

# MOVING KING COUNTY RESIDENTS FORWARD

Special Meeting of the Board of Directors

August 18, 2014

10:15 AM

Wonderland Estates  
14645 SE Renton Maple Valley Road  
Renton, WA 98058

## Agenda

1. Call to Order
2. Roll Call
3. Public Comments
4. Approval of Minutes, July 21, 2014 Special Board Meeting
5. Second Quarter Financial Report
6. Commissioner Comments
7. Adjourn

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

**July 21, 2014**

**I. CALL TO ORDER**

The Special Meeting of the Board of Directors of Moving King County Residents Forward (MKCRF) was called to order by Doug Barnes, at 10:15 a.m. in the Joe Thomas Community Room – Wiley Center, located at 9800 8<sup>th</sup> Avenue SW Seattle, Washington.

**II. ROLL CALL**

**Present:** Doug Barnes, Susan Palmer, TerryLynn Stewart, and Stephen Norman, Secretary of the Corporation.

**Absent:** Director's Michael Brown, Richard Mitchell

**Members of the Public:** Lillie Clinton

**KCHA Staff:** Mark Abernathy, Connie Davis, John Eliason, Sean Heron, Megan Hyla, Nick Jackman, Trinh Nguyen, Jessica Olives, Beth Pearson, Jennifer Ramirez Robson, Mike Reilly, Simon Thorn, Craig Violante, Tim Walter, Dan Watson, Linda Weedman and Wen Xu.

**III. Public Comments:**

No Public Comments.

**IV. APPROVAL OF THE MINUTES:**

Minutes from the May 19, 2014 Board Meeting were presented for approval. Director Palmer moved for approval of the minutes, with Director Stewart seconding the motion. The minutes were unanimously approved.

**V. Resolution No. 21 : Authorizing Mid-Year Amendment for 2014 Operating and Capital Budget**

Craig Violante, Director of Finance, briefed the Directors on the amendments proposed to the Mid-Year Operating and Capital Budget for 2014.

On motion by Director Stewart, seconded by Director Palmer, which motion was duly carried by unanimous vote the Board approved Resolution No. 21.

**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 10:24 a.m. by a motion from Director Palmer, seconded by Director Stewart and unanimously passed.

**MOVING KING COUNTY RESIDENTS FORWARD**

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**Douglas J. Barnes**  
**President**

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**Stephen J. Norman**  
**Secretary of the Corporation**

# MOVING KING COUNTY RESIDENTS FORWARD

**TO:** Board of Directors

**FROM:** Craig Violante

**DATE:** July 24, 2014

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

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## SECOND QUARTER 2014 FINANCIAL REPORTS

Attached are second quarter 2014 financial reports:

- Statements of Financial Position for the MKCRF-owned Properties (the Properties) as reflected on the books of KCHA as operator of the properties, and for MKCRF itself. MKCRF information is in the far right column.
- Working Capital reports for the MKCRF-owned Properties (the Properties) as reflected on the books of KCHA as operator of the properties, and for MKCRF itself. MKCRF information is in the far right column.

### *KCHA Operations of the MKCRF-owned Properties*

Operations through the first six months are generally at or near budget projections and results have been as expected.

Through the first six months of 2014, the Properties generated net operating cash flow of nearly \$347,000 after required debt service payments and additions to replacement reserves:

Operating Revenues	\$3,155,080
Operating Expenses	(1,968,601)
Debt Service	(773,746)
Trf to Replacement Reserves	(65,735)
Net Cash Flow	<u><u>\$346,998</u></u>

Almost all of this cash flow has been used to fund unit upgrades throughout the year. Through the first six months, 12 units have been upgraded, and as the annual budget for upgrades was expanded from 18 to 33 units during the midyear budget process, it is expected that 21 additional units will be completed by the end of the year. 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 by 2017. Following is a history of rehabilitation work through June 30<sup>th</sup>:

<i>(In millions of dollars)</i>	2012	2013	2014	Total
Rehabilitation projects-Capital Construction	\$2.1	\$2.6	\$3.0	\$7.7
Unit Upgrades-Housing Management	\$0.4	\$1.8	\$0.4	2.6
	\$2.5	\$4.4	\$3.4	\$10.3

Since acquiring the Properties, 87 units have been upgraded by KCHA's in-house force account maintenance team. A total of 288 units (56.6%) have been upgraded in these properties since inception of the program in 2006.

Although cash is reflected as a deficit as of June 30, a \$1.2 million draw from the KCHA loan proceeds was made in July to reimburse KCHA. In addition, a \$1.0 million transfer will be made in July by KCHA out of MTW and into the MKCRF operating and capital rehabilitation funds. 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.

### ***Operations of Moving King County Residents Forward***

MKCRF had minimal operating activity with \$5,580 of administrative expenses. MKCRF has made all required monthly debt service payments to KCHA.

The balance sheet shows total assets, net of working capital offsets, of \$70.8 million, consisting of \$55.3 million of net capital assets, \$8.6 million work in process representing capital rehabilitation work for which MKCRF has paid, and \$8.7 million in investments representing the unexpended portion of the \$18 million loan from KCHA. The \$8.7 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.

**Operations and Capital of MKCRF Properties**

Statements of Financial Position

As of 6/30/2014

**ASSETS**

**Working Capital Assets**

	MKCRF Properties Managed by KCHA			MKCRF
	Operations	Capital	Combined	
Cash-Unrestricted	(\$287,151) (1)	(\$820,939) (2)	(\$1,108,090) (2)	(\$52,278)
Cash-Restricted Within Program	-	-	-	-
Cash-Restricted for WC Purposes	-	-	-	-
Accounts Receivables	31,009	1,210,053	1,241,062 (2)	-
Prepaid Assets & Inventory	10,302	-	10,302	-
<b>Total Working Capital Assets</b>	<b>(245,840)</b>	<b>389,114</b>	<b>143,274</b>	<b>(52,278)</b>

**Liabilities Offsetting Working Capital Assets**

Accounts Payable	(3,286)	(353,853)	(357,139)	(1,210,053)
Payroll Liabilities	(115,269)	-	(115,269)	-
Accrued Liabilities	(7,453)	-	(7,453)	-
Deferrals	-	-	-	-
Current Portion of Long-term debt	-	-	-	(487,486)
<b>Total Offsetting Liabilities</b>	<b>(126,008)</b>	<b>(353,853)</b>	<b>(479,861)</b>	<b>(1,697,539)</b>

**Working Capital**

	<b>(\$371,848)</b>	<b>\$35,261</b>	<b>(\$336,587)</b>	<b>(\$1,749,817)</b>
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**Other Assets**

Cash-Designated	191,015	-	191,015	8,668,395
Cash-Restricted	76,950	-	76,950	-
Receivables	-	-	-	-
Capital Assets	70,397	-	70,397	55,328,380
Work-in-Process	6,294	8,579	14,873	8,584,542
Suspense	244	-	244	-
Other Assets	-	-	-	-
<b>Total Other Assets</b>	<b>344,899</b>	<b>8,579</b>	<b>353,478</b>	<b>72,581,317</b>

<b>TOTAL ASSETS (net of WC offsets)</b>	<b>(\$26,948)</b>	<b>\$43,840</b>	<b>\$16,891</b>	<b>\$70,831,500</b>
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**LIABILITIES & EQUITY**

**Other Liabilities**

Deferrals-Related to Restr Cash	76,950	-	76,950	-
Debt	-	-	-	17,160,236
Other Liabilities	-	-	-	-
	76,950	-	76,950	17,160,236

**Equity**

Equity	(103,898)	43,840	(60,059)	53,671,264
	(103,898)	43,840	(60,059)	53,671,264

<b>TOTAL LIAB &amp; EQ (net of curr liab)</b>	<b>(\$26,948)</b>	<b>\$43,840</b>	<b>\$16,891</b>	<b>\$70,831,500</b>
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- 1) \$325,000 of the \$1 million transfer from MTW has been allocated to property operations to pay for a higher than budgeted number of unit upgrades performed in 2013. This transfer was made in July.
- 2) A draw of \$1.2 million was made from the proceeds of the KCHA-MKCRF loan and transferred to the MKCRF properties in July. In addition, \$675,000 of the \$1 million transfer from MTW has been allocated for projects

Operations and Capital of MKCRF Properties  
Working Capital Budget vs. Actual Report  
For the Period Ended 6/30/2014

MKCRF Properties Managed by KCHA

	Year-to-Date					(n/m= not meaningful)	2014	Remainder	(n/m= not meaningful)	MKCRF
	Operations	Capital	Combined	Budget	Variance	Percent YTD Variance	Annual Budget	to Receive/ Spend	Percent of Annual Budget	
<b>Revenues</b>										
Tenant Revenue	\$3,153,130	\$0	\$3,153,130	\$3,247,230	(\$94,100)	(2.9%)	\$6,494,751	\$3,341,621	48.5%	\$0
Operating Fund Subsidy from HUD	0	0	0	0	0	n/m	0	0	n/m	0
Section 8 Subsidy from HUD	0	0	0	0	0	n/m	0	0	n/m	0
Other Operating Revenue	1,950	0	1,950	2,055	(105)	(5.1%)	4,117	2,167	47.4%	773,746
Non-operating Revenue	(115)	57	(58)	(1,185)	1,127	(95.1%)	(2,307)	(2,192)	5.0%	5,423
<b>Total Revenues</b>	<b>3,154,965</b>	<b>57</b>	<b>3,155,022</b>	<b>3,248,100</b>	<b>(93,078)</b>	<b>(2.9%)</b>	<b>6,496,561</b>	<b>3,341,596</b>	<b>48.6%</b>	<b>779,169</b>
<b>Expenses</b>										
Salaries & Benefits	432,502	0	432,502	444,088	(11,586)	(2.6%)	887,395	454,893	48.7%	0
Routine Maintenance, Utilities, Taxes & Insurance	794,811	0	794,811	959,726	(164,915)	(17.2%)	2,033,065	1,238,254	39.1%	(1) 0
Direct Social Service Salaries	86,163	0	86,163	116,469	(30,306)	(26.0%)	234,236	148,073	36.8%	(2) 0
Other Social Service Support Expenses & HAP	50,625	0	50,625	74,347	(23,722)	(31.9%)	152,815	102,190	33.1%	(3) 0
Administrative Support Expenses	354,154	0	354,154	373,971	(19,817)	(5.3%)	761,168	407,014	46.5%	5,880
Non-operating Expenses	773,430	0	773,430	865,844	(92,414)	(10.7%)	1,644,592	871,162	47.0%	(4) 533,650
<b>Total Expenses</b>	<b>2,491,684</b>	<b>0</b>	<b>2,491,684</b>	<b>2,834,445</b>	<b>(342,761)</b>	<b>(12.1%)</b>	<b>5,713,271</b>	<b>3,221,587</b>	<b>43.6%</b>	<b>539,530</b>
<b>Net Income</b>	<b>663,281</b>	<b>57</b>	<b>663,338</b>	<b>413,655</b>	<b>249,683</b>	<b>60.4%</b>	<b>783,290</b>	<b>120,009</b>	<b>84.7%</b>	<b>239,639</b>
<b>Other Sources/(Uses) of Working Capital</b>										
(Increase) in Restricted/Designated Cash	(65,735)	0	(65,735)	(63,760)	(1,975)	3.1%	(127,606)	(61,871)	51.5%	(2,397)
Decrease in Restricted/Designated Cash	0	0	0	0	0	n/m	0	0	n/m	3,364,122
(Increase) in LT Receivables	0	0	0	0	0	n/m	0	0	n/m	0
Decrease in LT Receivables	0	0	0	0	0	n/m	0	0	n/m	0
Acquisition of Capital Assets	(4,458)	38,818	34,361	0	34,361	n/m	0	4,458	n/m	(3,014,553)
Maintenance Projects	(5,243)	(360,987)	(366,231)	(442,321)	76,090	(17.2%)	(887,539)	(882,296)	0.6%	0
Acquisition of Capital Assets	(9,701)	(322,169)	(331,870)	(442,321)	110,451	(25.0%)	(887,539)	(877,838)	1.1%	(5) (3,014,553)
Disposition of Capital Assets	0	0	0	0	0	n/m	0	0	n/m	0
Change in Suspense	(92)	0	(92)	0	(92)	n/m	0	92	n/m	0
Change in Other Assets	0	0	0	0	0	n/m	0	0	n/m	0
Change in Deferrals	2,016	0	2,016	0	2,016	n/m	0	(2,016)	n/m	0
Increase in LT Debt	0	0	0	0	0	n/m	0	0	n/m	0
(Decrease) in LT Debt	0	0	0	0	0	n/m	0	0	n/m	(240,097)
Change in Other Liabilities	(499)	0	(499)	0	(499)	n/m	0	499	n/m	0
Other Non-Working Capital Income/Expense Items	81,381	0	81,381	0	81,381	n/m	0	(81,381)	n/m	(6) 0
Non Income/Expense Change in Equity	42,816	0	42,816	0	42,816	n/m	0	(42,816)	n/m	(7) 0
<b>Total Other Sources/(Uses) of Working Capital</b>	<b>50,186</b>	<b>(322,169)</b>	<b>(271,983)</b>	<b>(506,081)</b>	<b>234,098</b>	<b>n/m</b>	<b>(1,015,145)</b>	<b>(1,065,331)</b>	<b>n/m</b>	<b>107,075</b>
<b>Transfer In from (Out to) Other Funds</b>										
Transfers In from Other Funds	0	360,987	360,987	445,352	(84,365)	(18.9%)	1,866,096	1,866,096	0.0%	(5) 0
Transfers Out to Other Funds	(481,383)	(853,378)	(1,334,761)	(420,756)	(914,005)	217.2%	(841,500)	(360,117)	57.2%	(8) 0
<b>Net Transfer In/(Out)</b>	<b>(481,383)</b>	<b>(492,390)</b>	<b>(1,454,019)</b>	<b>24,596</b>	<b>(1,478,615)</b>	<b>n/m</b>	<b>1,024,596</b>	<b>1,505,979</b>	<b>n/m</b>	<b>0</b>
<b>Net Change in Working Capital</b>	<b>\$232,084</b>	<b>(\$814,502)</b>	<b>(\$582,418)</b>	<b>(\$67,830)</b>	<b>(\$514,588)</b>	<b>n/m</b>	<b>\$792,741</b>	<b>\$580,657</b>	<b>29.3%</b>	<b>\$346,715</b>
Working Capital, 12/31/2013	(603,932)	849,763	245,831							(603,932)
<b>Working Capital, 6/30/2014</b>	<b>(\$371,848)</b>	<b>\$35,261</b>	<b>(\$336,587)</b>							<b>(\$257,217)</b>

- 1) Most categories are under budget. Seasonal and periodic contracts (Pest Control, Landscaping) are expected to catch up as the year progresses while other expenses (Eastridge hallway carpet replacement, Bellevue 8 painting and Kirkwood Terrace fence replacement) have yet to be incurred.
- 2) Some relocation employees were inadvertently budgeted with a large percentage of their time allocated to MKCRF properties. This allocation error has been fixed in the payroll system, but was not addressed in the midyear budget adjustment. Therefore, actual salary expense will be below budget for the remainder of the year.
- 3) Some Resident Services contract invoice have yet to be received.
- 4) MKCRF has not yet incurred budgeted accounting and auditing fees nor appraisal costs related to pledging the note between KCHA and MKCRF as collateral with the FHLB, so the expenditure out of fund 509 to reimburse MKCRF has also not yet occurred.
- 5) Unit upgrade budget was expanded at midyear and expenditures will increase as the year progresses.
- 6) Vehicles transferred to Central Vehicle Fund of COCC.
- 7) Due to a technical clean-up entry
- 8) MKCRF reimbursement of \$853K for rehab project costs initially funded by MTW.