

MOVING KING COUNTY RESIDENTS FORWARD

Special Meeting of the Board of Directors

May 19, 2014

9:45 AM

KCHA Administrative Offices

700 Andover Park West

Tukwila, WA

Agenda

1. Call to Order
2. Roll Call
3. Public Comments
4. Approval of Minutes, April 21, 2014 Board Meeting
5. Financial Report: First Quarter CY 2014 Financial Statements
6. New Business
7. Commissioner Comments
8. Adjourn

**MINUTES OF THE ANNUAL MEETING OF THE BOARD OF DIRECTORS
OF
MOVING KING COUNTY RESIDENTS FORWARD**

April 21, 2014

I. CALL TO ORDER

The Meeting of the Board of Directors of Moving King County Residents Forward (MKCRF) was called to order by Richard Mitchell, Director at 10:15 a.m. at the King County Housing Authority's Administrative Offices, Snoqualmie Conference Room, located at 700 Andover Park West, Tukwila, Washington.

II. ROLL CALL

Present: Doug Barnes President (Telephonically), Richard Mitchell, Susan Palmer, TerryLynn Stewart, Directors, Stephen Norman, Secretary of the Corporation. Director Michael Brown was excused.

Members of the Public: None

KCHA Staff: Connie Davis, Dan Watson and Beth Pearson.

III. Public Comments:

No Public Comments.

IV. APPROVAL OF THE MINUTES:

Minutes from the December 16, 2013 Board Meeting were presented for approval. Director Barnes moved for approval of the minutes, with Director Stewart seconding the motion. The minutes were unanimously approved.

V. RESOLUTION 20: Election of Officers

The existing officers were elected for another term:

Douglas Barnes, President
Michael Brown, Treasurer
Stephen Norman, Secretary

MOTION: Moved that **RESOLUTION No. 20:** Election of Officers be approved.

MOVED BY: Director Palmer and seconded by Director Stewart.

VI. FINANCIAL REPORT

Unaudited financial statements as of December 31, 2013 for both the operations of the MKCRF properties and for the MKCRF entity itself were presented by Connie Davis. The properties generated \$2.1 million in operating income for year. This was adequate to make all debt service payments on the \$18 million loan from KCHA. During the year, and as a result of higher than anticipated vacancies, KCHA as operator of the properties conducted 82 unit upgrades at a cost of approximately \$2.0 million. A replacement reserve of \$250 per unit was also fully funded. Lower

revenues due to vacant units, and the high number of unit upgrades led to a net loss of \$269 thousand. KCHA has agreed to bridge this shortfall.

The MKCRF entity itself had a \$966.5 thousand loss, due entirely to a depreciation charge of \$988 thousand. Of the \$18 million in borrowings, \$12 million remains available for future capital expenditures. Current projections assume these restricted funds will be entirely used before the end of Calendar Year 2015. MKCRF will therefore meet its HUD imposed obligation to conduct \$18 million in capital work within 60 months of the close of the transaction in November 2012.

At the conclusion of the presentation there was no further discussion.

VII. NEW BUSINESS:

No new business was introduced.

VIII. DIRECTOR COMMENTS:

No comments were presented.

IX. ADJOURNMENT

There being no further business, the meeting was officially adjourned at 10:28 a.m. by a motion from Director Palmer, seconded by Director Stewart and unanimously passed.

MOVING KING COUNTY RESIDENTS FORWARD

Douglas J. Barnes
President

Stephen J. Norman
Secretary of the Corporation

MOVING KING COUNTY RESIDENTS FORWARD

TO: Board of Directors

FROM: Craig Violante

DATE: May 7, 2014

**RE: Financial Reports for Moving King County Residents Forward (MKCRF) and MKCRF-
Owned Properties**

1ST QUARTER 2014 FINANCIAL REPORTS

Attached are two separate sets of 1st quarter 2014 financial reports:

- A balance sheet and income statement for the operations of the MKCRF-owned Properties (the Properties) as reflected on the books of KCHA (as operator of the properties)
- A balance sheet and an income statement for MKCRF itself

KCHA Operations of the MKCRF-owned Properties-pages 3 and 4

For the quarter ended March 31, 2014, the Properties generated net operating cash flow of \$220,000 after required debt service and replacement reserve payments. 100% of this cash flow, plus a short-term \$29,000 loan from KCHA, was used to fund unit upgrades during the quarter. As the Unit Upgrade program strives to take advantage of units as they become available, an earlier-than-expected number of tenant move-outs resulted in the expenditure of nearly half of the entire 2014 unit upgrade budget. Management is reviewing the 2014 budget and may add additional amounts as part of the midyear adjustment, pending budget approval. Dwell rent is below budget as the rental income forecast at certain sites was higher than the actual contract rents approved by the Section 8 department for some unit sizes.

As part of the disposition application filed with HUD, KCHA committed to performing \$18 million of capital work over five years. Following is a summary of rehabilitation work through the end of the quarter (in millions of dollars):

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>Total</u>
Rehabilitation projects-Capital Construction	\$2.1	\$2.6	\$1.8	\$6.5
Unit Upgrades-Housing Management	\$0.4	\$1.8	\$0.2	\$2.2
	<u>\$2.5</u>	<u>\$4.4</u>	<u>\$2.0</u>	<u>\$8.7</u>

Since acquiring the Properties, 83 units have been upgraded by KCHA's in-house force account maintenance team. A total of 284 units (55.8%) have been upgraded since inception of the program in 2006.

Although cash is reflected as a deficit as of March 31, a draw from the KCHA loan proceeds was made in April to reimburse KCHA.

Operations of Moving King County Residents Forward-pages 5 and 6

MKCRF had minimal operating activity, with no administrative expenses. MKCRF has made all required monthly debt service payments to KCHA.

The balance sheet shows total assets of \$72.3 million, consisting of \$55.6 million of net capital assets, \$7.4 million work in process representing capital rehabilitation work for which MKCRF has paid, and \$10.4 million in investments representing the unexpended portion of the \$18 million loan from KCHA. The \$10.4 million is invested in a US Bank Commercial Paper fund, paying 0.10% with daily liquidity. This investment vehicle paid a much higher rate than Certificates of Deposits or Treasury Bills, and is allowed by the investment policy adopted by the Board.

**MKCRF-Owned Properties
 Combined Balance Sheets
 As of March 31, 2014**

UNAUDITED

ASSETS

Cash and cash equivalents	(\$1,160,255) (1)
Security deposits	76,932
Replacement Reserves	159,153
Investments	0
Accounts receivable	1,828,028 (1)
Prepaid assets	30,167
Construction in progress	6,293 (2)
Fixed assets, net of accumulated depreciation	0
Intangible assets, net of accumulated amortization	0
 Total Assets	 <u><u>\$940,318</u></u>

LIABILITIES AND EQUITY

Liabilities	
Accounts payable and accrued liabilities	\$434,246
Security deposits payable	76,932
FSS funds payable	0
Deferred Revenue	0
Non current liabilities	0
 Total liabilities	 511,178
 Equity	 <u>429,140</u>
Total Liabilities and Equity	<u><u>\$940,318</u></u>

- 1) A draw of \$1.8 million from proceeds of the \$18 million KCHA loan was made in April
- 2) Represents 2014 work-in-process incurred but not yet billed to MKCRF

MKCRF-Owned Properties
Combined Statement of Operations
For the period ended March 31, 2014
UNAUDITED

	<u>Actuals</u>	<u>Annual Budget</u>	<u>Percent of Annual Budget</u>
OPERATING REVENUE			
Dwell rent	\$1,509,117 (1)	\$6,446,988	23.4%
Other	(1,683) (2)	76,476	-2.2%
Total operating revenue	<u>1,507,434</u>	<u>6,523,464</u>	<u>23.1%</u>
OPERATING EXPENSES			
Administrative	98,834	493,776	20.0%
Payroll	379,990 (3)	1,389,381	27.3%
Professional services	7,855	39,263	20.0%
Operator management fees	145,254	587,057	24.7%
Repairs and maintenance	84,944 (4)	847,183	10.0%
Taxes and insurance	19,848	96,729	20.5%
Utilities	<u>131,622</u>	<u>652,143</u>	<u>20.2%</u>
Total operating expenses	<u>868,347</u>	<u>4,105,532</u>	<u>21.2%</u>
Net operating income (loss)	639,087	2,417,932	26.4%
OTHER REVENUE AND (EXPENSES)			
Investment income	(46)	(2,307)	2.0%
Payments to owner	(386,873)	(1,644,592)	23.5%
Non operating transfers in (out)	(120,396) (5)	0	n/a
Unit upgrades	(248,843) (6)	(517,952)	48.0%
Depreciation and amortization	(2,548)	0	n/a
Net other revenue and (expenses)	<u>(758,706)</u>	<u>(2,164,851)</u>	<u>35.0%</u>
Net income (loss)	<u><u>(\$119,619)</u></u>	<u><u>\$253,081</u></u>	<u><u>-47.3%</u></u>

- 1) Dwell rent for some properties were budgeted with higher contract rents than actually in use for some unit sizes
- 2) Tenant write-offs were greater than anticipated in the budget and offset all other income sources
- 3) Extra pay period in the first quarter
- 4) Most maintenance categories are under target. Maintenance activity expected to increase in the second quarter.
- 5) Transfer of vehicles to Central Vehicle Fund (non-cash transaction)
- 6) More unit upgrades were performed than originally estimated in the first quarter budget.

Moving King County Residents Forward
Balance Sheet
As of March 31, 2014
UNAUDITED

ASSETS

Cash and cash equivalents	(\$13,900)	
FSS Reserves	-	
Security Deposits	-	
Investments	10,438,000	(1)
Accounts receivable	-	
Prepaid assets	-	
Construction in progress	7,374,489	
Fixed assets, net of accumulated depreciation	55,584,025	
Intangible assets, net of accumulated amortization	-	
Total Assets	<u>\$73,382,614</u>	

LIABILITIES AND EQUITY

Current Liabilities		
Accounts payable and accrued liabilities	\$1,804,500	
Current Portion of Long-term Debt	487,486	
FSS funds payable	-	
Deferred Revenue	-	
Non current Liabilities		
Long term debt	17,281,182	(2)
Total liabilities	<u>19,573,168</u>	
Equity	<u>53,809,447</u>	
Total Liabilities and Equity	<u>\$73,382,614</u>	

- 1) Proceeds from KCHA loan invested in US Bank commercial paper for a term of 18 months.
- 2) Loan from KCHA to MKCRF to finance construction improvements

**Moving King County Residents Forward
Statement of Operations
For the period ended March 31, 2014
UNAUDITED**

OPERATING REVENUE		
Dwell Rent	-	
Other	386,873	(1)
	<u>386,873</u>	
Total operating revenue	386,873	
OPERATING EXPENSES		
Administrative	-	
Payroll	-	
Professional services	-	
Operator management fees	-	
Repairs and maintenance	-	
Taxes and insurance	-	
Utilities	-	
	<u>-</u>	
Total operating expenses	-	
Net operating income (loss)	386,873	
OTHER REVENUE AND (EXPENSES)		
Investment income	3,027	
Interest expense	(267,723)	(1)
Depreciation and amortization	(255,645)	
Other	-	
	<u>(520,342)</u>	
Net other revenue and (expenses)	(520,342)	
Net income (loss)	<u><u>(\$133,469)</u></u>	

- 1) Reflects payments made by the operator on the note payable to KCHA on MKCRF's behalf