

MOVING KING COUNTY RESIDENTS FORWARD

Special Meeting of the Board of Directors

July 21, 2014

10:15 AM

Joe Thomas Community Room

Wiley Center

9800 8th Avenue SW

Seattle, WA 98106

Agenda

1. Call to Order
2. Roll Call
3. Public Comments
4. Approval of Minutes, May 19, 2014 Board Meeting
5. Resolution 21: Authorizing Mid-Year Amendment for 2014 Operating and Capital Budget
6. New Business
7. Commissioner Comments
8. Adjourn

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

MAY 19, 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: Michael Brown, Richard Mitchell, Susan Palmer, TerryLynn Stewart, Directors, Stephen Norman, Secretary of the Corporation.

Members of the Public: Lillie Clinton

KCHA Staff: Connie Davis, Craig Violante, Mike Reilly, Sean Heron, Marianne Everett, Tim Walter Dan Watson and Beth Pearson.

III. Public Comments:

No Public Comments.

IV. APPROVAL OF THE MINUTES:

Minutes from the April 21, 2014 Board Meeting were presented for approval. Director Palmer moved for approval of the minutes, with Director Stewart seconding the motion and Director Brown abstaining. The minutes were unanimously approved.

V. FINANCIAL REPORT

Unaudited financial statements as of March 31, 2014 for both the operations of the MKCRF properties and for the MKCRF entity itself were presented by Connie Davis. The properties experienced \$120 thousand in net losses in the first quarter after required debt service totaling \$387 thousand, unit upgrades totaling \$249 thousand and replacement reserve deposits of \$31.8 thousand. KCHA in its position as operator of the property is advancing the cash flow deficit. Approximately 50% of the 2014 unit upgrade budget was spent in the first quarter, and most likely will require a budget revision to reflect this higher than anticipated number of tenant moves.

The MKCRF entity itself had a \$133.5 thousand loss, due entirely to a depreciation charge of \$255.6 thousand. Of the \$18 million in borrowings, \$10.4 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.

VI. NEW BUSINESS:

No new business was introduced.

VI. DIRECTOR COMMENTS:

No comments were presented.

VII. ADJOURNMENT

There being no further business, the meeting was officially adjourned at 10:25 a.m. by a motion from Director Brown, seconded by Director Palmer 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: June 10, 2014

RE: Resolution 21: 2014 Midyear budget adjustment for MKCRF and MKCRF-Owned Properties

EXECUTIVE SUMMARY

The Board of Directors previously adopted the 2014 Operating and Capital Budget via Resolution No. 19 on December 16, 2013. As a budget is a plan based on a set of assumptions that don't always match actual experiences during the execution phase, it is prudent to make adjustments so that the plan is consistent with revised expectations.

Budget adjustments are being proposed for both the MKCRF legal entity and the MKCRF-owned properties operated by KCHA.

The midyear budget adjustment for the *MKCRF-owned Properties* includes a working capital increase of \$552,000. A summary of the original budget, proposed changes, and revised budget follows:

	Original Budget	Budget Adjustments	Revised Budget
Beginning Working Capital	(\$564,738)	\$810,569	\$245,831 (1)
Revenues	6,611,558	(114,997)	6,496,561
Expenses	(5,704,085)	(9,186)	(5,713,271)
Net Income	907,473	(124,183)	783,290
Capital rehabilitation projects	6,930,843	(586,602)	6,344,241
Reimbursements from MKCRF	(6,930,843)	586,602	(6,344,241)
Other sources of working capital	24,596	1,000,000	1,024,596
Other uses of working capital	(691,597)	(323,548)	(1,015,145)
Net Change in Working Capital	240,472	552,269	792,741
Projected Ending Working Capital	(\$324,266)	\$1,362,838	\$1,038,572

1) Some year-end closing entries were made that effected working capital after the budget was adopted

The full budget adjustment for the MKCRF-owned properties can be found on page 4.

The midyear budget adjustment for *Moving King County Residents Forward* includes a working capital increase of \$1.6 million:

	Original Budget	Budget Adjustments	Revised Budget
Beginning Working Capital	\$0	(\$2,096,531)	(\$2,096,531) (1)
Operating Revenue	1,644,592	0	1,644,592
Operating Expenses	(97,100)	0	(97,100)
Other Net Working Capital Changes	(1,547,492)	1,562,000	14,508
Net Change in Working Capital	0	1,562,000	1,562,000 (2)
Projected Ending Working Capital Balance	\$0	(\$534,531)	(\$534,531) (3)

- 1) Beginning working capital budget adjustment due to two factors. First, \$0.5 million of debt that was to be repaid to KCHA in 2014 was reclassified as a short-term liability after the budget was adopted, resulting in a draw on working capital. Second, MKCRF owed KCHA \$1.562 million for capital work paid by KCHA in the fourth quarter. This short-term payable was also added after the budget was adopted, and again resulted in a draw on working capital. As the assets of MKCRF are not part of working capital (restricted cash and real property), these increases to short-term liabilities caused working capital to be negative at 12/31/2013.
- 2) During 2014, MKCRF drew \$1.562 million from restricted cash to reimburse KCHA for capital work paid by KCHA during the fourth quarter of 2013. The draw was not previously budgeted.
- 3) The negative year-end working capital represents the portion of the the KCHA loan due in 2015

The full budget adjustment for MKCRF can be found on page 5.

BUDGET ADJUSTMENT HIGHLIGHTS

Operating Revenue/Expenses of MKCRF-owned Properties

There is a \$115,000 reduction in tenant rental income to better align the budget with actual revenues. Increases to operating expenses total \$9,186 and consists of:

- Increases in maintenance costs of \$12,855
- Reductions in social service costs of \$3,394
- Reductions in administrative costs of \$275

Capital Expenditures of MKCRF-owned properties

Most capital expenditures of the MKCRF-owned Properties are budgeted as “in and out” transactions as MKCRF reimburses KCHA quarterly. Units rehabilitated through the Unit Upgrade program are reflected in this budget as they are paid out of site operations. The midyear adjustment includes an increase of 15 units at a cost of \$323,548, bringing the total number of units to be upgraded in 2014 to 33.

Other Sources of Working Capital MKCRF-owned properties

A transfer of \$1.0 million will be made by KCHA out of MTW and into the MKCRF capital rehabilitation fund. When KCHA filed its disposition application with HUD, it was assumed that all block grant revenue from the 508 vouchers, less an administrative fee, would flow to MKCRF via HAP payments. However, in general, the rents the MKCRF properties charge are less than originally anticipated (due to rent reasonableness standards) and therefore the HAP funding stream to MKCRF has been less than the related receipt by KCHA. This transfer will remedy the discrepancy for 2014, and a similar but smaller transfer may recur for the next four years.

Operating Revenue/Expenses of Moving King County Residents Forward

There are no proposed adjustments to the operations of MKCRF itself

Capital Expenditures of Moving King County Residents Forward

MKCRF reimburses KCHA for amounts spent on rehabilitation projects managed by KCHA's Capital Construction department. While \$6.9 million was originally planned, the budget has been reduced by \$587,000 bringing the revised planned capital expenditures to \$6.3 million.

Other Sources of Working Capital of Moving King County Residents Forward

MKCRF reimburses KCHA for rehabilitation projects using proceeds of the loan between KCHA and MKCRF. Use of such restricted cash to extinguish a current liability increases MKCRF's working capital. At the end of 2013, MKCRF owed KCHA \$1,562,000 for rehabilitation costs incurred by KCHA in the fourth quarter, and a liability was entered onto MKCRF's book at 12/31/2013. MKCRF paid this liability in the first quarter of 2014 using restricted funds, resulting in increased working capital. This increase was not previously budgeted and has been included as a midyear adjustment.

MKCRF-owned Properties
Revised 2014 Operating and Capital Budget

	Original Budget	Budget Adjustments	Revised Budget
Beginning Working Capital	(\$564,738)	\$810,569	\$245,831 (1)
Revenues			
Tenant Revenue	6,609,751	(115,000)	6,494,751
Operating Fund Subsidy from HUD	0	0	0
Section 8 Subsidy from HUD	0	0	0
Other Operating Revenue	4,114	3	4,117
Non-operating Revenue	(2,307)	0	(2,307)
Total Revenues	6,611,558	(114,997)	6,496,561
Expenses			
Salaries & Benefits	(881,894)	(5,501)	(887,395)
Routine Maintenance, Utilities, Taxes & Insurance	(2,020,210)	(12,855)	(2,033,065)
Direct Social Service Salaries	(241,965)	7,729	(234,236)
Other Social Service Support Expenses & HAP	(148,480)	(4,335)	(152,815)
Administrative Support Expenses	(766,944)	5,776	(761,168)
Non-operating Expenses	(1,644,592)	0	(1,644,592)
Total Expenses	(5,704,085)	(9,186)	(5,713,271)
Net Income	907,473	(124,183)	783,290
Other Sources of Working Capital			
Capital rehabilitation projects	6,930,843	(586,602)	6,344,241
Reimbursements from MKCRF	(6,930,843)	586,602	(6,344,241)
Transfer from MTW for capital purposes	0	1,000,000	1,000,000
Transfer from MTW to support FSS tenants	24,596	0	24,596
Total Other Sources	24,596	1,000,000	1,024,596
Other Uses of Working Capital			
Transfers to replacement reserves	(127,606)	0	(127,606)
Unit upgrades costs	(563,991)	(323,548)	(887,539) (2)
Total Other Uses	(691,597)	(323,548)	(1,015,145)
Net Change in Working Capital	240,472	552,269	792,741
Projected Ending Working Capital Balance	(\$324,266)	\$1,362,838	\$1,038,572

- 1) Some year-end closing entries were made that effect working capital after the budget was adopted
- 2) Reallocation of 15 unit upgrades to 509 properties. This is not an increase in the agency-wide unit upgrade budget

**Moving King County Residents Forward
Revised 2014 Operating and Capital Budget**

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Operating Revenue	1,644,592	0	1,644,592
Operating Expenses	(97,100)	0	(97,100)
Net Income	1,547,492	0	1,547,492
<i>Other Changes to Working Capital</i>			
Draw from reserves to reimburse KCHA for rehabilitation	6,930,843	975,398	7,906,241
Work in Process acquired from KCHA	(6,930,843)	586,602	(6,344,241)
Interest expense on loan from KCHA	(1,060,007)	0	(1,060,007)
Principal repayment of loan from KCHA	(487,485)	0	(487,485)
Net Change in Working Capital	(1,547,492)	1,562,000	14,508 (2)
Projected Ending Working Capital Balance	<u>\$0</u>	<u>(\$534,531)</u>	<u>(\$534,531) (3)</u>

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MOVING KING COUNTY RESIDENTS FORWARD (MKCRF)

RESOLUTION NO. 21

ADOPTION OF THE AMENDED CALENDAR YEAR 2014 OPERATING AND CAPITAL BUDGET

WHEREAS, the King County Housing Authority, as Operator of the MKCRF-owned properties, submitted a Comprehensive Operating and Capital Budget for the Calendar Year beginning January 1, 2014 (Calendar Year 2014); and

WHEREAS, the Board of Directors adopted the budget on December 16, 2013 via resolution 19; and

WHEREAS, certain internal and external forces have prompted proposed changes to the adopted budget; and

WHEREAS, the Board of Directors has deemed it fiscally prudent to adopt such changes

**NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF
MOVING KING COUNTY RESIDENTS FORWARD:**

A revised Calendar Year 2014 Operating and Capital Budget is hereby adopted. The Budget is attached hereto and made a part thereof.

**ADOPTED AT A MEETING OF THE BOARD OF DIRECTORS OF MOVING KING
COUNTY RESIDENTS FORWARD THIS 21st DAY OF JULY, 2014**

**MOVING KING COUNTY RESIDENTS
FORWARD**

Stephen J Norman
Secretary

Douglas J Barnes
President

MKCRF-owned Properties
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