

Housing Authority City of Milwaukee

2024 Final Unaudited Submission

September 10, 2025 Board Meeting

Attached please find the final Audited 2024 Financial Statement which is the basis in which Berman Hopkins, CPAs will audit to form an opinion. I remind the Board that at a minimum we will acquire an opinion that the books are fairly presented but a “Going Concern” remains with the agency. A “Going Concern” means that the agency is unable to meet its financial obligations when they become due. Professionally speaking, the agency should have received this opinion as early as 2019. Had this happened it would have allowed the Board, who holds the ultimate fiduciary responsibility, an opportunity to direct the agency properly. To reiterate this issue was generated by a lack of transparency of the prior financial professionals employed by the agency. The external professionals retained fell short of their responsibilities as well.

Summary of Results:

PUBLIC HOUSING

WI002 -1 **Hillside** - This property improved its fiscal operations significantly from 2023 – 2024. Improved by \$350k. This includes significant write offs of prior year receivables that was approved by this board in December of 2024.

WI002-7 **Parklawn** - This property improved its fiscal operations significantly from 2023 – 2024. Improved by \$450k. This includes significant write offs of prior year receivables that was approved by this board in December of 2024.

WI002-10 **Scattered Sites** – Scattered sites continue to be a major issue for the agency. These properties are not our normal brick and motor facilities. They do not hold well to normal wear and tear. In addition, they cause us significant issues when trying to pass NSpire inspection. We are having internal decisions about how to get out of the business of managing these properties. This is a consistent theme across the Mid to Large Housing Authorities across the nation.

WI002-11 **College Court**- This property saw an increase of \$676k in Maintenance expense. While we have not been able to dig into the details of why at this time, this is a troubling situation. Finance has immediately pulled the 2025 property financials to see if this trend still exists. The 2023 vs 2024 results have not significantly changed due to increased revenue. It is important to note this property did score well on its recent NSpire inspection. The level of maintenance may be necessary.

WI002-13 **Arlington Court**- This property improved its fiscal operations significantly from 2023 – 2024. Improved by \$200k.

WI002-15 **Locust Court**- This property saw an increase of \$300k in Maintenance expense. While we have not been able to dig into the details of why at this time, this is a troubling situation. Finance has immediately pulled the 2025 property financials to see if this trend still exists. This includes significant write offs of prior year receivables that was approved by this board in December of 2024. The property lost \$250k 2023 vs 2024.

WI002-16 **Scattered Sites** – These properties performed consistently year over year at a loss of \$150k. The same issues with scattered sites exist though. They are difficult to manage and maintain and we do not perform well when it comes to NSPIRE inspection. This is a consistent theme across the Mid to Large Housing Authorities across the nation.

WI002-17 **Mitchell Court**- This property improved its fiscal operations significantly from 2023 – 2024. Improved by \$150k. This includes significant write offs of prior year receivables that was approved by this board in December of 2024.

WI002-19 **Lincoln Court**- This property performed consistently year over year at an average loss of \$60k.

WI002-60 **Highland Homes** - This property performed consistently year over year at an average loss of \$10k.

WI002-61 **Scattered Sites** - Scattered sites continue to be a major issue for the agency. These properties are not our normal brick and motor facilities. They do not hold well to normal wear and tear. In addition, they cause us significant issues when trying to pass NSpire inspection. We are having internal decisions about how to get out of the business of managing these properties. This is a consistent theme across the Mid to Large Housing Authorities across the nation. This cluster of scattered sites lost \$250k 2023 vs 2024.

WI002-62 **Riverview**- This property performed consistently year over year at an average loss of \$5k.

WI002-63 **Scattered Sites**- Scattered sites continue to be a major issue for the agency. These properties are not our normal brick and motor facilities. They do not hold well to normal wear and tear. In addition, they cause us significant issues when trying to pass NSpire inspection. We are having internal decisions about how to get out of the business of managing these properties. This is a consistent theme across the Mid to Large Housing Authorities across the nation. This cluster of scattered sites lost \$110k 2023 vs 2024.

VETS – BNS

These properties continue to be our premier properties in our portfolio. The rental income versus expense structure allows us to generate \$2M positive cash flow. It is important to note that the

properties do come with a \$1.3M debt payment for BONDS we took out to rehab the properties in 2015. There are some serious capital needs at these properties that need to be addressed the next 6-9 months. We have a replacement reserve that is maintained with these bonds that can be used to keep the properties operating efficient and effectively.

COCC

The COCC (Corporate Overhead) consists of the following:

1. Executive Leadership
2. HR
3. Finance/Procurement
4. IT
5. Central Maintenance
6. Central In-Take
7. Public Safety
8. Resident Services

Eligible Expenses above (IT/Central Maintenance/Central In-Take and Public Safety) are allocated to the units. We do receive a substantial grant from the Greater Milwaukee Foundation which funds Public Safety and a portion of Resident Services. This grant is tied to our HOPE VI activities and will expire once the funding is exhausted. Ken will provide us the balance of the fund.

COCC has benefited over the past 10 years due to development fees the agency has earned from its RAD activities. That was greatly offset by the shortage in sources available to the agency to complete said development activity. There were significant development fees booked in 2024 vs 2023. A major portion was used to fund the Highland Gardens engagement.

The major issue facing the COCC department is the central maintenance model. The costs from 2023 – 2024 for this model increased by \$1.5M. Allowing this model to increase at this level and not ensure that the agency could afford it was fiscally irresponsible. We are torn to get rid of this model but we fiscally can not afford it. I professionally have no clue how this will land. I do know it is a monster that must be tackled. If we do not fix it, HUD will be forced to step in and fix it on our behalf.

We are currently reviewing the administration staffing levels required to manage an agency of our size. We work with HR to review the job description of every member.

Housing Choice Voucher/Section 8

The operational results for this program remain in tact year over year. This program moving forward is managed by CVR as you all are aware.

The concerns for 2025 is the mandatory 100% file review by HUD which is costing the agency approximately \$1M. This cost is an additional strain on the unrestricted assets of the agency.

WHERE WE ARE MOVING FORWARD

The agency still struggles monthly as it relates to cash flow.

Factors:

1. Additional \$1M in post-retirement issues.
2. \$2M obligation to Highland Gardens job.
3. 100% Section 8 file review.
4. Section 8 \$2.8M repayment agreement.
5. City of Milwaukee Repayment agreement. (Currently 4 months behind on Medical Insurance payment of \$125k per month).
6. Cash shortages at the LLCs due to years of failed management by the Section 8 department.