

RESOLUTION NO. _____

ADOPTION OF 2021 - 2022 CONSOLIDATED BUDGET

Item No. 5d

WHEREAS, the Louisville Metro Housing Authority's Consolidated Budget for fiscal year 2021 - 2022 has been prepared in accordance with PHA 7475.1 Low-Income Housing Management Handbook; and

WHEREAS, the Consolidated Budget is a component of the annual Moving to Work Plan; and

WHEREAS, all certification requirements have been met.

WHEREAS, The 2021 – 2022 consolidated budget has been reviewed and recommended for Board approval by members of the Audit/Finance Committee.

NOW, THEREFORE, BE IT RESOLVED BY THE LOUISVILLE METRO HOUSING AUTHORITY'S BOARD OF COMMISSIONERS, that the proposed expenditures in the Consolidated Budget for 2021 - 2022 are necessary for the appropriate delivery of resident services and efficient operation of the Louisville Metro Housing Authority. Additionally, the Executive Director is authorized to execute amendments to the Annual Contributions Contract (ACC) with HUD for the Capital Fund Program (CFP), Operating Fund, and Section 8 Housing Choice Voucher Program as needed.

RESOLUTION BACKGROUND STATEMENT
ADOPTION OF 2021 - 2022 CONSOLIDATED BUDGET

Item No. 5d

I. STATEMENT OF FACTS:

The 2021 - 2022 consolidated budget contains planned income and expenses for LMHA's Public Housing and Section 8 Programs, as well as for the Central Office Cost Center. The Capital budget is also included. Operating subsidy has been calculated assuming that 97% of eligibility will be paid to LMHA. The Section 8 Voucher Program assumes 97% of eligibility will be paid. Additionally, the Public Housing operating budget contains a \$7.3 million inter-fund transfer from the Section 8 Voucher Program; the Central Office Cost Center (COCC) contains a \$2.8 million inter-fund transfer from the Section 8 Program. The transfers from the Section 8 Voucher Program are to help offset the estimated shortfall in operating subsidy in the Public Housing Program, to pay for public housing operations that exceed the HUD established project expense level (PEL), and to balance the COCC budget in a time of declining revenue.

The 2021 – 2022 consolidated budget has been reviewed and recommended for Board approval by members of the Audit/Finance Committee.

Finance staff will be available at the March board meeting to address any questions.

II. ALTERNATIVES:

- A. Approve the 2021 - 2022 consolidated budget as submitted.
- B. Revise the 2021-2022 consolidated budget to include an increase/decrease in the budgeted operating surpluses or deficits.

III. RECOMMENDATION:

Staff recommends Alternative A.

RESOLUTION BACKGROUND STATEMENT
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IV. JUSTIFICATION:

- The proposed budget provides for a program of expenditures that is necessary and reasonable in the delivery of service to LMHA's residents.
- Income levels and funding factors are based upon the latest data supplied by the Department of Housing & Urban Development and are considered by staff to be a reasonable projection of LMHA's revenues for 2021 - 2022.
- The 2021 – 2022 consolidated budget will continue to maintain LMHA's solid financial condition.

V. BUDGET APPROVAL:

N/A

VI. PROCUREMENT CERTIFICATION:

N/A

Submitted by: Aaron Dean
Assistant Director of Finance
March 16, 2021

**LOUISVILLE METRO HOUSING AUTHORITY
CONSOLIDATED BUDGET FYE 6/30/22**

(1,000's)

PRELIMINARY FOR INTERNAL DISCUSSION ONLY

SOURCES OF FUNDING	2021 - 2022	2021 - 2022	2021 - 2022	2021 - 2022	2020 - 2021	VARIANCE
	PUBLIC HSNG (AMPS) 2,431	CENTRAL OFFICE COST CENTER	SEC 8 VOUCHERS 11,150	CONSOLIDATED BUDGET	CONSOLIDATED BUDGET	
FEDERAL SUBSIDY	97% \$11,864	\$0	97% \$95,732	\$107,596	\$100,687	\$6,909 A
DWELLING RENTAL	5,849	-	-	5,849	5,873	(24)
NON-DWELLING RENT / EXCESS UTILITIES	6	-	-	6	99	(93)
INTEREST INCOME	99	62	27	188	247	(59)
FEE INCOME	-	9,240	-	9,240	9,084	156
OTHER INCOME	303	296	-	599	518	81
TRANSFERS (from other funds):	7,324	2,849	-	10,173	7,164	3,009 B*
TRANSFERS-OPER SUBSIDY SHORTFALL	-	-	-	-	-	-
TOTAL SOURCES	25,446	12,446	95,759	133,652	123,672	\$9,980
USES OF FUNDING						
ADMINISTRATION	2,580	5,131	4,689	12,401	\$10,782	\$1,619 C
FEE EXPENSE	2,337	-	2,336	4,673	4,697	(24)
RESIDENT SERVICES	27	197	142	366	496	(130)
UTILITIES	6,698	139	-	6,836	7,183	(347) D
MAINTENANCE	9,083	3,234	4	12,322	10,916	1,406 E
PROTECTIVE SERVICES	80	5	63	147	168	(21)
GENERAL	3,750	3,741	1,160	8,651	7,103	1,548 F
EXTRAORDINARY MAINTENANCE	51	-	-	51	0	51
RENTAL ASSISTANCE PAYMENTS	-	-	76,163	76,163	72,002	4,161 G
TRANSFERS (to other funds)	919	-	9,255	10,173	7,164	3,009 B*
TOTAL USES	\$25,526	\$12,446	\$93,812	\$131,784	\$120,511	\$11,273
SURPLUS (DEFICIT)	(\$80)	\$0	\$1,947	\$1,867	\$3,161	(\$1,294)

2021 - 2022 Consolidated Budget - Variance Analysis

- A) Federal Subsidy increase of \$6.9mm when compared to the 2021 Budget because of growth in the Section 8 Program. Primary drivers of the increase are:
- i. Public Housing Proration factor of 97% compared to 2021 budget of 85% coupled with a higher budgeted subsidy for Beecher Terrace over the 2021 budgeted amount.
 - ii. Section 8 Program PUC (Per Unit Cost) Inflationary Adjustment average of 6.0%.
- B)* Transfers increase from Section 8 Program to Public Housing and COCC of \$3.0mm (includes AMP to AMP transfers of \$0.9mm) because of increased operating expenses outpacing revenue/subsidy growth on aging assets. As well, when Public Housing units are taken out of service, it reduces the level of income derived from Asset Management activities at the COCC level. This creates the need of a more significant contribution from Section 8 operations to fund operating deficits. Our MTW status gives LMHA the authority to make transfers across different programs, without it, Public Housing and COCC operations would suffer from a service and plant maintenance perspective.
- C) Administration expense growth of \$1.6mm contained primarily in wages and salaries expense. This is because of budgeted employee cost of living and proficiency step increases, growth in FTE's to execute on "Substantially the Same" plan of correction and reduced position vacancies. Of note, when comparing 2022 budgeted admin expense to both FY-2020 actual and T6M-2021 actual annualized, expense growth is projected at \$1.1mm and .5mm, respectively.
- D) Utilities expense decrease of (\$0.3mm) because of a budgeted expense decrease at the Beecher Terrace Public Housing AMP. This decrease of (\$1.0mm) in budgeted expense from the 2021 budget to the 2022 budget is expected because of removal/revitalization of the Beecher Terrace property and conversion to the Project Based Voucher program. Excluding the Beecher Terrace property, the increase in utility expense is budgeted at \$.7mm.
- E) Maintenance expense growth of \$1.4mm contained primarily in wages and salaries expense. This is because of budgeted employee cost of living and proficiency step increases and reduced position vacancies. Of note, when comparing 2022 budgeted maintenance expense to both FY-2020 actual and T6M-2021 actual annualized, change in maintenance expenses is projected at a decrease of (\$.2mm) and an increase of \$.3mm, respectively.
- F) General expense growth of \$1.5mm contained in employee benefits and payroll tax expense, GL/PL/Property/Auto Insurance expense and compensated absences expense. This is because of actual and expected premium increases in employee health insurance expense (+12% to 18% premium increase), LAGGIT / LAGIT Insurance premium expense (+25% premium increase) and compensated absences expense growth (due to wage growth).
- G) Rental Assistance Payments – expense increase of \$4.2mm. Contained entirely in the Section 8 Voucher Program. LMHA is budgeting to increase by 524 HCV vouchers (to a annual level of 9,983) over the actual T6M December 2020 VMS reported level, as well as an increase in the average per unit cost (PUC) compared to the 2021 budget. The budgeted increase in voucher utilization is needed for "Substantially the Same" status and is required in order for LMHA to keep its MTW designation allowing for fungibility of cash flow between programs.

Louisville Metro Housing Authority

Capital Fund Program & Central Services Capital Items

(Proposed) (1,000's)

PRELIMINARY FOR INTERNAL DISCUSSION ONLY

<u>Capital Fund Work Items</u>	<u>2021 - 2022</u>
Beecher Terrace	
CHOICE - Beecher Phase IV	2,749
Parkway	
Site Total AMP 03	171
Dosker Manor	
Site Total AMP 12	1,927
St. Catherine Court	
Site Total AMP 13	207
Avenue Plaza/550 Apartments	
Site Total AMP 14	437
Scattered Sites	
Site Total AMP 17	1,824
Site Total Amp 34	655
Site Total Amp 61	454
Grand Total Scattered Sites	2,933
Lourdes Hall/Will E Seay Plaza	
Site Total Amp 18 - Lourdes Hall	207
Site Total Amp 18 - Will E Seay Plaza	783
Grand Total Lourdes Hall/Will E Seay Plaza	990
Park DuValle	
Total Mixed Finance Capital Contributions	142
Annual Capital Purchase/Services Contracts	
Grand Total Capital Purchase/Services Contracts	688
Administrative Costs	
Construction Administration 10% transfer	1,150
General Fund for Operations	100
Contingency	6
Grand Total Admin Costs	1,256
Total 2021 - 2022 Capital Budget	11,500

Central Services

Central Maintenance	
Central Stores	
Fork Lift	40
Integrated Security System ADS	120
Regional Maintenance	
Integrated Security System ADS	128
Section 8	
Integrated Security System ADS	115
Central Office	
Information Technology	
Central Office Copier (IT)	15
Central Office Phone system Replacement	60
Copier (Finance)	15
Server Replacements - Central Office	75
Replacement computer equipment	150
Software updates	500
Wiggins Family Investment Center	
Integrated Security System ADS	32
Total 2021 - 2022 Central Services Capital Budget	1,250