



TACOMA HOUSING AUTHORITY

RESOLUTION 2008-08-20-(2)

DATE: August 20, 2008
TO: Board of Commissioners
FROM: Michael Mirra, Executive Director
RE: Fiscal Year 2009 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 position changes, as well as the proposed debt service, replacement reserves and capital expenditures.

SUMMARY DISCUSSION

In summary, I propose a budget with an operating deficit of \$1,202,969. [NOTE: Last year we projected an operating deficit of \$341,715, but will likely end up with a surplus of approximately \$800,000. We would cover this coming year's deficit, if necessary, by drawing from aggregate reserves of approximately \$9.0 million.

The primary reason for the operating deficit is a projected Housing Assistance Payments (HAP) admin fee reduction of approximately \$850,000 and an additional reduction of approximately \$1,000,000 of Low-Income Public Housing (LIPH) operating subsidy. This projection is based on using the 2009 Presidents budget calculation of 86% and 81% proration factors, respectively. This is a good decision because it reflects THA's continuing conservative approach to its budget. In addition, THA's operating deficit reflects \$.5m in sunset positions which were created as part of the transition plan to site-based operations and to implement THA's new financial system, Visual Homes which is complete, however additional fine-tuning to accommodate THA specific operations is still occurring because of the delay in implementing the system from July 1 to November 1, 2007. As the Board is aware, THA has taken over property management operations for 270 additional units at Salishan effective July 1, 2008. This had been expected to occur at the end of the calendar year 2008. As a result, THA staff has had to respond to this challenge by quickly building a budget that reflects many unknowns due to a less than smooth transition from the previous Property Management firm.

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 1.

For the LIPH Program, THA is estimating its funding to be at 81% of the formula amount and in addition, for the first time a proration factor. This was not the case in the current year. This estimate is based on input from the NAHRO and other industry groups. To be conservative, THA assumed its amounts using the Presidents budget due to the War and other economic factors beyond the control of even a democratic President or Congress.

For the Housing Choice Voucher Program, (formerly the 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 CY09 amounts will be funded at 86% of CY08 funding levels through September, which is based on utilization of funds and a lower pro-ration factor and that Administrative Fees will be prorated accordingly as well.

The rental income for LIPH properties was based on the April 2008 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 with a 3% provision for a "COLA". This can be revisited, if necessary, when we receive more information from HUD on funding levels and when THA performs its mid-year review of the budget.

Benefits were assumed with the following increases:

- Health Care 16% beginning on their renewal date of January 1, 2009
- Dental 6% beginning on their renewal date of January 1, 2009
- Retirement from 6.13% to 8.31% as of July 1, 2008

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

The remaining expenditures are debt service, replacement reserves and capital expenditures covered by a variety of funding sources to include \$3,835,605 of previously received "program income". HUD requires THA to use this program income for the redevelopment of Salishan or other affordable housing projects, and the development budget always assumed the use of these funds for this purpose.

CHANGES IN STAFFING

In comparison to the FY08 Budget, the current budget includes a net increase of 17 FTE, from 98 to 115. This is a result of the reorganization and alignment to accommodate site-based operations, the increase of new properties added as a result of taking over 270 units at Salishan, both as property manager and managing member as well as our anticipation of the 180 additional units coming online in Salishan. This also includes 5.7 sunset positions added to implement new systems and strengthen internal operations.

Recommendation

I recommend that the Board adopt Resolution 2008-08-20-(3) to formally approve THA's Fiscal Year 2009 Annual Budget.



TACOMA HOUSING AUTHORITY

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FISCAL YEAR 2009 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 2009 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 2009 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	3,127,833
Public Housing Sites	3,527,035
Rental Assistance/HCV (Section 8)	29,169,189
Local Business Activities	496,109
Local Development	185,099
Capital Funds Ops	206,529
Hope VI	610,082
Community Services	<u>1,560,804</u>
Subtotal.....	\$38,882,680

Additional Cash Outflows

Capital Expenditures	69,082,625
Debt Service	159,090
Replacement Reserves	<u>20,650</u>
Subtotal.....	\$69,262,365

TOTAL APPROVED BUDGET \$108,145,045

Approved: August 20, 2008



 Greg Mowat, Chairman