HOUSING AUTHORITY OF THE COUNTY OF BUTTE
BOARD OF COMMISSIONERS MEETING

MEETING MINUTES OF
June 18, 2026

The meeting was conducted via teleconference, web-conference and in person, as noticed.

Chair Pittman called the meeting of the Housing Authority of the County of Butte to order at 2:05 p.m.

1. ROLL CALL

Present for the Commissioners: Bob Crowe, Laurel Faulk, Tim Merrill, Rich Ober, David Pittman, Sarah Richter, and Jean Snow; all attended in person with the exception of Sarah Richter, who attended via web conference.

Present for the Staff: Larry Guanzon, Executive Director; Tamra Young, Deputy Executive Director; Marysol Perez, Executive Assistant; Angie Little, Rental Assistance Programs Manager; Juan Meza, Public Housing Manager; Taylor Gonzalez, Project Manager; Marco Cruz, CFO Consultant, all attended in person.

2. AGENDA AMENDMENTS

None.

3. CONSENT CALENDAR

3.3 CFO Consultant Marco Cruz commented on the Financials:
- Financials were not provided as previously shared, they will be provided quarterly
- Budgets: Budget season and meeting will be scheduled with budget committee.
- Audits: The Audit was finalized in time and FDS submission was on June 17, 2026.audit. Audit will be discussed later in the agenda.

3.4 Tamra Young, Deputy Executive Director:
- HCV: The agency will be issuing HCV’s this year.

Commissioner Crowe moved that the Consent Calendar be accepted as presented. Commissioner Ober seconded. The vote in favor was unanimous.

4. CORRESPONDENCE

4.1 HUD Letter, May 6th, 2026, RE: CA043 Butte County SEMAP Confirmatory and Independent Assessment on-site Assessment Review June 15th – June 18th, 2026 -

4.2 HUD Letter, May 15th, 2026, RE: Notification of PHARS On-Site Independent Assessment June 16th -17th, 2026 –

HUD personnel conducted the scheduled on-site reviews from June 15 to June 17, 2026, a visit prompted by the "troubled" agency status designated last year and the failed SEMAP submission in November 2025. While on site, HUD representatives conducted comprehensive interviews with staff members Larry Guanzon, Tamra Young, Angie Little, Juan Meza, and Marco Cruz, as well as Board Chair David Pittman and Commissioner Snow. Following the conclusion of the review, HUD representatives expressed satisfaction with the progress and strategic updates presented by staff regarding the agency's active efforts to resolve its troubled status. During the debriefing, Board members and staff shared individual takeaways from their interviews with HUD:

Board Training Initiative: In response to the review, Chair Pittman recommended the implementation of a more robust policy for commissioner training. The Board reached a consensus on the need for expanded educational resources, and staff will actively research upcoming training opportunities. Executive Assistant Marysol Perez suggested that commissioners utilize the NorCal NAHRO conference in the winter, noting that the event routinely features a dedicated training track specifically designed for housing authority commissioners. Commissioner Merrill expressed agreement with this recommendation.

Commissioner Feedback: Commissioner Snow characterized her interview with HUD as intensive yet highly professional and courteous. She reported advising HUD that, as a newly appointed commissioner, she remains confident that staff has enacted the appropriate corrective actions required to complete necessary agency audits on schedule.

Public Housing Management Report: Public Housing Manager Juan Meza reported that his interview concluded successfully and noted that he was able to corroborate to federal reviewers that the housing authority is moving in the right direction to exit troubled status.

Financial Oversight Report: CFO Consultant Marco Cruz reported that his interview addressed serious operational and financial questions. He was able to reassure HUD reviewers that the agency's fiscal recovery is firmly underway and that correct structural steps have been successfully implemented.

Section 8 and Compliance Reports: Deputy Executive Director Tamra Young reported a positive overall reception from HUD, during which she detailed the preventive measures established to ensure the agency avoids similar compliance challenges in the future. Regarding the SEMAP assessment, Ms. Young noted that the process served as an excellent training tool, allowing HUD to clarify previously ambiguous program nuances. She advised the Board that while the verbal exit interview was positive, the formal post-review follow-up letter from HUD will likely be highly prescriptive and thorough. Section 8 Manager Angie Little added that the intensive SEMAP assessment functioned as a significant professional training opportunity that clarified several complex compliance elements.

In response to an inquiry from Commissioner Richter regarding whether the missing SEMAP data had been retroactively submitted, staff clarified that HUD systems do not permit late electronic submissions past the regulatory deadline. However, HUD representatives confirmed they will manually review all documentation provided during the on-site visit to calculate and issue an updated agency performance score.

5. REPORTS FROM EXECUTIVE DIRECTOR

5.1 Public Housing Admissions and Continued Occupancy Policy (ACOP) and Section 8 Administrative Plan (AP) –

5.2 Family Self-Sufficiency (FSS) –

5.3 Agency Annual Plan and Five-Year Capital Fund Program – As a public agency administering the HUD Low Income Public Housing and Section 8 Housing Choice Voucher programs, HACB is required to annually submit to HUD applicable agency and administrative plan documents 75 days prior to the end of HACB's fiscal year. Draft revisions of the Public Housing Admissions and Continued Occupancy Policy (ACOP), Section 8 Housing Choice Administrative Plan (AP), (this year) Five-Year Plan, Annual Agency Plan, and Capital Fund Program, were received by the Board during the April 16, 2026 meeting, where they were accepted and authorized for issuance for public comment; the highlights for each plan/document include: description of progress in meeting HACB's annual, including new activity; refinement of Project Based Vouchers program policy in reflecting Development Activity, and changes reflecting HOTMA regulation. The changes recommended in the ACOP and Section 8 Admin Plan are suggested changes provided by policy consultant Nan-McKay. Deputy Executive Director

Young presented a specific administrative correction made to the Section 8 Administrative Plan regarding PBV waitlist preferences by individual development. This preference tracking had been inadvertently omitted from the initial April 2026 draft. It has since been properly restored and relocated to pages 17-48 and 17-49 under the Project-Based Voucher Waitlist Management section of the plan. Staff reported that no public comments or feedback were received from the community during the 45-day public review window. The Board noted that following official board approval, all reviewed plans and structural updates will officially become effective on October 1st, 2026.

<u>* RESOLUTION NO. 4994*</u>

Commissioner Crowe moved that Resolution No. 4994 be adopted by reading of title only: "ADOPTION OF PUBLIC HOUSING ADMISSIONS AND CONTINUED OCCUPANCY PLAN (ACOP) AND SECTION 8 HOUSING CHOICE VOUCHER ADMINISTRATIVE PLAN (AP)". Commissioner Ober seconded. The vote in favor was unanimous.

<u>*RESOLUTION NO. 4995*</u>

Commissioner Crowe moved that Resolution No. 4995 be adopted by reading of title only: "ADOPTION OF ACTION PLAN FOR SECTION 8 HOUSING CHOICE VOUCHER FAMILY SELF-SUFFICIENCY PROGRAM". Commissioner Ober seconded. The vote in favor was

<u>*RESOLUTION NO. 4996*</u>

Commissioner Crowe moved that Resolution No. 4996 be adopted by reading of title only: "ADOPTION OF THE ONE-YEAR AGENCY PLAN OF THE HOUSING AUTHORITY OF THE COUNTY OF BUTTE". Commissioner Ober seconded. The vote in favor was unanimous.

5.4 <u>Capital Fund</u> – HUD awarded the HACB 2026 Public Housing Capital Fund Program funds in the amount of $1,137,513.00. The HACB annually identifies its Capital Fund needs for its Public Housing properties in its Annual Plan and Five-Year Plan process. Staff recommends acceptance of the 2026 Public Housing Capital Fund monies.

<u>*RESOLUTION NO. 4997*</u>

Commissioner Ober moved that Resolution No. 4966 be adopted by reading of title only: "ACCEPTANCE OF U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD) 2026 PUBLIC HOUSING CAPITAL FUND PROGRAM FUNDS". Commissioner Crowe seconded. The vote in favor was unanimous.

5.5 Housing Authority of the County of Butte (HACB) Audit – Executive Director Larry Guanzon, shared that CFO Consultant Marco Cruz would be providing a detailed presentation of the audit and use the opportunity as a training for the Board of commissioners. CFO Consultant Marco Cruz commended the housing authority staff for their intense dedication and hard work in finalizing the extensive documentation required for the current board report. Marco recalled for the Board that the agency had previously issued a Request for Proposal (RFP) to procure a new auditing firm, ultimately selecting Smith Marion based on their extensive experience with public housing authorities. He expressed high satisfaction with their selection, specifically praising lead auditor Chad as an excellent presenter. Marco noted that the firm's deep industry expertise—including their active participation in HUD working groups—is highly beneficial to showcase during reviews with the HUD and PHARs teams. The final audit report was received mid-week, allowing management to immediately include the supplemental information and training materials directly into the Board packet.

Board Governance: Financial Audit Interpretation and Training

Marco directed the Board to page 171 of the supplemental materials, explaining that it was a customized training tool he constructed from a separate audit to teach commissioners how to capture 90% of critical audit data quickly. He began by defining the terminology used in financial grading. An "unmodified" or "unqualified" designation represents the cleanest possible report, whereas "modified" or "qualified" designations indicate serious underlying issues that demand immediate board inquiry. He emphasized that an agency can still receive an unmodified report even if it possesses underlying internal control findings. Addressing internal controls over financial reporting, Marco explained that "material weaknesses" are the most severe grading category for an accounting error or omission, whereas "significant deficiencies" represent lower-grade, less severe findings. If a material weakness is identified, staff must present the issue to the board in non-technical terms. While it does not mean "heads need to roll," a material weakness indicates a serious classification error that must never be allowed to recur in subsequent years.

Analysis of the Financial Position and Income Statements: Marco detailed the three primary financial statements to train the Board on conducting proper due diligence: Statement of Net Position (Balance Sheet): On page 110, Marco instructed the Board to first ensure that the total net position is positive, noting that the agency sits at a healthy balance exceeding $3.7 million. He then outlined the "order of magnitude rule," which requires comparing Total Current Assets against Total Current Liabilities to gauge short-term solvency. For the 2025 fiscal year, the agency recorded $19,927,473 in current assets against just $2,749,420 in current liabilities, confirming that the agency's short-term financial position is exceptionally secure.

Statement of Revenues, Expenses, and Changes in Net Position (Income Statement): On page 111, the agency marked a positive financial improvement of $435,738 for the fiscal year. Marco warned the Board to always investigate entries listed as "Corrections of Errors" or "Prior Period Adjustments." The agency recorded a $768,464 non-cash cleanup entry this year, split across three specific adjustments: a $200,000 entry to align the capitalization threshold policy with HUD standards, a $500,000 entry to correct historical misclassifications of Camp Fire Victim Trust funds by prior staff, and a technical reclassification entry to merge an isolated pension trust fund back into existing operational funds.

Statement of Cash Flows: On page 112, Marco emphasized that the "Cash Flows from Operating Activities" is the most vital metric on the sheet because it represents the cash generated from the agency's core business of managing housing, collecting rents, and processing grants. The agency achieved a strong, positive net operating cash flow of $402,335. He explained that high volatility in the capital-related financing section (which recorded a negative $5.7 million) is completely normal for a housing authority, as it fluctuates wildly depending on the year a building or land is purchased versus when the matching grant funding is officially expended. The ultimate check on this volatility is the overall Ending Cash balance, which stands at a highly secure $12,744,676 across bank accounts and short-term investments.

Historical Context and Agency Complications

The Board reviewed the systemic factors that threw the agency's accounting tracking off course over a five-year period. Following the 2018 Camp Fire, a decade's worth of structural disruption was compressed into a five-year window. The agency took on a massive volume of affordable housing development, introducing highly complex federal and state funding streams. Simultaneously, the agency migrated its core management software from HAB to YARDI, underwent a major transition to outsource its payroll system to an external service provider, and operated under a brand-new CFO. This institutional volatility was compounded by a turbulent period where the agency cycled through three different auditing firms—including Harshwal, Novogradac, and Bowman, before finally achieving stability with Smith Marion.

Comparative Review: FY 2024 vs. FY 2025 Audit Findings

Marco provided a side-by-side analysis of the agency's historical audit recovery progress:

The FY 2024 Audit: The agency received an unmodified report but was hit with two severe findings. The first finding involved widespread, unsupported account balances in cash, investments, and prepays, driven by poorly classified tenant accounts receivable. The second finding was a failure to submit the audit report by the federal June 30th deadline. Marco stressed that under FAS reporting, 25 out of 100 total evaluation points are tied directly to timely submission, and missing this deadline instantly dropped the agency's score in that category to zero.

The FY 2025 Audit: The new report marked a massive achievement, showing zero material weaknesses across both financial reporting and major federal programs. The agency did not qualify for "Low-Risk Auditee" status, as this designation requires several consecutive years of clean audits following major historical findings. However, the severe 2024 material weaknesses were successfully downgraded to a minor "significant deficiency" regarding the Financial Data System (FDS) timeline.

The FDS Timeline Emergency: Marco explained that by mid-October 2025, staff were still heavily reconciling legacy accounts and requested a standard 90-day extension from HUD. Due to a HUD shutdown, the government delayed its response until December 17th, granting only a compressed 30-day extension that made the hard deadline December 31st. Because the agency's specialized FDS consultants were unreachable on holiday vacation, Marco made the executive decision to submit data (uncorroborated with the Consultants) on time rather than face an automatic 25-point federal late penalty. The auditors validated this choice by downgrading the issue to a minor significant deficiency, which will naturally fall away next cycle now that the baseline books are clean.

The SEMAP Submission Oversight: The agency received an additional minor compliance finding because the Section 8 Management Assessment Program (SEMAP) report, though 100% completed and auditor-approved on time, missed the deadline simply because staff failed to click the final upload submission button.

Disaster Readiness, Redundancy, and CFO Recruitment

In response to a board inquiry regarding regional disaster resilience, Marco clarified that the agency's primary accounting and core management systems are entirely web-based and hosted online. The platform provider is a global corporation utilizing a matrix of seven highly protected data centers distributed worldwide, ensuring the agency's digital books are entirely disaster-proof. Furthermore, local internal documents, invoices, and checks are nearly 100% paperless, and local servers are backed up daily by IT staff. Finally, the Board discussed the active recruitment process to fill the vacant CFO / Finance Director position. To ensure an uncompromised transition, Marco has officially committed to staying closely involved for the next 6 to 12 months to personally onboard and train the incoming candidate. Due to the extreme regional scarcity of specialized Housing Authority Public Entity experience, the Board established a strict preference to source candidates with multi-fund municipal or county governmental accounting experience, noting that applicants coming solely from the private sector would face an incredibly steep operational learning curve.

Decisions Made

Validation of Management Strategy: The Board formally acknowledged and validated management's tactical decision to submit a premature unaudited FDS report in December 2025 to protect the agency from a late penalty.

Authorization of Operational Safeguards: The Board authorized the immediate implementation of rigorous digital submission checklists to prevent minor clerical omissions, such as the incomplete SEMAP upload button execution, from generating future compliance findings.

Establishment of CFO Hiring Criteria: The Board codified a recruitment preference prioritizing applicant with municipal, county, or multi-fund public agency accounting backgrounds over traditional private-sector candidates.

Action Items

Research Financial Revenue Risks: Marco will research Commissioner Richter’s inquiry regarding service credits and revenue recognition compliance under GASB/GAAP guidelines and share his findings.

Finalize 2026 Pre-Audit FDS Uploads: Management and specialized consultants will verify, finalize, and submit the 2026 unaudited FDS data to HUD before the November 30, 2026 deadline to ensure the historical tracking discrepancies officially drop off the next report.

Target Accelerated 2026 Audit Timeline: The accounting staff will coordinate protocols with Smith Marion to target an early February or March 2027 presentation date for the FY2026 audit, permanently re-establishing a routine fiscal timeline.

Retain Board Training References: All Board Commissioners are directed to print and retain pages 172–173 from the current packet to utilize as a direct, comparative baseline reference tool during next year's audit presentation.

<u>*MOTION*</u>

Commissioner Ober moved the HACB FYE 2025 Audit Report be accepted as presented. Commissioner Crowe seconded. The vote in favor was unanimous.

6. MEETING OPEN FOR PUBLIC DISCUSSION

None.

7. MATTERS CONTINUED FOR DISCUSSION

None.

8. SPECIAL REPORTS

8.1 PSWRC-NAHRO – Annual Conference: May 27-29, 2026 Santa Barbara, CA – HACB Staff and Commissioner Crowe provided individual updates regarding their recent attendance at a NAHRO conference held in Santa Barbara, CA. Attendees included Executive Director Larry Guanzon; Deputy Executive Director Tamra Young; Project Manager Taylor Gonzalez; Marco Cruz CFO Consultant, and Commissioner Bob Crowe, who all emphasized the exceptional value of face-to-face networking, exchanging operational resources, and sharing day-to-day best practices with peers from other housing authorities. Executive Director Larry Guanzon reported on his attendance at the housing tour, noting the distinct, uniform public housing architecture in Santa Barbara, where stucco walls and clay roofs are strictly required to match local aesthetics. Executive Director Guanzon also attended workshops regarding agency repositioning and portable housing frameworks. Commissioner Bob Crowe shared takeaways from a live, public demonstration of an AI platform used to dynamically populate project parameters on available parcels in Los Angeles. Commissioner Crowe also detailed an urban housing presentation by a company utilizing a 175,000-square-foot production plant in Los Angeles to manufacture fully finished, container-style modular units. These units potentially cut stick-built construction costs in half and represent an early "Model T" phase of next-generation public-private investments. Taylor Gonzalez reported on his participation in a local trolley development tour, noting that strict local architectural guidelines and high-end location constraints push some affordable housing development costs over $1 million per unit. Mr. Gonzalez also attended educational panels on Asset Management and Low-Income Housing Tax Credit (LIHTC) 101 frameworks. Marco Cruz highlighted alternative financing strategies, noting how the San Bernardino Housing Authority successfully utilizes bond financing to navigate an increasingly competitive LIHTC market. Mr. Cruz also reported on upcoming HUD regulatory restrictions aimed at stopping agencies from recycling public housing authority designations during repositioning, which is anticipated to accelerate future industry reliance on bond financing. Deputy Executive Director Young reported on her attendance at educational tracking sessions focused on Section 8 programs and Emergency Housing Vouchers (EHV). Ms. Young also participated in professional development workshops centered on psychological insights, personal growth, and agency capacity building.

9. REPORTS FROM COMMISSIONERS

Chair Pittman shared observations from a recent site visit to the River Islands development located near the Interstate 5 and State Route 120 intersection. The master-planned community currently includes 5,000 homes, with authorization to expand up to 15,000 units. Commissioner Pittman highlighted the development's unique public utility framework, operated through the Lathrop Irrigation District, which functions independently as its own public power district. The community achieves energy independence and remains isolated from the main PG&E grid load by pairing standard residential solar systems during the day with an onsite array of low-maintenance, ultra-quiet linear generators running on natural gas at night. Chair Pittman noted that the linear generators are remotely managed from a control center in Menlo Park, can utilize alternative fuels like propane, ammonia, or biogas, and operate at a highly efficient cost of approximately five cents per kilowatt-hour. This utility structure has reduced average summer electric bills for a 1,500-square-foot home to between $230 and $300, which reflects early data showing energy costs that are 40 to 45 percent cheaper than standard California utility rates. Additionally, Chair Pittman emphasized that these generator units can be deployed on a site within six months—significantly faster than standard grid interconnection timelines. He concluded by noting that major tech entities like Amazon are selecting these generators over traditional solar-and-battery arrays for new data centers, suggesting that localized, on-site linear power generation represents a vital mechanism for future affordable housing and commercial development discussions.

10. MATTERS INITIATED BY COMMISSIONERS

Under matters initiated by the commissioners, Commissioner Faulk brought forward several concerns and tenant feedback regarding property management, safety, and resident amenities, focusing primarily on the Sunrise Village Apartments, Gridley.

- **Communal Barbecue Areas**: Commissioner Faulk reported that the existing community barbecues are highly unsafe, positioned directly over flammable bark landscaping, and have been flagged by the local fire department as non-compliant for future use. She noted that residents attempting to use personal grills have faced strict storage restrictions from property management, creating significant access barriers. She recommended that the agency evaluate standard, safe outdoor grilling setups across all properties to encourage secure communal gathering spaces.

- **Community Garden Access and Water Restrictions**: Discussion was held regarding the complex's six raised garden beds, which residents had to manually remediate after they were initially filled with gravel and construction debris. Commissioner Faulk highlighted a critical accessibility issue, explaining that the adjacent watering hose was previously placed across a lawn—making it impassable for frail residents and those in wheelchairs—and has since been restricted to an automated 15-minute timer twice a day. Because the beds sit in full sun, residents are forced to haul water jugs from their apartments. She requested that management coordinate with ownership to grant residents 24-hour manual access to the garden hose, noting that expanded, unrestricted dirt plots could eventually allow residents to cultivate enough fresh produce to support all 36 units.
- **Fitness Center and Mobility Resources**: Commissioner Faulk observed that the complex’s gym equipment is largely unutilized due to the medical and health limitations of the resident population. She suggested that the agency explore alternative wellness resources, such as acquiring a shared mobility scooter or adult tricycle. She noted that the property's newly widened sidewalks provide direct access to the nearby Dollar General, and such mobile resources would significantly aid the property's carless, low-income residents in safely executing grocery trips without relying on neighbors.

In response, Executive Director Larry Guanzon confirmed he would look into the property's irrigation timers and follow up directly with property ownership and management to address the water access issues and the other site concerns raised.

11. EXECUTIVE SESSION

Adjourn: 3:53 p.m.
Reconvene: 4:35 p.m.

11.1 Government Code 54956.8: Conference with real estate negotiator – Direction was provided to staff related to Evanswood Apartments, Oroville CA. Discussion continued at next meeting.

11.2 Government Code 54957: Public Employment Performance Evaluation – Board initiated discussion of annual performance evaluation with Executive Director Guanzon. Discussion continued at next meeting.

12. COMMISSIONERS' CALENDAR

- **Next Meeting: July 16, 2026 – Revised Date**
- **Save the date: NAHRO National Conference, October 15 -17, 2026 Denver Colorado**

13. ADJOURNMENT

The meeting was adjourned at 4:37 p.m.

Dated: June 18, 2026.

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David Pittman, Board Chair

ATTEST:

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Lawrence C. Guanzon, Secretary