



10400 Detrick Avenue
 Kensington, MD 20895-2484
 (240) 627-9425



BUDGET, FINANCE AND AUDIT COMMITTEE

May 10, 2022

10:00 a.m.

YouTube Link: <https://youtu.be/nrPOLcb5FZY>

Approval of Minutes:

Title	Page
1. Minutes: Approval of Budget, Finance and Audit Committee Minutes of April 26, 2022	3

Reports:

Title	Page
1. Budget Presentations: Presentation of the Fiscal Year 2023 Opportunity Housing Fund Budget	7
2. Budget Presentations: Presentation of the Fiscal Year 2023 Mortgage Finance and Real Estate Development Budgets	22

Minutes

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY
10400 Detrick Avenue
Kensington, Maryland 20895
(240) 627-9425

Budget, Finance and Audit Committee Minutes

April 26, 2022

For the official record of the Housing Opportunities Commission of Montgomery County, an open meeting of the Budget, Finance and Audit Committee was conducted via an online platform and teleconference on Tuesday, April 26, 2022, with moderator functions occurring at 10400 Detrick Avenue, Kensington, Maryland beginning at 10:03 a.m. There was a livestream of the meeting held on YouTube, available for viewing [here](#). Those in attendance were:

Present

Richard Y. Nelson, Jr., Chair – Budget, Finance and Audit Committee
Frances Kelleher – Commissioner
Jeffrey Merkowitz - Commissioner

Also Attending

Kayrine Brown, Acting Executive Director

Timothy Goetzinger, Acting Chief Financial Officer

Terri Fowler

Nilou Razeghi

Kashif Paul

Ellen Goff

Vivian Ikoro

Ian-Terrell Hawkins

Gail Willison

Darcel Cox

Guidy Paul

Fred Swan

Gary Hall

Zachary Marks

Aisha Memon, General Counsel

Eugenia Pascual, Controller

Olutomi Adebo

Francisco Vega

Rita Harris

Niketa Patel

Matt Husman

Leidi Reyes

Eugene Spencer

Lynn Hayes

John Broullire

Nathan Bovelle

Sewi Agbodjan

Kathryn Hollister

IT Support

Aries "AJ" Cruz

Commission Support

Patrice Birdsong, Spec. Asst. to Commission

Commissioner Nelson opened the meeting with a roll call of Commissioners who participate on the Committee, as well as the Acting Executive Director and various staff.

APPROVAL OF MINUTES

The minutes of February 24, 2022, open session were approved as submitted with a motion by Commissioner Kelleher and seconded by Commissioner Merkowitz. Affirmative votes were cast by Commissioners Nelson, Kelleher, and Merkowitz.

ACTION/DISCUSSION ITEMS

1. Fiscal Year 2023 (FY'23) Budget Presentation: Presentation of FY'23 General Fund

Timothy Goetzinger, Chief Development Funds Officer/Acting Chief Financial Officer, introduced Tomi Adebo, Assistant Budget Officer, who provided the presentation of the FY'23 General Fund and introduced any changes that have occurred since the presentation to the full Board on April 6, 2022.

During Ms. Adebo's presentation, Commissioner Merkowitz lost connection and there was a brief pause until he reconnected to the Zoom meeting. Ms. Adebo continued her presentation providing updates on the various funding. Terri Fowler, Budget Officer, and Timothy Goetzinger, Chief Development Funds Officer/Acting Chief Financial Officer, addressed Commissioner Nelson's concerns in regards to the structural deficit of the Metropointe. Ms. Adebo addressed Commissioner Kelleher's question regarding the decrease in IT and Facility funding. Ms. Fowler addressed Commission Nelson's question regarding capital funding for these departments, and provided additional explanation of the general fund. No action was required.

2. Fiscal Year 2023 (FY'23) Budget Presentation: Presentation of the Fiscal Year 2023 Public Fund

Terri Fowler, Budget Officer, provided presentation of the Agency's Public Fund, and provided a summation of recommended changes to the Public Fund as it relates to the Housing Choice Voucher Program. Ms. Fowler provided an explanation of the Housing Assistance Payment (HAP) and of staff's goal of achieving 98% usage of the vouchers in the program. Commissioner Nelson suggested that the Administrative and Regulatory Committee take a look at possible increases from 110% FMR and whether there is any financial implications HOC could afford. Lynn Hayes, Director of Housing Resources, explained the procedures and agreed to provide an update to the Administrative and Regulatory Committee for presentation to the full Commission. Staff addressed Commissioners questions as it related to the public fund. No action was required.

Based upon this report and there being no further business to come before this session of the Budget, Finance and Audit Committee, Commissioner Nelson moved to adjourn the meeting. The meeting adjourned at 10:42 p.m.

Respectfully submitted,

Kayrine Brown
Acting Secretary-Treasurer

/pmb

Reports

Housing Reserve Fund (“OHRF”). The OHRF will be discussed during the Mortgage Finance and Real Estate Development Budget.

The began Recommended Operating Budget for FY 2023 began with \$306.9 million. Please note that the FY 2023 Recommended Budget that was presented to the Commission on April 6, 2022 was balanced with a draw from the General Fund Operating Reserve (“GFOR”) account of approximately **\$1.26M** (see **SLIDE 2**).

The changes introduced on April 26, 2022 are reflected on **SLIDE 3**. As a result of the increased management fees paid to the Agency from the Housing Choice Voucher Program (“HCVP”) based on utilization, the budget shows a surplus of \$35K.

The chart on **SLIDE 4** shows that funding in the Recommended Budget for the Opportunity Housing Fund was **\$102.552** million, the majority of which is based on Rental Income net of concessions and vacancy, coupled with income from retail space, laundry and parking income, and various fees. Additionally, there is a small amount of federal funding for McKinney units at Montgomery Arms. Finally, the Transfers Between Funds include County funding for various costs as well as funding for shortfalls at a few properties that are being covered by transfers from existing property cash or the GFOR account.

Refinements have been made to the Tenant Income on the Metropolitan properties based on increased vacancies anticipated during the renovations of **(\$100k)**. The Transfer Between Funds have increased by approximately **\$39k** to reflect the increased draw from existing property cash necessary to cover the higher fees charged to the properties based on the update to the Indirect Cost Model

The net impact of the changes is a reduction of **(\$61k)** resulting in income of **\$102.461** million.

The chart on **SLIDE 5** reflects the distribution of the **Revised** Source of Funds of **\$102.5M** received to support the Opportunity Housing Fund. Tenant Rents make up **\$98.3M** or 95.98% of the revenue in the fund with the remaining **\$4.1M** 4.02% coming from Transfers Between Funds, Non-Dwelling Income from retail space, laundry & parking income, various fees, and the federal grant for McKinney units.

The chart on **SLIDE 6** shows that expenses in the Recommended Budget for the Opportunity Housing Fund were **\$99.541** million.

- The following revisions have been made to the Recommended Budget:
 - Operating Expenses Fees have increased approximately **\$941k** based on the update to the Indirect Cost Model.
 - Maintenance Expenses at Cider Mill increased \$207k based on identified plumbing needs.

- Expenses for the Metropolitan properties decreased by **(\$95k)** due to anticipated impacts from the impending renovations coupled with the restriction of cash flow for the necessary repairs to the green roof.
- Debt Service on the properties was reduced based on the removal of debt service payments of **(\$944k)** that will be covered by the renovation budget during renovations.
- Replacement for Reserve (“RfR”) Contributions of **(\$46k)** were removed during renovations.
- Restricted Cash Flow was increased by **\$895k** to adjust the anticipated Air Rights payment to the County and restrict the additional cash for the green roof repairs.
- Refinements to Debt Service increased by \$316k based on the inclusion of an amortizing loan for one property. As a result, Debt Service Reserve Contributions, which represent the difference between a fully amortizing loan at 6.5% and the current debt structure, were decreased by **(\$316k)** based on the increased actual payments.
- As a result of the increased fees charged for Agency overhead based on the updated Indirect Cost Model.
 - **Operating Reserve Contributions** on the Foreclosure Homes decreased by **(\$4k)**,
 - **Restricted Cash Flow** decreased by **(\$298k)**, and
 - **Development Corporation Fee** expenses for the properties decreased by **(\$330k)**.

Therefore, total expenses have increased by **\$421k** to **\$99.962** million.

Finally, cash flow has changed as follows:

Tenant Income	(\$100,000)
Transfer Between Funds	\$39,030
Operating Expenses - Fees	(\$941,260)
Maintenance Expenses	(\$207,000)
Interest Payment	\$552,505
Mortgage Insurance	\$41,041
Principal Payment	\$34,045
Debt Service Reserves	\$316,449
Restricted Cash Flow	\$50,520
Operating and Replacement Reserves	\$329,800
Development Corporation Fees	(\$596,606)
Cash Flow	(\$481,476)

The chart on **SLIDE 7** reflects the distribution of the **Revised** Use of Funds of **\$99.96M**. The chart

shows the breakout of Operating and Non-Operating expenses that are nearly equally divided between Operating expenses totaling **\$51.78M** or 51.8% and Non-Operating expenses totaling **\$48.12M** or 48.2%.

The three largest operating categories are Personnel of **\$13.77M** or 13.78%, Operating-Fees of **\$14.91M** or 14.91%, and Maintenance of **\$8.34M** or 8.34% with the balance being made up of Bad Debt of **\$2.25M** or 2.25%, and other administrative and operating costs, utilities, insurance and taxes totaling **\$12.51M** or 12.52%.

The largest non-operating category is Debt Service of **\$34.34M** or 34.35%, which equates to almost 3/4 of total non-operating expenses, followed by Contributions to Reserves totaling **\$5.21M** or 5.22%, and the distribution of cash flow to Development Corporation Fees of **\$5.41M** or 5.41% and Restricted Cash of **\$3.22M** or 3.22%.

The chart on **SLIDE 8** reflects a five-year history of Total Property Cash Flow, which is broken into three categories: Development Corporation Fees, Unrestricted Cash Flow, and Restricted Cash Flow. Total Projected Cash Flow has increased by approximately **\$940k** for FY 2023 when compared to FY 2022 largely due to the previously mentioned lower debt services payments coupled with lower projected Bad Debt expense for FY 2023 that is partially offset by the increased fees for overhead coupled with the removal of properties that were included in the FY 2022 Amended budget for four months and have converted to Tax Credit properties.

The final chart on **SLIDE 9** represents the FY 2023 Agency Revised Operating Budget summarizing the changes introduced today in Opportunity Housing (Peach) coupled with the changes from the Public Fund presentation (Green).

As a reminder, the FY 2023 Recommended Budget included a contribution of \$1.26M from the GFOR.

The Net impact of the changes introduced in this presentation result in a net increase of **\$611k** in Income to the General Fund based on an update to the Indirect Cost Model which increased fee income by **\$941k** offset by lower Development Corporation Fee income from the properties of **(\$330k)**.

The Net impact of the changes to Income and Expense in the Opportunity Housing Fund is a decrease of **(\$481k)** to unrestricted cash flow.

The net impact of these changes combined with the increased fees paid from the HCVP to the General Fund for Overhead expenses of **\$35k** results in a positive balance of **\$165k**, which will be discussed at the end of today's meeting ($\$35k + \$611k - \$481k = \$165k$).

BUDGET IMPACT:

None for FY'22. The budget, when adopted on June 8, 2022, will set the financial plan for the Agency for FY'23.

TIME FRAME:

During April and May, the Budget, Finance and Audit Committee will informally review the budget proposal in detail. The FY'23 Budget, as amended, will be presented to the full Commission for adoption at the June 8, 2022 meeting. The Commission must adopt a budget for FY'23 before the fiscal year begins on July 1, 2022.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:

No action is requested at this time.

Spreadsheets Highlighting FY 2023 Opportunity Housing Fund Budget

Budget, Finance & Audit Committee Meeting Opportunity Housing

May 10, 2022

Fund Summary

FY 2023 Recommended

Fund Summary Overview

FY 2023 Recommended Budget

		Revenues	Expenses	Net
General Fund		\$26,554,858	\$30,798,637	(\$4,243,779)
	Draw from General Fund Operating Reserve ("GFOR")	\$1,262,646	\$0	\$1,262,646
Multifamily Bond Funds		\$17,392,014	\$17,392,014	\$0
Single Family Bond Funds		\$9,702,599	\$9,702,599	\$0
Opportunity Housing Fund				
	Opportunity Housing Reserve Fund ("OHRF")	\$6,345,372	\$1,570,916	\$4,774,456
	Restrict to OHRF	\$0	\$4,774,456	(\$4,774,456)
	Opportunity Housing & Development Corporation Properties	\$102,278,133	\$99,541,243	\$2,736,890
	Draw from GFOR for MetroPointe Deficit	\$244,243	\$0	\$244,243
Public Fund				
	Housing Choice Voucher Program ("HCVP")	\$123,891,096	\$123,891,096	\$0
	Federal and County Grants	\$19,214,246	\$19,214,246	\$0
TOTAL - ALL FUNDS		\$306,885,207	\$306,885,207	\$0

* Revenues and Expenses include inter-company Transfer Between Funds

Fund Summary

FY 2023 Revised as of 4/26/2022

Fund Summary Overview	FY 2023 Revised Budget		
	Revenues	Expenses	Net
General Fund	\$26,554,858	\$30,798,637	(\$4,243,779)
Adjust Fees for Agency Overhead	\$34,783	\$0	\$34,783
Draw from General Fund Operating Reserve ("GFOR")	\$1,262,646	\$0	\$1,262,646
Multifamily Bond Funds	\$17,392,014	\$17,392,014	\$0
Single Family Bond Funds	\$9,702,599	\$9,702,599	\$0
Opportunity Housing Fund			
Opportunity Housing Reserve Fund ("OHRF")	\$6,345,372	\$1,570,916	\$4,774,456
Restrict to OHRF	\$0	\$4,774,456	(\$4,774,456)
Opportunity Housing & Development Corporation Properties	\$102,278,133	\$99,541,243	\$2,736,890
Draw from GFOR for MetroPointe Deficit	\$244,243	\$0	\$244,243
Public Fund			
Housing Choice Voucher Program ("HCVP")	\$123,891,096	\$123,891,096	\$0
Revise HAP Funding / Expense based on increased utilization in February 2022	\$2,949,702	\$2,734,986	\$214,716
Add Emergency Housing Vouchers ("EHV")	\$1,761,372	\$1,761,372	\$0
Revise Draw / Contribution to HAP Reserve ("RNP") based on utilization	(\$214,716)	\$0	(\$214,716)
Revise Administrative Revenue based on utilization	\$550,137	\$0	\$550,137
Revise Mgmt Fee and Bookkeeping Fees based on utilization	\$0	\$34,783	(\$34,783)
Revise Contribution to Admin Reserve ("UNP") based on utilization and expenses	\$0	\$515,354	(\$515,354)
Federal and County Grants	\$19,214,246	\$19,214,246	\$0
TOTAL - ALL FUNDS	\$311,966,485	\$311,931,702	\$34,783

* Revenues and Expenses include inter-company Transfer Between Funds

Opportunity Housing Income Overview

FY 2020 through FY 2023

Opportunity Housing and Development Corporations	FY 2020	FY 2021	FY 2022	FY 2023	FY 2023	FY 2023 Recommended	
	Actual	Actual	Amended Budget	Recomm Budget	Revised Budget	to FY 2023 Revised \$ Change	% Change
Income							
Tenant Income	\$96,642,639	\$100,296,519	\$101,110,749	\$99,972,259	\$99,872,259	(\$100,000)	-0.1%
Non-Dwelling Rental Income	\$992,000	\$1,572,716	\$963,007	\$1,022,065	\$1,022,065	\$0	0.0%
Federal Grant	\$49,571	\$40,645	\$45,396	\$45,800	\$45,800	\$0	0.0%
State Grant	\$0	\$0	\$0	\$0	\$0	\$0	0.0%
County Grant	\$0	\$0	\$0	\$0	\$0	\$0	0.0%
Miscellaneous Income	\$229,554	\$300,694	\$184,587	\$82,931	\$82,931	\$0	0.0%
Investment Interest Income	\$13,537	(\$12,746)	\$0	\$120	\$120	\$0	0.0%
Transfer Between Funds	\$2,715,279	\$2,810,512	\$1,409,707	\$1,399,201	\$1,438,231	\$39,030	2.8%
Total Income	\$100,642,580	\$105,008,340	\$103,713,446	\$102,522,376	\$102,461,406	(\$60,970)	-0.1%

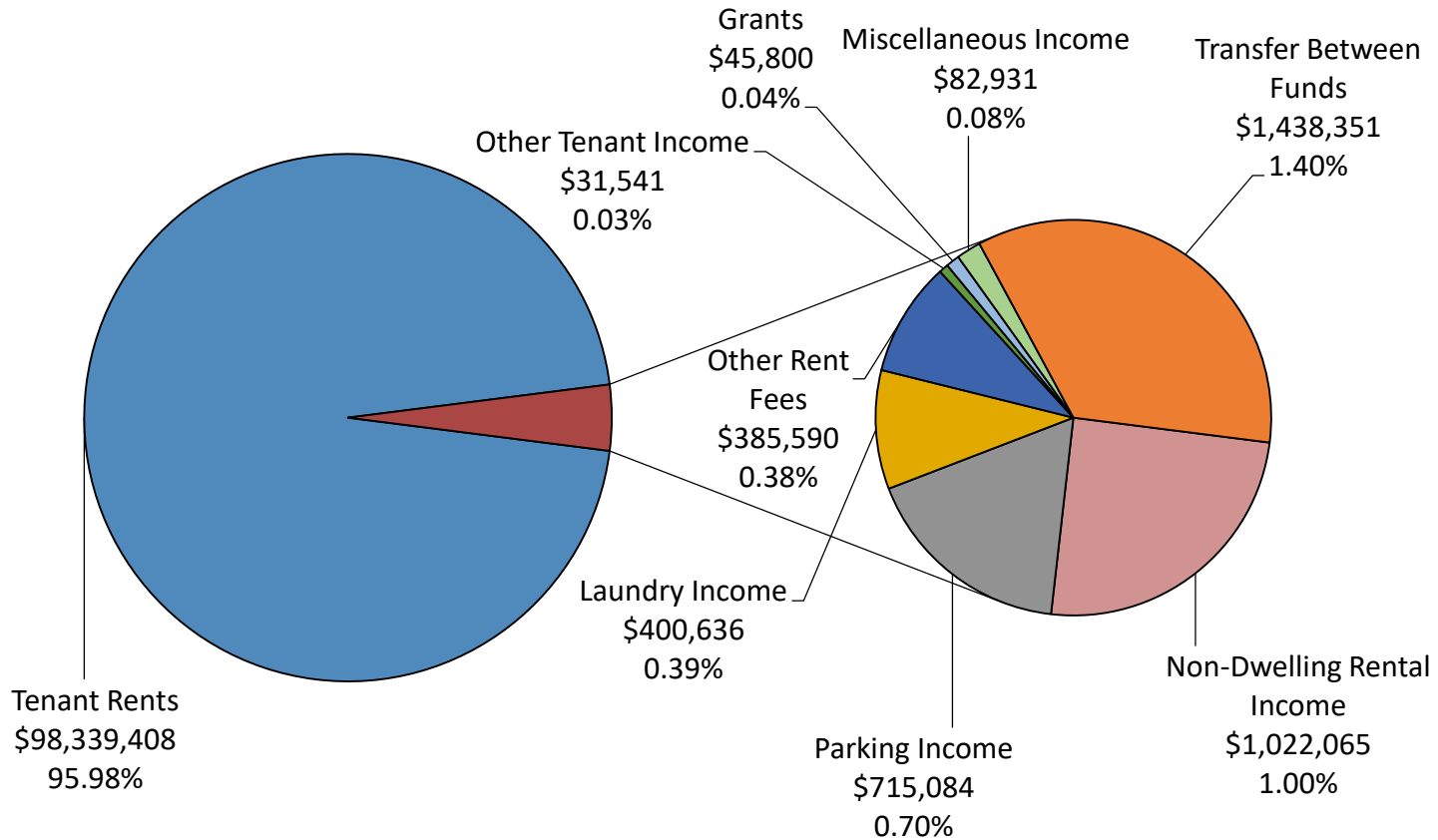
Tenant Income includes rental income, concessions, vacancy, laundry and parking income, and various fees (such as late fees, NSF fees, damage fees, etc)

Transfers Between Funds are non-operating income from sources such as operating cash or reserves, or County funds for HOA Fees, utilities and Rental License fees.

Source of Funds

FY 2023 Revised Budget

\$102,461,406



Opportunity Housing Overview

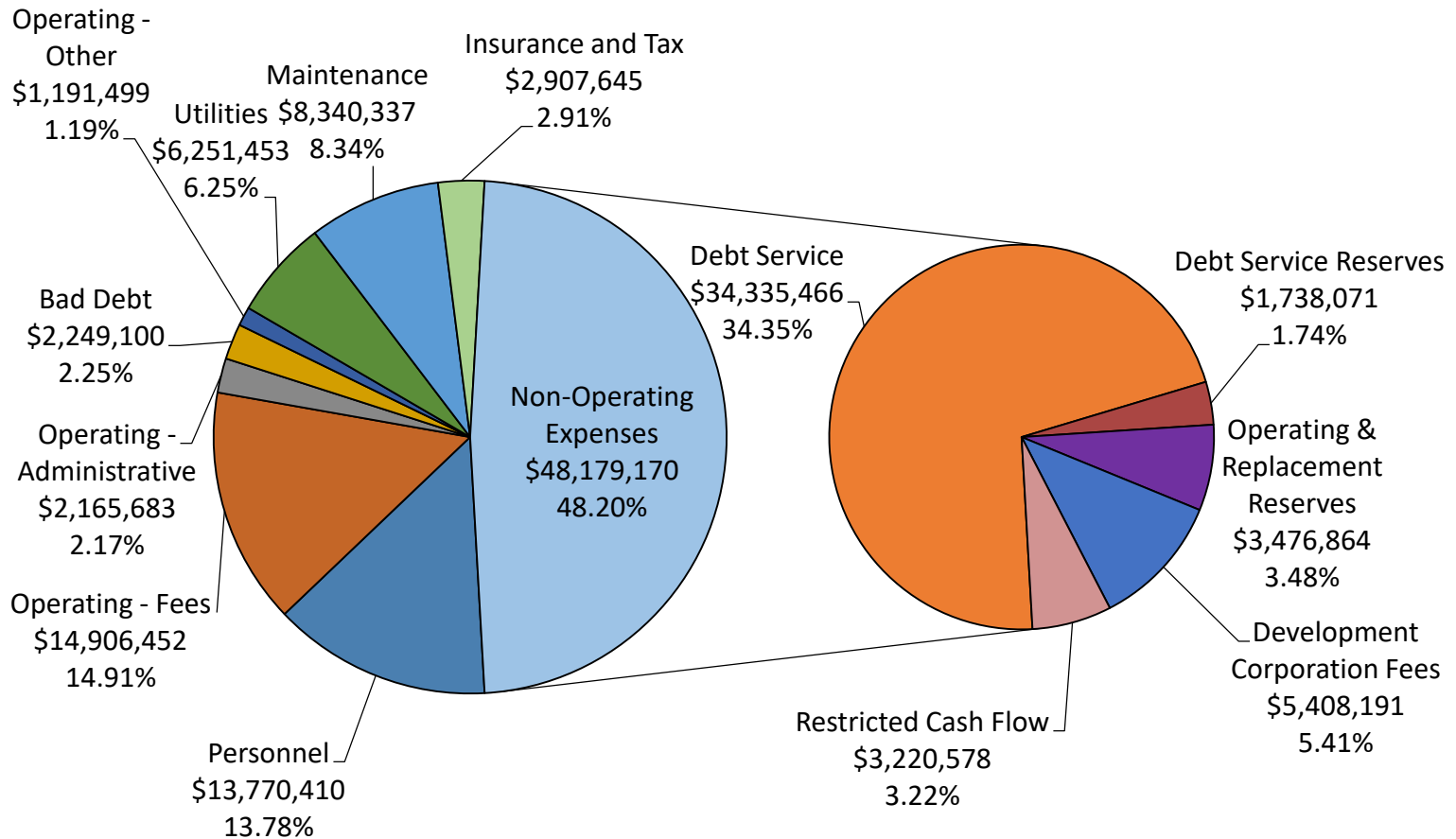
FY 2020 through FY 2023

Opportunity Housing and Development Corporations	FY 2020 Actual	FY 2021 Actual	FY 2022 Amended Budget	FY 2023 Recomm Budget	FY 2023 Revised Budget	FY 2023 Recommended to FY 2023 Revised	
						\$ Change	% Change
Expenses							
Personnel Expenses	\$14,151,152	\$14,810,106	\$13,754,646	\$13,770,410	\$13,770,410	\$0	0.0%
Operating Expenses - Fees	\$13,444,709	\$14,271,450	\$13,990,797	\$13,965,192	\$14,906,452	\$941,260	6.7%
Operating Expenses - Administrative	\$2,689,619	\$2,469,423	\$2,308,984	\$2,165,683	\$2,165,683	\$0	0.0%
Bad Debt	\$1,439,878	\$3,324,955	\$2,912,969	\$2,249,100	\$2,249,100	\$0	0.0%
Tenant Services Expenses	\$347,720	\$268,432	\$472,866	\$374,434	\$374,434	\$0	0.0%
Protective Services Expenses	\$1,087,234	\$923,967	\$659,309	\$817,065	\$817,065	\$0	0.0%
Utilities Expenses	\$5,563,980	\$6,650,743	\$6,185,566	\$6,251,453	\$6,251,453	\$0	0.0%
Insurance and Tax Expenses	\$2,317,868	\$2,800,079	\$3,378,818	\$2,907,645	\$2,907,645	\$0	0.0%
Maintenance Expenses	\$8,443,371	\$8,068,170	\$8,351,910	\$8,133,337	\$8,340,337	\$207,000	2.5%
Interest Payment	\$21,597,743	\$21,432,131	\$22,620,492	\$22,865,058	\$22,312,553	(\$552,505)	-2.4%
Mortgage Insurance	\$1,167,416	\$1,161,162	\$1,075,532	\$1,017,761	\$976,720	(\$41,041)	-3.8%
Principal Payment	\$11,002,405	\$11,987,691	\$12,237,631	\$11,080,238	\$11,046,193	(\$34,045)	-0.3%
Debt Service Reserves	\$645,623	\$2,054,519	\$2,054,520	\$2,054,520	\$1,738,071	(\$316,449)	-15.4%
Operating and Replacement Reserves	\$3,677,674	\$3,564,451	\$3,520,675	\$3,527,384	\$3,476,864	(\$50,520)	-1.4%
Restricted Cash Flow	\$4,061,680	\$3,573,368	\$2,194,434	\$2,623,972	\$3,220,578	\$596,606	27.2%
Development Corporation Fees	\$6,668,476	\$5,343,739	\$5,770,452	\$5,737,991	\$5,408,191	(\$329,800)	-5.7%
Total Expenses	\$98,306,548	\$102,704,386	\$101,489,601	\$99,541,243	\$99,961,749	\$420,506	0.4%
NET CASH FLOW	\$2,336,032	\$2,303,954	\$2,223,845	\$2,981,133	\$2,499,657	(\$481,476)	-21.7%

Uses of Funds

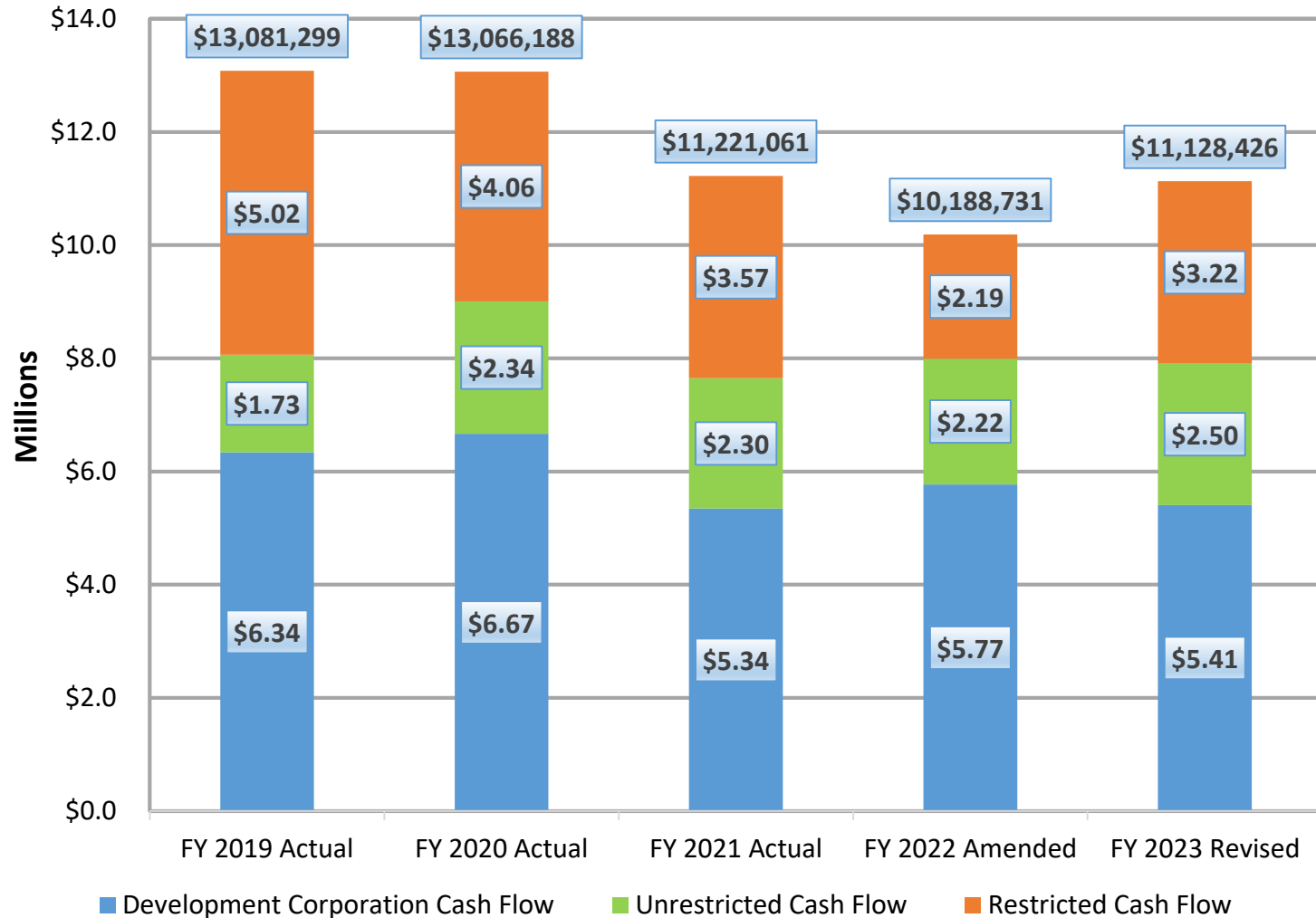
FY 2023 Recommended Budget

\$99,961,749



Cash Flow – FY 2019 through FY 2023

Total Cash Flow



Fund Summary

FY 2023 Revised as of 5/10/2022

Fund Summary Overview	FY 2023 Revised Budget		
	Revenues	Expenses	Net
General Fund	\$26,554,858	\$30,798,637	(\$4,243,779)
Adjust Fees for Agency Overhead	\$34,783	\$0	\$34,783
Update Indirect Cost Model	\$941,260	\$0	\$941,260
Adjust Development Corporation Fees from Properties	(\$329,800)	\$0	(\$329,800)
Draw from General Fund Operating Reserve ("GFOR")	\$1,262,646	\$0	\$1,262,646
Multifamily Bond Funds	\$17,392,014	\$17,392,014	\$0
Single Family Bond Funds	\$9,702,599	\$9,702,599	\$0
Opportunity Housing Fund			
Opportunity Housing Reserve Fund ("OHRF")	\$6,345,372	\$1,570,916	\$4,774,456
Restrict to OHRF	\$0	\$4,774,456	(\$4,774,456)
Opportunity Housing & Development Corporation Properties	\$102,278,133	\$99,541,243	\$2,736,890
Changes to Metropolitan Properties Due to Renovation	(\$100,000)	(\$94,870)	(\$5,130)
Adjust draw from Existing Property Cash	\$39,030	\$0	\$39,030
Update Indirect Cost Model	\$0	\$941,260	(\$941,260)
Refinements Maintenance Expenses	\$0	\$207,000	(\$207,000)
Refinements to Debt Service Reserve Contribution for Westwood Tower	\$0	(\$316,449)	\$316,449
Refinements to Debt Service	\$0	\$316,449	(\$316,449)
Adjust Restricted Cash Flow	\$0	(\$298,764)	\$298,764
Adjust Development Corporation Fees Expense for Properties	\$0	(\$329,800)	\$329,800
Adjust Contribution to Operating Reserves	\$0	(\$4,320)	\$4,320
Draw from GFOR for MetroPointe Deficit	\$244,243	\$0	\$244,243
Public Fund			
Housing Choice Voucher Program ("HCVP")	\$123,891,096	\$123,891,096	\$0
Revise HAP Funding / Expense based on increased utilization in February 2022	\$2,949,702	\$2,734,986	\$214,716
Add Emergency Housing Vouchers ("EHV")	\$1,761,372	\$1,761,372	\$0
Revise Draw / Contribution to HAP Reserve ("RNP") based on utilization	(\$214,716)	\$0	(\$214,716)
Revise Administrative Revenue based on utilization	\$550,137	\$0	\$550,137
Revise Mgmt Fee and Bookkeeping Fees based on utilization	\$0	\$34,783	(\$34,783)
Revise Contribution to Admin Reserve ("UNP") based on utilization and expenses	\$0	\$515,354	(\$515,354)
Federal and County Grants	\$19,214,246	\$19,214,246	\$0
TOTAL - ALL FUNDS	\$312,516,975	\$312,352,208	\$164,767

* Revenues and Expenses include inter-company Transfer Between Funds

section of the Public Fund.

The Recommended Operating Budget for FY 2023 began with \$306.9 million. Please note that the FY 2023 Recommended Budget, that was presented to the Commission on April 6, 2022 was balanced with a draw from the General Fund Operating Reserve (“GFOR”) account of approximately **\$1.26M** (see **SLIDE 2**).

The changes introduced on April 26, 2022 and earlier today are reflected on **SLIDE 3**. The net impact of these changes results in a positive balance of **\$165k**.

The chart on **SLIDE 4** shows a 5-year detail of the Mortgage Finance Division. The division generates Loan Management and Commitment Fees on the transactions that are financed by HOC and monitored for loan and regulatory compliance. Loan Management Fees for FY 2023 have increased **\$55k** from the Recommended Budget. Commitment Fees, which are one time fees, are split with 40% being unrestricted to support Agency operations and 60% restricted to the OHRF for future capital investment in real estate. The fees for FY 2023 have decreased **(\$629k)** from the Recommended Budget of which approximately **(\$252k)** is unrestricted and **(\$377k)** is restricted. In addition, FHA Risk Sharing, which represents the mortgage insurance premium received from the properties financed with the support of this program and then restricted to the FHA Risk Share Reserve, for FY 2023 has decreased by **\$150** from the FY 2023 Recommended Budget for both the income and restriction of the cash to the reserve.

The chart on **SLIDE 5** reflects the distribution of the \$12.1 million Source of Funds from Mortgage Finance, which includes Commitment Fees of \$4.8M (39.53%) with \$2.9M (23.72%) restricted to the OHRF and \$1.9M (15.81%) going to the General Fund to support Agency Operations, Bond Draws of \$3.5M (29.32%) to support the administrative costs of the Multifamily and Single Family programs, FHA Risk Sharing if \$1.1M (8.90%), a County Closing Cost Grant of \$195k (1.61%), and Loan Management Fees of \$2.5M (20.64%).

The chart on **SLIDE 6** reflects the distribution of the \$5.0 million Use of Funds for Mortgage Finance, which includes Personnel of \$2.634M (52.27%), Other Operating expenses of \$128k (2.54%), Management Fees of \$1.145M (22.74%), Mortgage Insurance and Trustee Fees of \$55k (1.09%), and FHA Risk Sharing of \$1.077M (21.36%).

The chart on **SLIDE 7** shows a 5-year detail of the Real Estate Development Division. The transfer between funds reflects the draw from the OHRF to pay for Real Estate Division salary and benefits as well as predevelopment funds related to projects that are in the early conceptual or planning stages. The costs are only drawn if the expenses cannot be directly charged to a particular transaction. Development Fees, which are one time in nature, are split with 40% being unrestricted to support Agency operations and 60% restricted to the OHRF for future capital investments. The fees for FY 2023 have increased **\$113k** from the Recommended Budget of which approximately **\$45k** is unrestricted and **\$68k** is restricted.

The changes introduced in this packet are reflected on **SLIDE 8**. The net impact of the changes to Income and Expenses result in a net decrease of (\$151k) in fee income to the General Fund and a net decrease to fee income to the OHRF of (\$310k). The change in the OHRF will result in less income being restricted to the fund. The change to the General Fund impacts the bottom line resulting in a positive balance of approximately \$14k.

Since the Recommended Budget was balanced with a draw from the General Fund Operating Reserve (“GFOR”) account of approximately \$1.26M, staff recommends that this draw be reduced by the surplus of \$14k introduced thus far. Staff anticipates that there may be small changes between now and June as a result of updates to the complement and final grant funding and will present a reconciliation when the FY 2023 budget is presented to the Commission for approval at the June 8, 2022 meeting.

BUDGET IMPACT:

None for FY’22. The budget, when adopted on June 8, 2022, will set the financial plan for the Agency for FY’23.

TIME FRAME:

During April and May, the Budget, Finance and Audit Committee will informally review the budget proposal in detail. The FY’23 Budget, as amended, will be presented to the full Commission for adoption at the June 8, 2022 meeting. The Commission must adopt a budget for FY’23 before the fiscal year begins on July 1, 2022.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:

No action is requested at this time.

**Spreadsheets Highlighting
FY 2023 Mortgage Finance and Real Estate
Development Budget**

Budget, Finance & Audit Committee

Meeting

Mortgage Finance & Real Estate

Development

May 10, 2022

Fund Summary

FY 2023 Recommended

Fund Summary Overview

FY 2023 Recommended Budget

	Revenues	Expenses	Net
General Fund	\$26,554,858	\$30,798,637	(\$4,243,779)
Draw from General Fund Operating Reserve ("GFOR")	\$1,262,646	\$0	\$1,262,646
Multifamily Bond Funds	\$17,392,014	\$17,392,014	\$0
Single Family Bond Funds	\$9,702,599	\$9,702,599	\$0
Opportunity Housing Fund			
Opportunity Housing Reserve Fund ("OHRF")	\$6,345,372	\$1,570,916	\$4,774,456
Restrict to OHRF	\$0	\$4,774,456	(\$4,774,456)
Opportunity Housing & Development Corporation Properties	\$102,278,133	\$99,541,243	\$2,736,890
Draw from GFOR for MetroPointe Deficit	\$244,243	\$0	\$244,243
Public Fund			
Housing Choice Voucher Program ("HCVP")	\$123,891,096	\$123,891,096	\$0
Federal and County Grants	\$19,214,246	\$19,214,246	\$0
TOTAL - ALL FUNDS	\$306,885,207	\$306,885,207	\$0

* Revenues and Expenses include inter-company
Transfer Between Funds

Fund Summary

FY 2023 Revised Budget as of 5/10/2022

Fund Summary Overview	FY 2023 Revised Budget		
	Revenues	Expenses	Net
General Fund	\$26,554,858	\$30,798,637	(\$4,243,779)
Adjust Fees for Agency Overhead	\$34,783	\$0	\$34,783
Update Indirect Cost Model	\$941,260	\$0	\$941,260
Adjust Development Corporation Fees from Properties	(\$329,800)	\$0	(\$329,800)
Draw from General Fund Operating Reserve ("GFOR")	\$1,262,646	\$0	\$1,262,646
Multifamily Bond Funds	\$17,392,014	\$17,392,014	\$0
Single Family Bond Funds	\$9,702,599	\$9,702,599	\$0
Opportunity Housing Fund			
Opportunity Housing Reserve Fund ("OHRF")	\$6,345,372	\$1,570,916	\$4,774,456
Restrict to OHRF	\$0	\$4,774,456	(\$4,774,456)
Opportunity Housing & Development Corporation Properties	\$102,278,133	\$99,541,243	\$2,736,890
Changes to Metropolitan Properties Due to Renovation	(\$100,000)	(\$94,870)	(\$5,130)
Adjust draw from Existing Property Cash	\$39,030	\$0	\$39,030
Update Indirect Cost Model	\$0	\$941,260	(\$941,260)
Refinements Maintenance Expenses	\$0	\$207,000	(\$207,000)
Refinements to Debt Service Reserve Contribution for Westwood Tower	\$0	(\$316,449)	\$316,449
Refinements to Debt Service	\$0	\$316,449	(\$316,449)
Adjust Restricted Cash Flow	\$0	(\$298,764)	\$298,764
Adjust Development Corporation Fees Expense for Properties	\$0	(\$329,800)	\$329,800
Adjust Contribution to Operating Reserves	\$0	(\$4,320)	\$4,320
Draw from GFOR for MetroPointe Deficit	\$244,243	\$0	\$244,243
Public Fund			
Housing Choice Voucher Program ("HCVP")	\$123,891,096	\$123,891,096	\$0
Revise HAP Funding / Expense based on increased utilization in February 2022	\$2,949,702	\$2,734,986	\$214,716
Add Emergency Housing Vouchers ("EHV")	\$1,761,372	\$1,761,372	\$0
Revise Draw / Contribution to HAP Reserve ("RNP") based on utilization	(\$214,716)	\$0	(\$214,716)
Revise Administrative Revenue based on utilization	\$550,137	\$0	\$550,137
Revise Mgmt Fee and Bookkeeping Fees based on utilization	\$0	\$34,783	(\$34,783)
Revise Contribution to Admin Reserve ("UNP") based on utilization and expenses	\$0	\$515,354	(\$515,354)
Federal and County Grants	\$19,214,246	\$19,214,246	\$0
TOTAL - ALL FUNDS	\$312,516,975	\$312,352,208	\$164,767

* Revenues and Expenses include inter-company
Transfer Between Funds

Mortgage Finance Overview

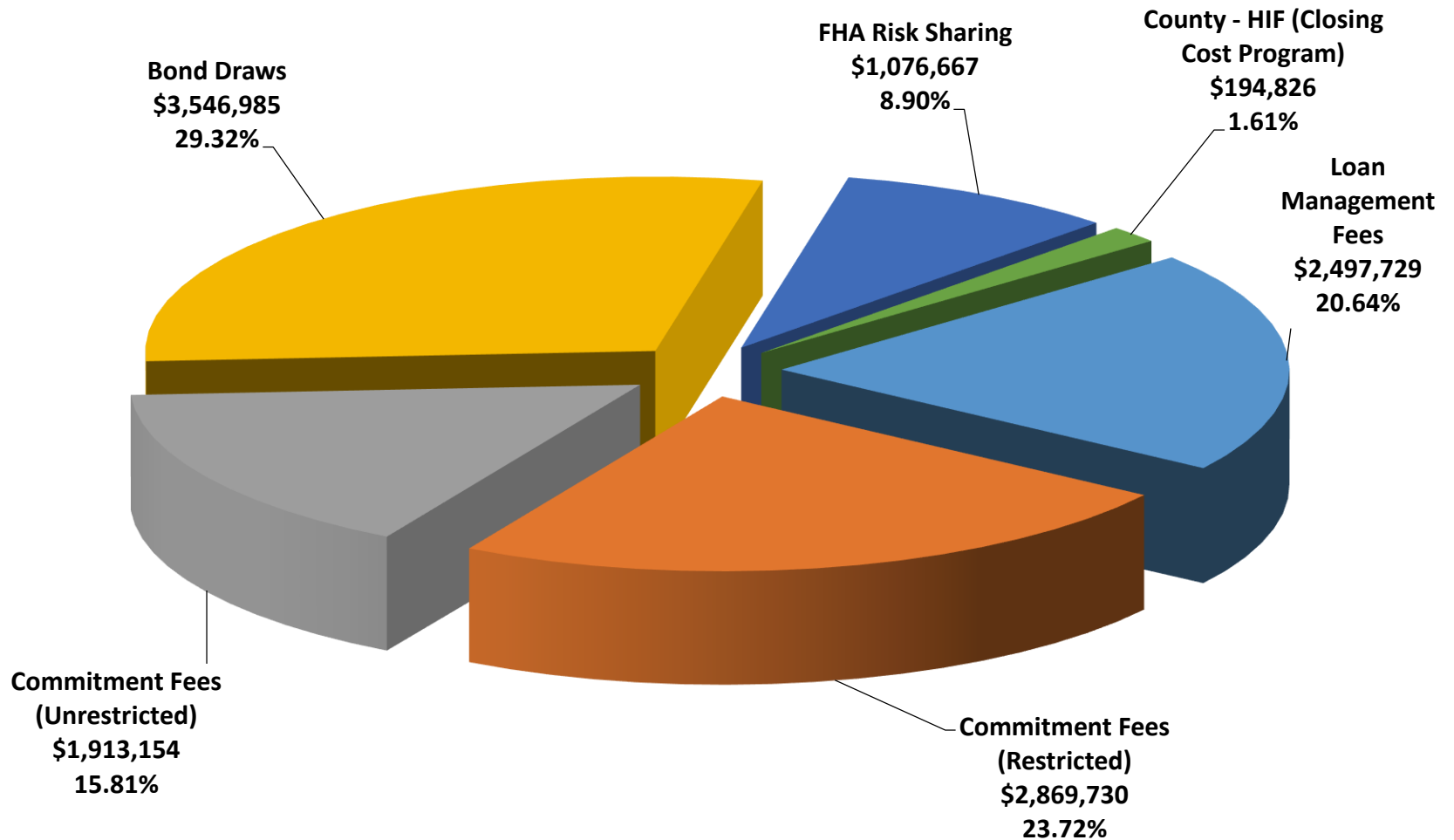
FY 2019 through FY 2023

Mortgage Finance Division	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2023	FY 2023 Recommended	
	Actual	Actual	Actual	Amended Budget	Recommended Budget	Revised Budget	\$ Change	% Change
Income								
Loan Management Fees	\$1,922,377	\$1,937,733	\$2,182,119	\$2,432,099	\$2,442,333	\$2,497,729	\$55,396	2.3%
Commitment Fees - Unrestricted	\$192,000	\$1,345,482	\$999,320	\$2,305,221	\$2,164,651	\$1,913,154	(\$251,497)	-11.6%
Commitment Fees - Restricted	\$288,000	\$2,096,009	\$1,498,980	\$3,457,833	\$3,246,976	\$2,869,730	(\$377,246)	-11.6%
County - HIF	\$177,645	\$178,356	\$169,654	\$175,306	\$194,826	\$194,826	\$0	0.0%
Miscellaneous Income	\$0	\$20,313	\$3,577	\$0	\$0	\$0	\$0	0.0%
Bond Drawdowns	\$3,044,238	\$3,098,995	\$2,886,671	\$3,230,553	\$3,546,985	\$3,546,985	\$0	0.0%
FHA Risk Sharing	\$890,294	\$1,102,136	\$1,518,820	\$891,352	\$1,076,817	\$1,076,667	(\$150)	0.0%
Total Income	\$6,514,554	\$9,779,024	\$9,259,141	\$12,492,364	\$12,672,588	\$12,099,091	(\$573,497)	-4.5%
Expenses								
Personnel Expenses	\$2,126,013	\$2,023,454	\$1,964,869	\$2,393,346	\$2,634,076	\$2,634,076	\$0	0.0%
Operating Expenses	\$75,934	\$158,290	\$148,545	\$125,325	\$127,999	\$127,999	\$0	0.0%
Management Fees	\$1,107,611	\$1,073,710	\$921,710	\$1,038,800	\$1,145,760	\$1,145,760	\$0	0.0%
Trustee Fees	\$35,985	\$31,179	\$37,345	\$50,670	\$54,158	\$54,158	\$0	0.0%
Restricted Cash Flow	\$57,281	\$220,417	\$216,128	\$0	\$0	\$0	\$0	0.0%
FHA Risk Sharing	\$890,294	\$1,102,136	\$1,502,780	\$891,352	\$1,076,817	\$1,076,667	(\$150)	0.0%
Mortgage Insurance	\$4,428	\$1,508	\$1,092	\$868	\$788	\$788	\$0	0.0%
Total Expenses	\$4,297,546	\$4,610,694	\$4,792,469	\$4,500,361	\$5,039,598	\$5,039,448	(\$150)	0.0%
NET CASH FLOW	\$2,217,008	\$5,168,330	\$4,466,672	\$7,992,003	\$7,632,990	\$7,059,643	(\$573,347)	-7.5%

Mortgage Finance Sources & Uses

Where The Money Comes From

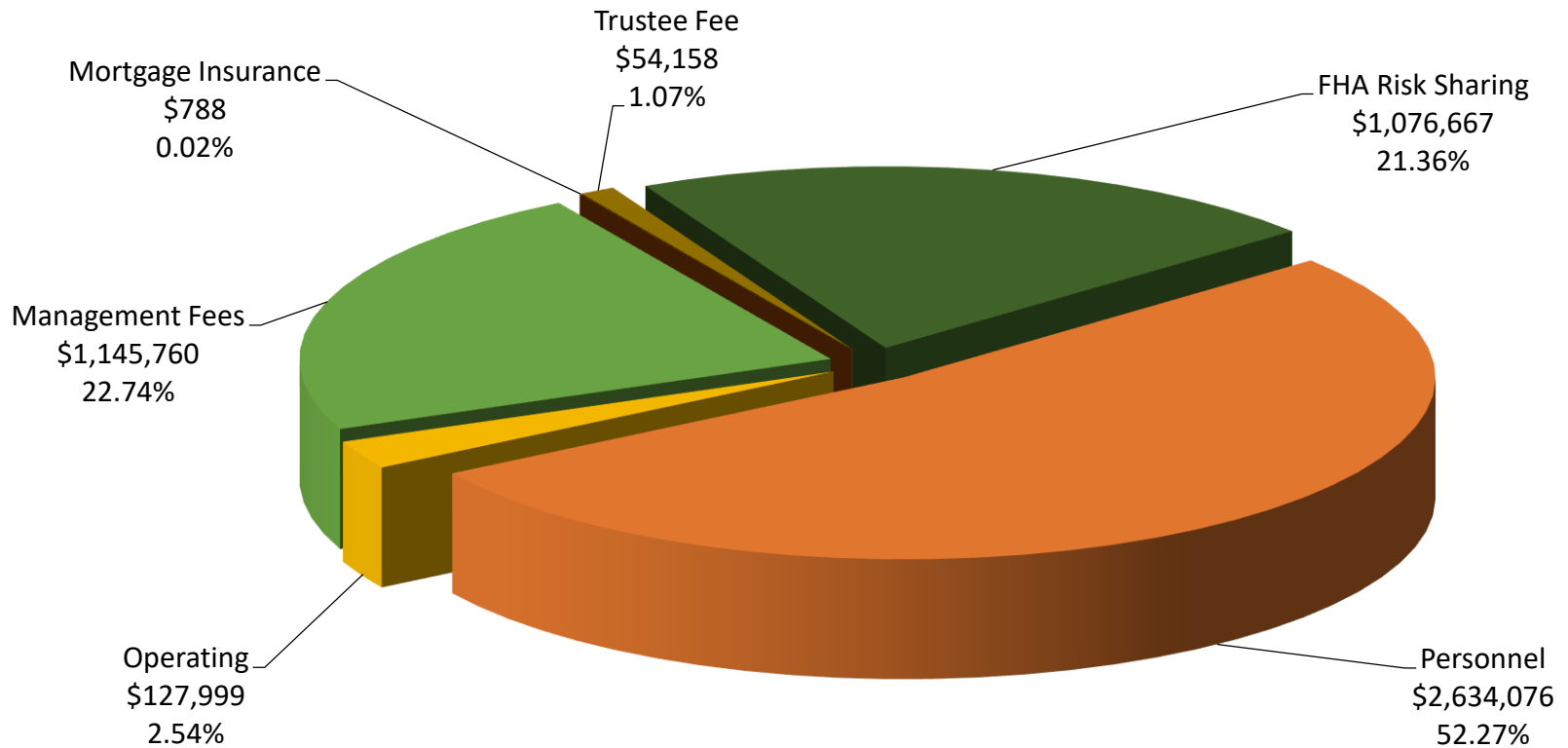
\$12,099,091



Mortgage Finance Sources & Uses

Where The Money Goes

\$5,039,448



Real Estate Development Overview

FY 2019 through FY 2023

Real Estate Division	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2022	FY 2023	FY 2023	FY 2023 Recommended	
				Amended Budget	Recommended Budget	Revised Budget	to FY 2023 Revised \$ Change	% Change
Income								
Development Fees - Unrestricted	\$411,540	\$1,824,352	\$1,318,272	\$1,625,384	\$2,065,595	\$2,110,707	\$45,112	2.2%
Development Fees - Restricted	\$991,440	\$2,736,528	\$1,977,409	\$2,438,077	\$3,098,396	\$3,166,063	\$67,667	2.2%
Transfer Between Funds	\$1,496,000	\$1,265,613	\$1,098,600	\$1,624,626	\$1,570,916	\$1,570,916	\$0	0.0%
Total Income	\$2,898,980	\$5,826,493	\$4,394,281	\$5,688,087	\$6,734,907	\$6,847,686	\$112,779	1.7%
Expenses								
Personnel Expenses	\$1,925,824	\$1,936,918	\$1,803,961	\$2,239,911	\$2,363,311	\$2,363,311	\$0	0.0%
Operating Expenses - Fees	\$2,242	\$4,306	\$2,888	\$4,380	\$4,020	\$4,020	\$0	0.0%
Operating Expenses - Administrative	\$201,542	\$162,848	\$75,732	\$322,512	\$324,187	\$324,187	\$0	0.0%
Insurance and Tax Expenses	\$3,684	\$2,237	\$182	\$990	\$1,110	\$1,110	\$0	0.0%
Maintenance Expenses	\$0	\$0	\$0	\$1,000	\$1,000	\$1,000	\$0	0.0%
Total Expenses	\$2,133,292	\$2,106,309	\$1,882,763	\$2,568,793	\$2,693,628	\$2,693,628	\$0	0.0%
NET CASH FLOW	\$765,688	\$3,720,184	\$2,511,518	\$3,119,294	\$4,041,279	\$4,154,058	\$112,779	2.8%

Fund Summary

FY 2023 Revised Budget as of 5/10/2022

Fund Summary Overview		FY 2023 Revised Budget		
		Revenues	Expenses	Net
General Fund		\$26,554,858	\$30,798,637	(\$4,243,779)
Adjust Fees for Agency Overhead		\$34,783	\$0	\$34,783
Update Indirect Cost Model		\$941,260	\$0	\$941,260
Adjust Development Corporation Fees from Properties		(\$329,800)	\$0	(\$329,800)
Update to Loan Management Fees		\$55,396	\$0	\$55,396
Update to Commitment Fees (40%)		(\$251,497)	\$0	(\$251,497)
Update to Development Fees (40%)		\$45,112	\$0	\$45,112
Update to FHA Risk Sharing		(\$150)	(\$150)	\$0
Draw from General Fund Operating Reserve ("GFOR")		\$1,262,646	\$0	\$1,262,646
Multifamily Bond Funds		\$17,392,014	\$17,392,014	\$0
Single Family Bond Funds		\$9,702,599	\$9,702,599	\$0
Opportunity Housing Fund				
Opportunity Housing Reserve Fund ("OHRF")		\$6,345,372	\$1,570,916	\$4,774,456
Update to Commitment Fees (60%)		(\$377,246)	\$0	(\$377,246)
Update to Development Fees (60%)		\$67,667	\$0	\$67,667
Restrict to OHRF		\$0	\$4,774,456	(\$4,774,456)
Update Restriction to OHRF		\$0	(\$309,579)	\$309,579
Opportunity Housing & Development Corporation Properties		\$102,278,133	\$99,541,243	\$2,736,890
Changes to Metropolitan Properties Due to Renovation		(\$100,000)	(\$94,870)	(\$5,130)
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Revise Contribution to Admin Reserve ("UNP") based on utilization and expenses		\$0	\$515,354	(\$515,354)
Federal and County Grants		\$19,214,246	\$19,214,246	\$0
TOTAL - ALL FUNDS		\$312,056,257	\$312,042,479	\$13,778

* Revenues and Expenses include inter-company
Transfer Between Funds