barbara Adams, Executive Vice President – Legal Affairs & General Counsel

Ms. Adams has 33 years of legal experience, including managing a staff of over 500 attorneys at the Office of General Counsel of the Commonwealth of Pennsylvania under Governor Ed Rendell. She began as General Counsel for PHA on August 1, 2011. During her tenure, Ms. Adams rebuilt the authority's internal legal function and assisted in implementing the Recovery Plan.

For most of her career, Ms. Adams worked in the private sector at Duane Morris, LLP, where she started as a summer intern and achieved the position of Partner, serving on the Partners' Board and heading the firm's finance practice for almost three decades.

Ms. Adams is a graduate of the Temple University School of Law, and earned her undergraduate degree from Smith College.

Annie Cheng, Chief of Staff

Ms. Cheng has been with PHA for 7 years, starting out as a technical aide for the Housing Choice Voucher Program before serving as a Business Analyst for the Information Systems Management Department and then the Senior Management Specialist of the Strategic Planning Office.

In that role, Ms. Cheng led the department in tracking and ensuring completion of the PHA Recovery Plan, the development and submission of Moving to Work Plans and Reports to HUD, and the development of the Management Action Plan, which will streamline the agency's business operations and maximize resources.

Currently, Ms. Cheng serves as Chief of Staff and is responsible for managing the office, activities, and key priorities of the agency's President & CEO. She also acts as the President & CEO's representative and primary liaison to external and internal constituents.

Ms. Cheng received a B.S. in Management Information Systems from Drexel University.

Celeste Fields, Senior Vice President – Leased Housing

Ms. Fields supervises the Housing Choice Voucher program, PHA's largest housing program, which serves nearly 43,000 low-income residents and has a budget of over \$150 million. Ms. Fields has worked at PHA since 2000, most recently as the Director of Finance. She has assisted in reengineering the business processes and procedures of the agency to improve its efficiency and identify cost savings.

Ms. Fields is a graduate of Drexel University.

Faisal G. Hassan, Executive Vice President – Information Systems Management & Chief Information Technology Officer

Mr. Hassan has 24 years of experience in computer technology, 20 of which have been at PHA at various levels. He started out as a system developer and advanced to his current position. During his tenure at PHA, the agency has implemented local and wide area networks; an enterprise email system; the PeopleSoft human resource, payroll and time & labor systems; and the PeopleSoft financials and supply chain for the agency and its limited partnerships.

Other accomplishments include implementation of PeopleSoft CRM, which includes customer case management and work order/field services, and the development of the public housing application system that is used to manage housing applicants, customers, houses/units and occupancy. Under Mr. Hassan's leadership, PHA also implemented an IVR system across the organization, e-procurement and electronic invoices, and developed online reports that provide current financial and operation information for management.

Mr. Hassan has a Master of Science degree in Software Design from Temple University and a Bachelor of Science degree in Computer Science from Rowan University. He also has an Associate Certificate of Project Management from George Washington University.

Dinesh Indala, Senior Vice President – Maintenance

Mr. Indala has served at PHA for 7 years and supervises over 800 maintenance employees, as well as the Advanced Facilities Management Department, which conducts capital planning for PHA.

He is ultimately responsible for the maintenance and upkeep of PHA's entire portfolio, including all the emergency and routine maintenance issues for 6,500 PHA units throughout Philadelphia, the rehabilitation of vacated units, and a geographically disperse portfolio of over 4,000 units.

Mr. Indala is involved in strategic planning for the agency. He has a B.S. in Mechanical Engineering from DEI University in Agra, India and an M.S. in Industrial Engineering/Quality & Reliability from Rutgers University. He is also Lean/6 Sigma certified by Villanova University.

Michael Johns, Executive Vice President – Capital Projects & Development

Mr. Johns oversees construction and design for the agency. A licensed architect and Philadelphia native, he most recently served as the Acting Deputy Executive Director for Operations, supervising all property management activity for the authority, as well as the Housing Choice Voucher Program (formerly known as Section 8). Prior to that, he was General Manager of Community Development and Design for more than a decade, a role in which he was responsible for the master planning and design of over \$1 billion in new and renovated housing.

Mr. Johns is a graduate of Temple University and is a LEED-accredited professional. He served as a commissioner on the old city Zoning Code Commission, where he helped rewrite and modernize the code. Mayor Nutter recently appointed him to the City's first Civic Design Review Committee, which will advise the City Planning Commission as it reviews development proposals.

Janea Jordon, Senior Vice President – Audit and Compliance

As the Senior Vice President of Audit and Compliance, Ms. Jordon oversees PHA's internal audits, investigations, and compliance-related activities. The department is tasked with helping to identify and reduce risks; ensuring that policies, procedures, laws and regulations are followed throughout the authority; and safeguarding the efficient and effective use of resources. She also serves as the primary point of contact in all external audits and reviews.

Ms. Jordon has worked at PHA since 2005. Previously, she served as the Compliance Manager in PHA's Quality Assurance Department and then the Deputy Director of Audit and Compliance. She is a graduate of Spelman College and the Georgia Institute of Technology.

Heather McCreary, Executive Vice President – Administration

Ms. McCreary has over 20 years of experience in a number of industries, including pharmaceutical, real estate, financial services, aerospace, and energy and utilities. Ms. McCreary has also worked in all facets of procurement, supply chain, sourcing and contract management processes. She has worked in that capacity at Boeing, Exelon Corp., Amerisource Bergen, and GMAC Financial. Between 2002 and 2004, Ms. McCreary worked at PHA as Assistant Executive Director of Supply Chain Management. She received her undergraduate degree from Millersville University and her MBA from Eastern University.

David Northern, Executive Vice President – Public Housing Operations

Mr. Northern has over 15 years of leadership in public housing. He joined PHA on March 1, 2013 where he directs and manages all housing operations including conventional housing, scattered sites, and tax credit developments. He previously served as Executive Director of the Lake County Housing Authority (“LCHA”) in Illinois, where he was responsible for managing daily operations, including a \$32 million budget and \$50 million in assets. During his tenure, HUD rated LCHA’s Housing Choice Voucher Program as a high performer and the agency attracted grants for self-sufficiency programs and energy savings. Mr. Northern is active in the affordable housing industry; he was appointed to the National Association of Housing and Redevelopment Officials’ (“NAHRO”) Board of Governors and is a Public Housing Authorities Directors Association (“PHADA”) trustee.

He holds a Master’s of Public Affairs from Indiana University and a Bachelor’s of Science in Accounting from Ball State University.

Erik Soliván, Vice President – Policy, Research and Enterprise Planning/Acting Executive Vice President – Community Operations and Resident Development

Mr. Soliván leads PHA’s new Office of Policy, Research and Enterprise Planning, which is tasked with managing grant opportunities, developing guidelines and procedures for the agency’s operations and programs, providing a baseline for benchmarking assessment, analyzing legislation and trends in the housing industry, and setting long-term and short term initiatives for the authority.

Before coming to PHA in December 2012, Mr. Soliván was a senior analyst in the Management Consulting Group at Public Financial Management, where he provided financial, technical, operation and policy analysis through the development of multiyear plans for various local government entities. He is a graduate of Haverford College and Rutgers University School of Law.

Joanne Strauss, Executive Vice President – Human Resources

As PHA’s Executive Vice President of Human Resources, Ms. Strauss is ultimately responsible for all business practices and decisions that impact PHA’s employees. Such responsibilities include recruitment and retention, labor and employee relations, employment law, training and performance management programs, and compensation and benefits.

Ms. Strauss joined PHA as an attorney in April 2010. Previously, she served as Assistant City Solicitor with the City of Philadelphia, clerked for the First Judicial District of Pennsylvania, and was also a Hearing Officer for the Chester County Housing Authority. She has a background in labor relations matters, including fact findings. Ms. Strauss received a Juris Doctorate from Nova Southeastern University and is licensed to practice law in New Jersey and Pennsylvania. Ms. Strauss also received a Master’s of Law in Taxation from Villanova University.

Nichole Tillman, Executive Vice President – Communications

Ms. Tillman currently serves as the Executive Vice President - Communications at the Philadelphia Housing Authority where she oversees media relations and other communications and marketing efforts related to the agency’s highly-publicized transition period. She has over 15 years of solid public relations experience.

Ms. Tillman is also a modern day pioneer; she was the first in-house publicist for USA WEEKEND Magazine, the second largest magazine in the country. She made history at the World Famous Harlem Globetrotters where she was the first to secure the team in the world-renowned Macy’s Thanksgiving Day Parade. Ms. Tillman was also instrumental in helping two books reach number one on the New York Times Best-Seller List: “Tuesdays with Morrie” by Mitch Albom and “Talking to Heaven” by James Van Praagh.

Ms. Tillman is a whiz at creating strategic alliances with the media to leverage a tremendous amount of media impressions. She created partnerships with several media powerhouses including Viacom, Disney and Paramount. She also secured working relationships with a variety of organizations to create unique stories for the media.

She is a graduate of Norfolk State University.

Benjamin Walton, Chief of Police and Public Safety

Chief Walton joined the PHA Police Department (“PHAPD”) in April 2012 with over 35 years of experience in law enforcement and the military. Currently, he is overseeing the largest expansion of the PHAPD in years and implementing a revised safety and security plan that will emphasize community policing.

Previously, Chief Walton served as the Deputy Police Chief of Operations for the Daytona Beach Police Department. He also served on the Philadelphia police force for 30 years, rising to the rank of captain. He is a graduate of Chestnut Hill College and Bethune Cookman University. Chief Walton also grew up at PHA’s Raymond Rosen development.

PHA BOARD OF COMMISSIONERS

In accordance with Act 130, in October 2012, Mayor Nutter nominated 9 members to serve as PHA's Board of Commissioners. In January 2013, the Philadelphia City Council confirmed the Mayor's nominations. However, because PHA remains in receivership, the new Commissioners are not expected to assume their roles until April 26, 2013. Below are names and brief biographies of the new Commissioners.



Lynette M. Brown-Sow is the Vice President of Marketing and Government Relations at Community College of Philadelphia. In 1980, she founded L.M. Brown Management Group, a certified minority/female-owned consultant firm that provides professional services to corporations, non-profits, and governmental entities. As an entrepreneur, Brown-Sow helped to create Health Pass, one of the nation's first health insurance organizations (HIO), in the mid-1980s. In 2008, Mayor Michael Nutter appointed her to the Philadelphia Zoning Board of Adjustment, which she chaired from 2010-2013. In 1991, then-Mayor Edward Rendell appointed Brown-Sow to the position of Deputy Mayor of Administration to manage appointees to all boards, commissions, and non-civil service positions.

A member of Cheyney University of Pennsylvania Council of Trustees, her diverse board appointments include The Philadelphia Tribune Co., Inc., Hahnemann University Hospital and Girard College. In 2009, she founded and now chairs the Hardy Williams Education Fund, a nonprofit organization that provides support for educational endeavors, and scholarships for people interested in careers in law, government or social action. She also is chair of the Board of Directors of Youth Advocate Program Inc., an international youth service organization and a member of Board of Directors of YAP Ireland.



Leslie D. Callahan, PhD serves as pastor of St. Paul's Baptist Church in North Philadelphia. She received her Bachelor of Arts in Religion from Harvard/Radcliffe, her Master of Divinity from Union Theological Seminary in the City of New York and her PhD in Religion from Princeton University. Her research interests include religious history in the United States, particularly independent African American Christianity and Pentecostal studies.



Rev. Bonnie Camarda has served as Director of Partnerships for the Salvation Army of Eastern Pennsylvania and Delaware since 1999 as a tireless advocate for the underserved. Rev. Camarda co-chaired the Mayor Nutter's Faith Leaders Advisory Task Force for Community Safety with the goal of maximizing the neighborhoods' spiritual assets, social capital and civic values. She is a non-violent activist encouraging mutual trust and respect through amnesty programs that provide musical instruments to Philadelphia Schools for weapons turned in to authorities. An avid supporter of education, Rev. Camarda serves as Moderator for the Faith and Community Partnerships of the School District of Philadelphia. She is also the past president of the Hispanic Clergy of Philadelphia, which she helped co-found.



Hon. Nelson A. Diaz has served as a Judge for the Philadelphia Court of Common Pleas and as City Solicitor of Philadelphia. He was appointed by President Clinton to be the General Counsel for the U.S. Department of Housing and Urban Development, where he focused on reforming public and mixed-use housing programs and served on the President's Commission on White House Fellowships. A national leader who has worked for three U.S. Presidents, Judge Diaz made history as the first Latino lawyer and judge in Pennsylvania. Judge Diaz has been honored with the Thurgood Marshall College Fund Award of Excellence and several civil rights and management awards from HUD. Recently, he was named a winner of the Lifetime Achievement Award by *The Legal Intelligencer*, honoring attorneys who represent the best the Pennsylvania legal community has to offer. He is currently a board member of Exelon and a partner at Dilworth Paxson, LLP.



Shellie R. Jackson is a parent, a PHA resident and possesses a lifelong commitment to public service. As an election judge, Ms. Jackson is keenly aware of the rules, regulations, and documentation required for enforcement and the barriers to full community participation in civic matters. She is also passionate about the need for a strong representative voice to empower community residents. Ms. Jackson is a dynamic role model who values education, promotes self-sufficiency and advances the need for homeownership opportunities.



Joan Markman, Esq. is Chief Integrity Officer for the City of Philadelphia. She serves as the city's compliance officer, monitoring government practices and procedures, especially as they relate to contracting and concessions, the sale or lease of city-owned land, and the use of city buildings and equipment. Ms. Markman served as an Assistant United States Attorney from 1987 through 2007. A Philadelphia resident since 1984, she held a key role in the FBI investigation of City Hall during the John F. Street administration, prosecuted numerous fraud and corruption cases, and was counsel in the corruption trial of former City Treasurer Corey Kemp and several City contractors. She has also served as an adjunct professor at the University of Pennsylvania Law School.



Kenneth A. Murphy, Esq. is a partner and vice-chair of the Products Liability and Mass Tort Practice Group at Drinker Biddle. His background encompasses a broad area of legal expertise in federal and state courts in New York, New Jersey and Pennsylvania. He is a former member of the Pennsylvania Bar Association's Minority Committee and current vice-chair of the Philadelphia Bar Association's Judicial Selection and Retention Commission. He is also a member of the International Association of Defense Counsel and the Defense Research Institute.



Vernell Tate is an elected PHA resident leader serving as a representative voice to the PHA Board of Commissioners on issues including Low Income Housing Tax Credit site development, site maintenance, major system repairs, and security system improvements. Possessing excellent technological skills, she worked with PHA to ensure responsiveness to site-based quality of life issues, helped convert a former day care center into a state-of-the-art computer laboratory, and extended its use to resident leaders from other sites for computer classes. For the past 30 years, Ms. Tate has been with the U.S. National Archives and Records Administration.



Herbert Wetzel is the Executive Director of Housing and Community Development for the Philadelphia City Council. He is also a founding member of the board of directors and former executive director of the Greater Germantown Housing Development Corporation. Mr. Wetzel has a long history of community development activities and during the past 20 years, he established a small business in the Germantown section of Philadelphia to create neighborhood-based economic development, and also served as Director, Deputy Executive Director and, upon appointment by former Mayor John Street, Executive Director of the Philadelphia Redevelopment Authority.

CAPITAL DEVELOPMENT PLANS

PHA's capital planning and development strategies are designed to support, rehabilitate and modernize existing PHA sites and to revitalize neighborhoods throughout the City. Coordination with the City of Philadelphia's neighborhood revitalization efforts is a major priority for PHA. PHA works to leverage its limited PHA resources with other resources such as Low Income Housing Tax Credits, private equity, and state and local funding sources. Utilization of MTW funding and programmatic flexibility remains a critical element in PHA's modernization and development efforts.

PHA maintains updated physical needs assessments including estimated replacement and/or repair costs for all PHA developments. Capital needs continue to dramatically exceed available funding especially in light of declining federal subsidies.

Additional information on the PHA Capital Investment Strategy are summarized in Table 5 of the MTW Year 13 Plan in Appendix C. It provides a multi-year projection of planned investments for PHA developments and facilities, subject to funding availability.

Priority Projects:

Partnership Initiatives

EPPI Redevelopment

Johnson Homes Comp Mod

Markoe Street Phase III

Blumberg Redevelopment

Point Breeze Neighborhood

LEB Community Center

Norris Apartments

R. Allen / Spring Garden School

Scattered Site Replacement

Queen Lane Apts.

Queen's Row

Strawberry Mansion

Total Estimated Cost: \$464,450,050

SEQUESTRATION

Since more than 90% of PHA's funding comes from the federal government, PHA is facing fiscal issues as a result of the sequestration of federal funding. Sequestration is a term used to describe mandatory spending cuts in the federal budget. It is an automatic, across the board spending cut in the face of annual federal budget deficits. Sequestration began on March 1, 2013.

PHA estimated that the automatic budget reduction at the federal level will result in an estimated loss of \$32 million in federal subsidies to the agency. Even though PHA is in sound fiscal condition, this reduction in federal support will force the agency to maintain its current programs with less resources and, in some cases, will result in cuts to PHA programs.

In response to sequestration, PHA implemented the following changes:

- Several contracts with vendors will be cancelled or reduced and, where appropriate, work will be performed "in-house."
- Furloughs (5 unpaid leave days)
- Froze all overtime indefinitely unless the overtime is related to an emergency or relates to health and safety
- Suspended the 3 percent one-time bonus for non-represented employees, slated for April 2013
- Hiring and wage freeze, except for critical positions
- Collect debt and rent more aggressively
- Aggressively attain or build other income-producing sites
- Concentrate efforts to sell scattered sites
- Reduced staffing and overhead expenditures

PHA's priorities focus on the following:

- Safeguard its fiscal future
- Continue to help residents and advance its mission

In March 2013, PHA sent letters to staff, residents, and stakeholders regarding the impact of sequestration. A copy of the Sequestration Letters are included in Appendix F.

AWARDS AND ACHIEVEMENTS

Over the past year, PHA has been recognized for both operational and capital achievements.

Homeowners Association of Philadelphia County (“HAPCO”) Public Service Award: HAPCO chose two Philadelphia Housing Authority executives to receive the organization’s Public Service Award. They were honored based on their efforts to address long-standing problems and concerns of landlords who take part in the Housing Choice Voucher program.

National Association of Homebuilders Multifamily Pillars of Industry Awards: In July 2012, PHA’s Paschall Village development in Southwest Philadelphia, was selected as a finalist in the Best Affordable Apartment Community category.

Pennsylvania Association of Housing and Redevelopment Authorities (“PAHRA”) Awards: In September 2012, Paschall Village was recognized with the Bellamy Award from PAHRA. This is the top award for design and construction that only one housing authority can win. Pennsylvania has 89 housing authorities.

American Planning Association Awards: PHA was recognized by the Pennsylvania Chapter of the American Planning Association with the “Opportunity and Empowerment Award” for its Spring Garden II Scattered Site development in Center City Philadelphia. The award recognizes a development that demonstrates improved quality of life for low and moderate income residents, with an emphasis on how creative housing, economic development, and private investments are used in or with a comprehensive development plan.

Nan McKay & Associates, Inc. (“NMA”) Housing Awards: PHA won the “Pioneer in Housing Award” in recognition of its commitment to tackling critical environmental and energy issues with an entrepreneurial approach to financing development, and was particularly recognized for sustainable development. The award is part of the NMA Housing Awards, honoring agencies that build bridges to the future and create real change in their communities and the affordable housing industry. NMA, which provides training, consulting, and products to subsidized housing agencies, reviewed award applications from across the country.



Paschall Village, Southwest Philadelphia.

CONCLUSION

With the presentation of this report, the Philadelphia Housing Authority is pleased to have met the requirements set forth Act 130 Section 24.1, regarding an annual review of its operations, administration, management, finances, legal affairs, housing production and development, and other relevant activities.