



# TACOMA HOUSING AUTHORITY

## RESOLUTION 2019-12-11 (2)

**Date:** December 11, 2019

**To:** THA Board of Commissioners

**From:** Michael Mirra  
Executive Director

**Re:** Fiscal Year 2020 Agency Continuing Resolution Budget

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*This resolution adopts an interim Tacoma Housing Authority (THA) budget for the first quarter of 2020. In general, it would continue expenditures at the 2019 levels and purposes, with some exceptions providing for new expenditures. This interim budget will authorize expenditure of \$73,954,068. This compares with 2019 expenditures of \$61,159,000. The main reasons for the difference are expenditures for real estate development projects. The operating budget is about the same as in 2019. Staff will submit a final budget to the Board for its approval in March 2020. The Board approved this schedule at its meeting in November.*

### Background

THA adopts this interim budget for two reasons: staff needs more time to adjust to the new budget software THA just purchased to use, write, and present the budget; Congress has not yet passed a Housing and Urban Development (HUD) budget for 2020.

**Budget Software:** In July 2019, the agency purchased budgeting software. It is called Adaptive Insights. We installed it in August and began learning it and setting it up for use. Due to the complexity of the agency, and nature of the software, there is a considerable learning curve, and time necessary to start using it. With the concurrence of the Board we began using the new software to build the budget upon the understanding that we would likely need more time to get it done. It is clear that we will likely need the time until March to present a full budget using the new software.

**Congress is Late:** Congress has not yet adopted a budget for HUD. Both the full House and the full Senate have adopted versions of a budget for HUD. Both versions would be quite favorable for HUD's appropriation. Each version would preserve the additional \$2.9 million we received in 2019 over what we had budgeted to receive. Each version would likely increase our funding by at least the same amount over 2019. But Congress has not yet agreed on a final budget, for HUD or any other federal department. Instead, the federal government is presently operating on a second Continuing Resolution (CR) that continues expenditures at 2019 levels. It

expires midnight December 21<sup>st</sup>. It is not clear what will happen after that. The possibilities include: Congress will pass and the President will sign a real budget; Congress will not be able to do that and will pass another Continuing Resolution, perhaps for the entire year; Congress will not be able to do even that and the government will shut down. We can hope that we will have an answer by the time we draft THA's final budget in March. In the meantime, we will presume upon 2019 funding levels.

In January staff will begin building the budget, using the new software. Staff will use THA's customary budget principles:

- If Congress has not passed a budget for HUD by the time we begin building our budget, we will presume on the worse of the plausible budget versions working their way through Congress. That is likely to be flat funding from 2019, but it will preserve the \$2.9 million increase we received in 2019 over 2018.
- The budget will account for THA's strategic objectives.
- The budget will fit recurring and non-projected oriented expenses within recurring income.
- We will preserve reserve levels within Board directed limits: not too much and not too little.
- We will spend reserves on non-recurring expenses that:
  - save us money;
  - make us money;
  - make us more effective.

More generally, we can look ahead to the March budget and the agency needs that the budget will address. Here are the notable ones:

## **1. Housing Assistance**

*Rental Assistance Programs:* We are ending the year at approximately 100% utilization. We have projected our Housing Assistance Payments (HAP) for 2020 based on information we have on hand regarding historical rent increases, and, bringing on Project based units from Development and our partners to which we have already committed. At the current projections, with the current \$2.9 million increase in 2019, and no further increase in 2020, our HAP appropriations would be short of covering the 2020 HAP expenses by approximately \$700K.

*Rental Assistance Demonstration (RAD):* Effective December 2019, all but 4 of our existing rental Public Housing units will have transitioned to Rental Assistance Demonstration (RAD), and will fall under the Rental Assistance program. The agency will receive public housing Capital Funds and Operating subsidy only for the Hillside

1500 units, which is minimal. There will be a Moving to Work (MTW) supplement of approximately \$350K per year to supplement HUD funding at approved Contract Rent levels. We will also start receiving Section 8 administrative fees of approximately \$240K in 2020.

**2. Information Technology**

In 2020, THA will need to invest in a number of IT capacities:

- 2.1** *Open Door* – Open Door is the agency’s business software program we designed ourselves using the Salesforce platform. We are using it to good effect for the overall operations of the agency. We also have some continuing challenges. We need to upgrade this program to use Salesforce’s new platform called Lightning. We need to do this upgrade shortly because other needs depend on the upgrade.
- 2.2** *Website* – We need to rebuild THA’s web site to make it more useful for clients, landlords, and partners. Doing this will decrease staff work, especially the paperwork.
- 2.3** *Document Management* – THA needs a new document management system, especially if we are to become paperless. This is an area the Agency has been desiring to make progress on. Staff have been evaluating several systems. By March we should have a proposal for the Board, with details about its costs.
- 2.4** *Accounts Payable (AP) and Accounts Receivable (AR) Software* - The Finance Department needs to purchase a new software for AP and AR functions. The AP area is very staff intensive, with many inefficiencies. We will purchase a reliable software to both code and send out payables for approval. It will track payables and make the process more efficient. The AR software will replace the existing services we have with Retail Lockbox. The system, although working, is inefficient. And we are not seeing an increase in clients paying online. Also, it is currently limited to Tenant receivables, and not set up to accept payments from other portions of the agency. We are looking for a platform that could be integrated with our Open Door platform and provide a better user experience.

**3. Business Processes**

This is a long-standing project for the agency. We will continue to evaluate what is needed to move this project along, and how it fits into the IT projects above, and the agency resources necessary to accomplish it.

**4. Client Support**

The budget will continue providing ongoing client support of our clients. It focuses on properties we manage; assisting families in asset building; and preparing for successful exits of our Housing Opportunity Program (HOP) participants at the end of their assistance. These events include THA’s Education Project. We pay for these services in

part by charging the portfolio a minimum of \$250 per unit per year. We also received funds from philanthropies.

**5. Real Estate Development**

The budget for FY 2020 will continue important real estate developments, including the Arlington Drive Campus for Homeless Youth and Young Adults and The Rise on 19<sup>th</sup>. These properties will come online the latter part of 2020 to the early part of 2021. We will continue preparing for the James Center North and Hilltop redevelopment projects in 2020. We will also look for other opportunities to purchase land or property, especially in parts of town that need our investment or that need our housing for a measure of racial and economic integration. We will also remain alert for purchases that will make us money.

**Recommendation**

Approve Resolution 2019-12-11 (2) to formally adopt THA's 2019 interim budget for Fiscal Year 2020 Annual Budget. Staff will present a final budget in March 2020 using the new budget software. And perhaps by then Congress will determine our funding for 2020.





# TACOMA HOUSING AUTHORITY

## **RESOLUTION 2019-12-11 (2)** **(Fiscal Year 2020 Continuing Resolution Budget)**

**WHEREAS**, The Housing Authority of the City of Tacoma (“Authority”) intends to incur expenses and other cash outflows for Fiscal Year 2020; and

**WHEREAS**, The Authority purchased a new Budgeting Software in 2019, and needs time to fully implement it to build and present the budget for Fiscal Year 2020 budget; and

**WHEREAS**, Congress has not yet approved a HUD budget for 2020; a delay in adopting a final budget for THA may give us the advantage of writing that budget after Congress reveals our appropriation; and

**WHEREAS**, The Authority will bring forward the fully vetted budget for FY 2020 in March, 2020; and

**WHEREAS**, In the meantime, the Authority needs Board approval for expenditure of funds to operate in FY, 2020; now, therefore be it

### **RESOLVED BY THE BOARD OF COMMISSIONERS OF THE HOUSING AUTHORITY OF THE CITY OF TACOMA, as follows:**

1. The Board of Commissioners of the Housing Authority of the City of Tacoma adopt the attached FY 2019 Agency wide budget as a Continuing Resolution for 2020, until such time as the official FY2020 budget is presented to them in March. Expenses and other cash outflows are projected as follows:

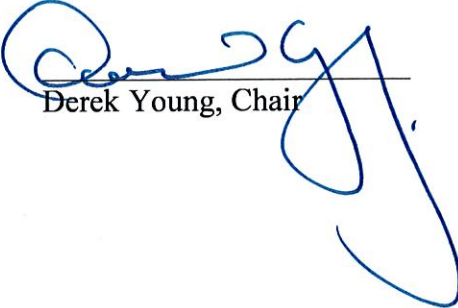
<u>Expenses</u>	
Executive	\$ 1,056,254
Administration	2,849,067
Finance	1,402,985
Human Resources	594,251
Policy, Innovation and Evaluation	1,081,794
Real Estate Development	2,697,487
Rental Assistance	41,791,392
Client Support & Empowerment	2,130,903
Property Management Overhead	863,572
Property Budgets	<u>3,930,585</u>
Subtotal	58,398,290

Additional Cash Outflows

Debt Service	73,128
Capital Expenditures	15,310,000
Replacement Reserves	<u>172,650</u>
Subtotal	15,555,778

<b>TOTAL APPROVED BUDGET</b>	<b><u>\$73,954,068</u></b>
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**Approved: December 11, 2019**

  
Derek Young, Chair

Attachment A  
FY 2020 Tacoma Housing Authority Budget - Continuing Resolution  
Agency Total by Departmental Areas

	Executive	Administration	Finance	Human Resources	PTE	Real Estate Development	Rental Assistance	Client Support & Empowerment	PM Overhead	Property Budgets	Agency Total
<b>INCOME</b>											
1 Revenue - Dwelling rent	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$2,670,100	\$2,670,100
2 Tenant Revenue - Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$134,960	\$134,960
3 HUD grant - Section 8 HAP reimbursement	\$0	\$0	\$0	\$0	\$0	\$0	\$40,106,403	\$0	\$0	\$0	\$40,106,403
4 HUD grant - Section 8 Admin fee earned	\$0	\$0	\$0	\$0	\$0	\$0	\$3,472,454	\$0	\$0	\$0	\$3,472,454
5 HUD grant - Public Housing subsidy	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,170,697	\$1,170,697
6 HUD grant - Community Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$273,794	\$0	\$0	\$273,794
7 HUD grant - Capital Fund Operating Revenue	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$866,669	\$866,669
8 Management Fee Income	\$329,521	\$929,136	\$833,378	\$216,330	\$0	\$0	\$174,112	\$501,889	\$288,060	\$0	\$3,272,426
9 Other Government grants	\$0	\$0	\$0	\$0	\$0	\$10,000	\$0	\$161,118	\$0	\$0	\$171,118
10 Investment income	\$0	\$0	\$40,000	\$0	\$0	\$0	\$0	\$0	\$0	\$7,180	\$47,180
11 Fraud Recovery Income - Sec 8	\$0	\$0	\$0	\$0	\$0	\$0	\$7,500	\$0	\$0	\$0	\$7,500
12 Other Revenue- Developer Fee Income	\$0	\$0	\$0	\$0	\$0	\$952,730	\$0	\$0	\$0	\$4,985,000	\$5,937,730
13 Other Revenue	\$0	\$0	\$12,000	\$0	\$178,000	\$447,600	\$10,000	\$335,325	\$0	\$3,709,132	\$4,692,057
<b>TOTAL OPERATING RECEIPTS</b>	<b>\$329,521</b>	<b>\$929,136</b>	<b>\$885,378</b>	<b>\$216,330</b>	<b>\$178,000</b>	<b>\$1,410,330</b>	<b>\$43,770,469</b>	<b>\$1,272,125</b>	<b>\$288,060</b>	<b>\$13,543,738</b>	<b>\$62,823,088</b>

**OPERATING EXPENDITURES****Administrative**

14 Administrative Salaries	\$475,265	\$1,196,085	\$935,163	\$296,103	\$531,336	\$1,065,097	\$1,868,545	\$0	\$195,618	\$103,660	\$6,566,873
15 Administrative Personnel - Benefits	\$154,647	\$484,464	\$374,475	\$110,390	\$207,185	\$425,912	\$828,867	\$0	\$83,856	\$40,420	\$2,708,216
16 Audit Fees	\$0	\$0	\$17,500	\$0	\$0	\$12,500	\$35,000	\$0	\$0	\$13,830	\$78,830
17 Management Fees	\$0	\$0	\$0	\$0	\$0	\$501,773	\$1,258,144	\$370,310	\$0	\$177,238	\$2,307,465
18 Rent	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$14,400	\$0	\$0	\$14,400
19 Advertising	\$0	\$0	\$0	\$0	\$7,500	\$2,000	\$2,500	\$800	\$2,500	\$2,300	\$17,600
20 Information Technology Expenses	\$0	\$649,563	\$0	\$0	\$5,862	\$0	\$0	\$12,500	\$5,600	\$2,200	\$675,725
21 Office Supplies	\$8,000	\$7,500	\$3,250	\$1,500	\$3,000	\$5,500	\$23,000	\$15,500	\$4,000	\$3,950	\$75,200
22 Publications & Memberships	\$34,883	\$400	\$1,335	\$1,408	\$4,910	\$2,200	\$5,500	\$2,000	\$985	\$0	\$53,621
23 Telephone	\$3,500	\$31,490	\$0	\$1,500	\$660	\$6,000	\$7,000	\$15,000	\$11,000	\$9,670	\$85,820
24 Postage	\$1,500	\$1,000	\$4,250	\$100	\$1,300	\$500	\$15,000	\$4,720	\$250	\$920	\$29,540
25 Leased Equipment & Repairs	\$0	\$80,900	\$0	\$0	\$0	\$0	\$39,000	\$18,440	\$500	\$2,480	\$141,320
26 Office Equipment Expensed	\$6,000	\$117,200	\$16,500	\$500	\$2,000	\$1,100	\$15,000	\$5,000	\$2,000	\$1,520	\$169,820
27 Legal	\$45,000	\$100,000	\$0	\$35,000	\$2,500	\$40,000	\$3,000	\$0	\$7,500	\$10,930	\$243,930
28 Local Mileage	\$1,000	\$500	\$250	\$50	\$1,500	\$2,500	\$1,500	\$2,000	\$250	\$130	\$9,680
29 Staff Training/Out of Town Travel	\$48,000	\$38,060	\$32,200	\$31,700	\$52,400	\$14,800	\$35,950	\$39,300	\$28,575	\$1,550	\$222,535
30 Administrative Contracts	\$25,000	\$102,500	\$73,025	\$71,016	\$245,000	\$3,000	\$55,000	\$5,000	\$27,000	\$30,890	\$637,431
31 Other Administrative Expenses	\$15,030	\$13,541	\$38,750	\$15,350	\$10,000	\$8,000	\$32,000	\$10,800	\$8,850	\$4,833	\$157,154
32 Due Diligence - Perspective Development	\$0	\$0	\$0	\$0	\$0	\$550,000	\$0	\$0	\$0	\$0	\$550,000
33 Contingency	\$235,000	\$0	\$0	\$3,000	\$2,500	\$0	\$5,000	\$0	\$10,000	\$0	\$255,500
<b>Total Administrative Expenses</b>	<b>\$1,052,825</b>	<b>\$2,823,203</b>	<b>\$1,396,698</b>	<b>\$567,617</b>	<b>\$1,077,653</b>	<b>\$2,640,882</b>	<b>\$4,228,006</b>	<b>\$515,770</b>	<b>\$388,484</b>	<b>\$406,521</b>	<b>\$15,097,660</b>

**Tenant Services**

34 Tenant Services - Salaries	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,015,139	\$0	\$0	\$1,015,139
35 Tenant Service Personnel - Benefits	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$449,392	\$0	\$0	\$449,392
36 Relocation Costs	\$0	\$0	\$0	\$0	\$0	\$3,000	\$0	\$0	\$0	\$2,583	\$5,583
37 Tenant Service - other	\$0	\$0	\$0	\$0	\$0	\$0	\$60,000	\$134,650	\$20,000	\$69,600	\$284,250
<b>Total Tenant Services</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$3,000</b>	<b>\$60,000</b>	<b>\$1,599,181</b>	<b>\$20,000</b>	<b>\$72,183</b>	<b>\$1,754,364</b>



**FY 2020 Tacoma Housing Authority Budget - Continuing Resolution**  
**Agency Total by Departmental Areas**

	Executive	Administration	Finance	Human Resources	PTE	Real Estate Development	Rental Assistance	Client Support & Empowerment	PM Overhead	Property Budgets	Agency Total
<b>Utilities</b>											
38 Water	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$8,500	\$106,000	\$114,500
39 Electric	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$31,500	\$47,946	\$79,446
40 Gas	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$500	\$7,927	\$7,927
41 Sewer	\$0	\$0	\$0	\$0	\$0	\$14,400	\$0	\$0	\$17,000	\$144,549	\$175,949
<b>Total Project Utilities</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$14,400</b>	<b>\$0</b>	<b>\$0</b>	<b>\$57,500</b>	<b>\$305,922</b>	<b>\$377,822</b>
<b>Ordinary Maintenance &amp; Operations</b>											
42 Maintenance Salaries	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$87,500	\$84,911	\$172,411
43 Maintenance Personnel - Benefits	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$37,513	\$30,400	\$67,913
44 Maintenance Materials	\$0	\$0	\$0	\$0	\$0	\$2,500	\$30,000	\$500	\$23,000	\$79,400	\$135,400
45 Contract Maintenance	\$0	\$0	\$0	\$0	\$0	\$6,100	\$3,500	\$2,500	\$85,200	\$478,003	\$575,303
<b>Total Routine Maintenance</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$8,600</b>	<b>\$33,500</b>	<b>\$3,000</b>	<b>\$233,213</b>	<b>\$672,714</b>	<b>\$951,027</b>
<b>General Expenses</b>											
46 Protective Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$133,000	\$7,800	\$140,800
47 Insurance	\$3,429	\$25,864	\$6,287	\$1,634	\$4,141	\$25,605	\$33,464	\$12,952	\$23,275	\$84,364	\$221,016
48 Other General Expense	\$0	\$0	\$0	\$25,000	\$0	\$5,000	\$100,492	\$0	\$8,100	\$1,695,203	\$1,833,795
49 Payment in Lieu of Taxes	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$12,384	\$12,384
50 Collection Loss	\$0	\$0	\$0	\$0	\$0	\$0	\$20,000	\$0	\$0	\$31,067	\$51,067
51 Interest Expense	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$529,328	\$529,328
<b>Total General Expenses</b>	<b>\$3,429</b>	<b>\$25,864</b>	<b>\$6,287</b>	<b>\$26,634</b>	<b>\$4,141</b>	<b>\$30,605</b>	<b>\$153,956</b>	<b>\$12,952</b>	<b>\$164,375</b>	<b>\$2,360,145</b>	<b>\$2,788,390</b>
<b>TOTAL OPERATING EXPENSES</b>	<b>\$1,056,254</b>	<b>\$2,849,067</b>	<b>\$1,402,985</b>	<b>\$594,251</b>	<b>\$1,081,794</b>	<b>\$2,697,487</b>	<b>\$4,475,462</b>	<b>\$2,130,903</b>	<b>\$863,572</b>	<b>\$3,817,485</b>	<b>\$20,969,260</b>
<b>Nonroutine Expenses and Capital Expenditures</b>											
52 Ext Maint/Fac Imp/Loss prop sale	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$108,100	\$108,100
53 Casualty Loss	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$5,000	\$5,000
54 Section 8 HAP Payments	\$0	\$0	\$0	\$0	\$0	\$0	\$37,315,930	\$0	\$0	\$0	\$37,315,930
<b>Total Nonroutine Expenditures</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$37,315,930</b>	<b>\$0</b>	<b>\$0</b>	<b>\$113,100</b>	<b>\$37,429,030</b>
<b>TOTAL EXPENSES</b>	<b>\$1,056,254</b>	<b>\$2,849,067</b>	<b>\$1,402,985</b>	<b>\$594,251</b>	<b>\$1,081,794</b>	<b>\$2,697,487</b>	<b>\$44,791,392</b>	<b>\$2,130,903</b>	<b>\$863,572</b>	<b>\$3,930,585</b>	<b>\$58,398,290</b>
<b>OPERATING SURPLUS/(DEFICIT)</b>	<b>(\$726,733)</b>	<b>(\$1,919,931)</b>	<b>(\$517,607)</b>	<b>(\$377,921)</b>	<b>(\$903,794)</b>	<b>(\$1,287,157)</b>	<b>\$1,979,077</b>	<b>(\$858,778)</b>	<b>(\$575,513)</b>	<b>\$9,613,153</b>	<b>\$4,424,798</b>
<b>Surplus/Deficit Before Reserve Appropriations</b>	<b>(\$726,733)</b>	<b>(\$1,919,931)</b>	<b>(\$517,607)</b>	<b>(\$377,921)</b>	<b>(\$903,794)</b>	<b>(\$1,287,157)</b>	<b>\$1,979,077</b>	<b>(\$858,778)</b>	<b>(\$575,513)</b>	<b>\$9,540,025</b>	<b>\$4,351,670</b>
55 Debt Service Principal Payments	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$73,128)	(\$73,128)
56 Reserve Appropriations	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$79,000	\$79,000
57 Operations/Transfers In/(Out)	\$0	\$0	\$0	\$0	\$0	\$175,000	\$0	\$0	\$0	(\$175,000)	\$0
<b>Surplus/Deficit Before Capital Expenditures</b>	<b>(\$726,733)</b>	<b>(\$1,919,931)</b>	<b>(\$517,607)</b>	<b>(\$377,921)</b>	<b>(\$903,794)</b>	<b>(\$1,112,157)</b>	<b>\$1,979,077</b>	<b>(\$858,778)</b>	<b>(\$575,513)</b>	<b>\$9,444,025</b>	<b>\$4,430,670</b>
58 Capitalized Items/Development Projects	\$0	(\$50,000)	\$0	\$0	\$0	(\$15,115,000)	\$0	\$0	(\$100,000)	(\$45,000)	(\$15,310,000)
59 Reserve for Replacement Contributions	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$172,650)	(\$172,650)
60 Revenue - Capital Grants/Sale of property	\$0	\$0	\$0	\$0	\$0	\$9,940,000	\$0	\$0	\$0	\$450,000	\$10,390,000
61 Reserve Appropriations - Capital	\$0	\$0	\$0	\$0	\$0	\$2,250,000	\$0	\$0	\$0	\$0	\$2,250,000
<b>AGENCY WIDE BUDGET SURPLUS/(DEFICIT)</b>	<b>(\$726,733)</b>	<b>(\$1,969,931)</b>	<b>(\$517,607)</b>	<b>(\$377,921)</b>	<b>(\$903,794)</b>	<b>(\$4,037,157)</b>	<b>\$1,979,077</b>	<b>(\$858,778)</b>	<b>(\$675,513)</b>	<b>\$9,676,375</b>	<b>\$1,568,020</b>