



TACOMA HOUSING AUTHORITY

RESOLUTION 2007-6-27(2)

DATE: June 27, 2007
TO: Board of Commissioners
FROM: Michael Mirra, Executive Director
RE: Fiscal Year 2008 Agency Budget

Background

Each year, the Housing Authority of the City of Tacoma, (THA), prepares a budget for the upcoming fiscal year. The Annual Budget reflects an estimate of expected revenues and expenditures for each of its major programs. The overall Agency Budget is based on individual Department Expense Budgets for management purposes, with the expectation that each Department Director will manage and control their department budget in accordance with Federal, State and Local regulations.

The budget is based on numerous estimates and significant assumptions. I set out below the significant assumptions. I also set out the staff positions eliminated and added, as well as the proposed capital expenditures.

1. SUMMARY DISCUSSION

In summary, I propose a budget with an operating deficit of \$ 683,094 and a total deficit of \$8,993,094. [NOTE: Last year we projected an operating deficit of \$ 159,906, but will likely end up with a surplus of \$111,628.] We would cover this coming year's deficit by drawing from aggregate reserves of approximately \$ 22.0 million. This budget projects that we will end up with reserves of about \$ 13.0 million.

The primary reason for the operating deficit is due to the decision by THA and the Board to use Low-Income Public Housing (LIPH) reserves to pay for up to \$ 2 million in administrative costs normally covered by HUD's Capital Fund Grant Program. This is a good decision because it means we do not have to issue further bonds and saves us about \$ 500,000 in legal fees and transaction costs that another bond issuance would have required. The attached schedule on page 15 shows the planned use of LIPH reserves in the amount of \$651,671. The Board approved this planned use of reserves to increase the amount of the Capital Fund Grant funding for infrastructure for Salishan Area 2A.

The remaining deficit is due to capital expenditures. \$8,000,000 of the \$8,310,000 remaining deficit will be covered by previously received "program income". HUD requires THA to use this program income for the redevelopment of Salishan, and the development budget always assumed the use of these funds for this purpose. Another \$300,000 of the proposed capital spending relates to the remaining expected costs of our software acquisition and implementation, which was originally approved in FY07. This

project was not completed by June 30, 2007 as originally expected, and the \$300,000 budgeted for FY08 is only the amount that was not spent as of June 30, 2007.

2. MAJOR ASSUMPTIONS

A major source of revenues for the LIPH Program and the Section 8 Programs comes from HUD. HUD currently funds these programs on a calendar year basis, which does not coincide with our fiscal year beginning on July 1st. This normally means that THA has solid commitments for half of its fiscal year when it prepares its fiscal year budget. This year, however, HUD has not yet officially approved the CY07 Budget Requests for LIPH and it has not yet announced the CY07 funding awards for the Section 8 Programs. This means that THA had to estimate its entire year of revenues.

For the LIPH Program, THA is estimating its funding to be at 82.9% of the formula amount. This estimate is based on input from the NAHRO and other industry groups. To be conservative, THA assumed the same level of funding for both CY07 and CY08. Perhaps Congress will provide a better budget for the federal FY08 that will help with the second half of our budget year.

For the Housing Choice Voucher Program, (the major Section 8 Program), THA receives two separate types of funding: (1) Housing Assistance Payments (HAP), and (2) Administrative Fees. The industry groups estimate that HAP funding for CY07 will be funded at 103% of CY06 funding levels and that Administrative Fees will be funded at 97.188% of CY06 funding levels. This budget assumes the above factors, and it assumes that the CY08 funding will be increased by 3% over the CY07 levels. Due to several years of eroding administrative fee funding, THA decided to be somewhat optimistic about future funding due to the Democrats' control of Congress.

The rental income for LIPH properties was based on the April 2007 rent roll and assumes 97% occupancy. The rental income for the Local Fund properties used current rent schedules and also assumed 97% occupancy.

The salaries are based on current rates of pay with no provision for a "COLA". THA intends on revisiting the possibility of a COLA in the Winter when it receives more information from HUD on funding levels and when THA performs its mid-year review of the budget.

Benefits were assumed to increase 10% beginning on their renewal date of January 1, 2008.

All other items were primarily derived from analyzing historical data and / or identifying and itemizing known costs and revenues.

3. CHANGES IN STAFFING

In comparison to the FY07 Budget, the current budget includes several reductions in FTEs. The changes are as follows:

- ▶ Housing Development
 - Project Inspector

- ▶ Community Services
 - Program Manager position
 - .4 FTE – Clerk position

- ▶ Housing Programs
 - Work Order Clerk
 - 2 Maintenance positions
 - .5 FTE – Administrative Coordinator

4. RECOMMENDATION

I recommend that the Board adopt Resolution 0706-2 to formally approve THA's Fiscal Year 2008 Annual Budget.



TACOMA HOUSING AUTHORITY

RESOLUTION 0706-2

FISCAL YEAR 2008 ANNUAL BUDGET

Whereas, The Housing Authority of the City of Tacoma (“Authority”) intends to incur expenses and other cash outflows for fiscal year 2008; and

Whereas, The U.S. Department of Housing and Urban Development (HUD) requires the Authority’s Board to approve its annual Site-based Budgets;

Whereas, Authority staff has prepared, and the Board of Commissioners of the Housing Authority of the City of Tacoma has reviewed and provided input to the proposed fiscal year 2008 Annual Budget,

Resolved by the Board of Commissioners of the Housing Authority of the City of Tacoma, Washington, that:

1. The Board of Commissioners of the Housing Authority of the City of Tacoma adopts the attached FY 2008 Budget, including the attached HUD-required site-based budgets, and hereby authorizes the Executive Director to implement and execute said budget. Expenses and other cash outflows are projected as follows:

Operating Expenses

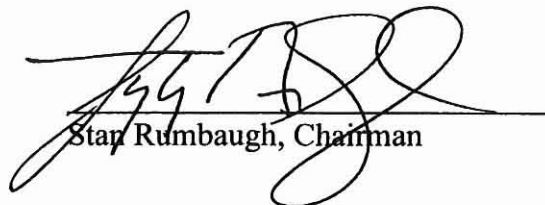
Central Office	2,242,345
Public Housing Site Budgets	4,417,604
Affordable Housing/Section 8	27,950,221
Local Business Activities	878,827
Local Development	131,402
HOPE VI	591,946
Community Services	<u>942,877</u>
Subtotal.....	\$ 37,155,222

Additional cash outflows

Capital Expenditures	56,600,000
Debt Service	151,137
Replacement Reserves	<u>41,650</u>
Subtotal.....	\$ 56,792,787

TOTAL APPROVED BUDGET \$ 93,948,009

Approved: June 27, 2007



Stan Rumbaugh, Chairman