

MOVING KING COUNTY RESIDENTS FORWARD

Special Meeting of the Board of Directors

Monday, March 23, 2015

10:15 AM

King County Housing Authority

Administrative Offices

Snoqualmie Conference Room

700 Andover Park W

Seattle, WA 98188

Agenda

- I. Call to Order
- II. Roll Call
- III. Public Comment
- IV. Approval of Minutes - December 15, 2014 Board Meeting Minutes
- V. Financial Reports for Moving King County Residents Forward (MKCRF) and MKCRF-owned Properties
- VI. Board of Directors Comments
- VII. Adjourn

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

Monday, December 15, 2014

I. CALL TO ORDER

The meeting of the Board of Directors of Moving King County Residents Forward (MKCRF) was called to order by President Doug Barnes, at 10:23 a.m. at the King County Housing Authority Administrative Offices, 700 Andover Park W, Tukwila, Washington.

II. ROLL CALL

Present: Doug Barnes, Susan Palmer, TerryLynn Stewart, Michael Brown, Richard Mitchell and Stephen Norman (Secretary of the Corporation)

Excused:

KCHA Staff: Connie Davis, Ted Dezember, John Eliason, Jenna Higgins, Megan Hyla, Dan Landes, Jessica Olives, Beth Pearson, Jennifer Ramirez Robson, Mike Reilly, Craig Violante, Tim Walter, Dan Watson, and Wen Xu

III. Public Comment:

No Public Comments.

IV. Approval of the Minutes:

Minutes from the August 18, 2014 Special Board Meeting were presented for approval.

Director Michael Brown moved for approval of the minutes, with Director TerryLynn Stewart seconding the motion; Director Richard Michell abstained from the vote. The minutes were approved.

V. Financial Reports – Third Quarter 2014 Financial Reports

Connie Davis, Deputy Executive Director, briefed the board on the Third Quarter Financial Report for 2014.

VI. Resolution No. 22: Adoption of the Calendar Year 2015 Operating and Capital Budget

Craig Violante, Director of Finance, briefed the board on the MKCRF budget for Calendar Year 2015. Mr. Violante provided an overview of the proposed budget adjustments.

All questions raised by the Directors were satisfactorily addressed by staff.

Director Michael Brown moved for the approval of Resolution No. 22, with Director Susan Palmer seconding the motion. Resolution No. 22 was unanimously approved.

VII. Resolution No. 23: Amending the Bylaws of Moving King County Residents Forward – Article 1.3: Time of annual Board of Directors meetings and Article 3.8.1: Annual Board of Directors Meeting; Regular meetings

Connie Davis, Deputy Executive Director, briefed the board on the proposed changes to the Bylaws of MKCRF.

All questions raised by the Directors were satisfactorily addressed by staff.

Director Richard Mitchell moved for the approval of Resolution No. 23, with Director TerryLynn Stewart seconding the motion. Resolution No. 23 was unanimously approved.

VIII. Director Comments

None.

IX. ADJOURNMENT

There being no further business, the meeting was officially adjourned at 10:30 a.m. by a motion from Director Susan Palmer, seconded by Director Michael Brown 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: March 17, 2015

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

EXECUTIVE SUMMARY

Throughout 2014, the MKCRF-owned Properties (the Properties) generated cash flow sufficient to make all required debt service payments, fully fund replacement reserves, and complete the interior upgrade of units using KCHA's force account.

YEAR-END 2014 FINANCIAL REPORTS

Attached are final 2014 financial reports:

- Statements of Financial Position for 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 Properties as reflected on the books of KCHA as operator, and for MKCRF itself. MKCRF information is in the far right column.

KCHA Operations of the Properties

Operating revenues for the year were at 99% of budget while operating expenses were 11% below target. Lower than budgeted maintenance expenses account for most of this variance as some maintenance projects were started late in the year and others were delayed to 2015. In addition, resident services expenses are below budget, due to a combination of an allocation error that occurred during the budgeting process (too much salary expense allocated to MKCRF properties) and lower-than-forecast relocation expenses.

Throughout 2014, the Properties generated net operating cash flow of \$623,658 after required debt service payments and additions to replacement reserves:

Operating Revenues	\$6,421,067
Operating Expenses	(4,068,679)
Debt Service	(1,599,850)
Transfers to Replacement Reserves	(128,880)
Net Cash Flow	<u><u>\$623,658</u></u>

This cash flow was used to fund the interior upgrades of 24 units throughout the year. Although 33 units were included in the budget, unit availability dropped in the latter half of the year.

As part of the disposition application filed with HUD, KCHA committed to performing \$18 million of capital work over five years. Following is a history of rehabilitation work through the end of 2014:

Financial Reports
March 23, 2015 MKCRF Board Meeting

<i>(In millions of dollars)</i>	2012	2013	2014	Total
Rehabilitation projects-Capital Construction	\$2.1	\$2.6	\$6.6	\$11.3
Unit Upgrades-Housing Management	\$0.4	\$1.8	\$0.7	2.9
	\$2.5	\$4.4	\$7.3	\$14.2

1) Funded primarily though cash generated from site operations

It is anticipated that the \$18 million threshold will be reached during 2015.

Since acquiring the Properties, 99 units have been upgraded by KCHA's in-house force account maintenance team. A total of 300 units (58.9%) have been upgraded since inception of the program in 2006.

As of December, 31, 2014, the Properties had combined cash-on-hand and short-term receivables from MKCRF of \$389,000. During 2014, \$1.0 million was transferred from KCHA (out of MTW) to the MKCRF operating and capital rehabilitation funds. This represents the excess funds received by KCHA as a block grant for the 508 disposition vouchers yet not charged by the Properties as rent. For 2014, KCHA paid this excess in order to fund additional capital work over and above the proceeds of the \$18 million FHLB loan.

Operations of Moving King County Residents Forward

MKCRF had minimal operating activity. Administrative expenses totaled \$30,088, consisting of audit and tax return fees and costs related to pledging the MKCRF-KCHA loan as collateral with the Federal Home Loan Bank. MKCRF has made all required monthly debt service payments to KCHA.

The December 31, 2014 balance sheet shows total assets, net of working capital offsets, of \$71.0 million, consisting of \$54.8 million of net capital assets, \$11.7 million work in process representing capital rehabilitation work for which MKCRF has paid, and \$7.5 million in investments representing the unexpended portion of the \$18 million loan from KCHA. The \$6.1 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 12/31/2014

ASSETS	MKCRF Properties Managed by KCHA			MKCRF
	Operations	Capital	Combined	
Working Capital Assets				
Cash-Unrestricted	\$118,283	(\$837,123)	(\$718,840)	(\$24,182)
Accounts Receivables	18,352	1,089,272	1,107,624 ⁽¹⁾	-
Prepaid Assets & Inventory	64,183	-	64,183	-
Total Working Capital Assets	200,819	252,149	452,968	(24,182)
Liabilities Offsetting Working Capital Assets				
Accounts Payable	(26,966)	(208,404)	(235,370)	(1,089,272) ⁽¹⁾
Payroll Liabilities	(115,269)	-	(115,269)	-
Current Portion of Long-term debt	-	-	-	(487,486)
Total Offsetting Liabilities	(142,235)	(208,404)	(350,639)	(1,576,758)
Working Capital	\$58,584	\$43,745	\$102,329	(\$1,600,940)
Other Assets				
Cash-Designated	254,784	-	254,784	6,080,216
Cash-Restricted	76,325	-	76,325	-
Capital Assets	68,584	-	68,584	54,817,089
Work-in-Process	6,294	(0)	6,293	11,730,732
Total Other Assets	405,987	(0)	405,987	72,628,036
TOTAL ASSETS (net of WC offsets)	\$464,571	\$43,745	\$508,315	\$71,027,096
LIABILITIES & EQUITY				
Other Liabilities				
Deferrals-Related to Restr Cash	76,325	-	76,325	-
Debt	-	-	-	16,912,765
	76,325	-	76,325	16,912,765
Equity				
Equity	388,246	43,745	431,990	54,114,331
	388,246	43,745	431,990	54,114,331
TOTAL LIAB & EQ (net of curr liab)	\$464,571	\$43,745	\$508,315	\$71,027,096

1) \$1.09M owed to KCHA for capital work performed at MKCRF properties in the 4th quarter. Payment to KCHA was made in January 2015.

Operations and Capital of MKCRF Properties
Working Capital Budget vs. Actual Report
For the Period Ended 12/31/2014

	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	
Revenues										
Tenant Revenue	\$6,416,823	\$0	\$6,416,823	\$6,494,751	(\$77,928)	(1.2%)	\$6,494,751	\$77,928	98.8%	\$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	4,243	0	4,243	4,117	126	3.1%	4,117	(126)	103.1%	2,274,850
Non-operating Revenue	117	(38)	79	(2,307)	2,386	n/m	(2,307)	(2,424)	n/m	9,241
Total Revenues	6,421,183	(38)	6,421,146	6,496,561	(75,415)	(1.2%)	6,496,561	75,378	98.8%	2,284,091
Expenses										
Salaries & Benefits	875,672	0	875,672	887,395	(11,723)	(1.3%)	887,395	11,723	98.7%	0
Routine Maintenance, Utilities, Taxes & Insurance	1,767,779	0	1,767,779	2,033,065	(265,286)	(13.0%)	2,033,065	265,286	87.0%	(1) 0
Direct Social Service Salaries	149,693	0	149,693	234,236	(84,543)	(36.1%)	234,236	84,543	63.9%	(2) 0
Other Social Service Support Expenses & HAP	85,329	0	85,329	152,815	(67,486)	(44.2%)	152,815	67,486	55.8%	(3) 0
Administrative Support Expenses	737,118	0	737,118	761,168	(24,050)	(3.2%)	761,168	24,050	96.8%	30,088
Non-operating Expenses	1,599,061	675,000	2,274,061	1,644,592	629,469	38.3%	1,644,592	45,531	97.2%	(4) 1,060,006
Total Expenses	5,214,652	675,000	5,889,652	5,713,271	176,381	3.1%	5,713,271	498,619	91.3%	1,090,094
Net Income	1,206,532	(675,038)	531,494	783,290	(251,796)	(32.1%)	783,290	(423,242)	154.0%	1,193,997
Other Sources/(Uses) of Working Capital										
(Increase) in Restricted/Designated Cash	(128,880)	0	(128,880)	(127,606)	(1,274)	1.0%	(127,606)	1,274	101.0%	(5,627)
Decrease in Restricted/Designated Cash	0	0	0	0	0	n/m	0	0	n/m	5,955,531
(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)	47,398	42,940	0	42,940	n/m	0	4,458	n/m	(6,160,743)
Maintenance Projects	(13,526)	(722,543)	(736,069)	(887,539)	151,470	(17.1%)	(887,539)	(874,013)	1.5%	0
Acquisition of Capital Assets	(17,983)	(675,146)	(693,129)	(887,539)	194,410	(21.9%)	(887,539)	(869,556)	2.0%	(5) (6,160,743)
Disposition of Capital Assets	0	0	0	0	0	n/m	0	0	n/m	0
Change in Suspense	152	0	152	0	152	n/m	0	(152)	n/m	0
Change in Other Assets	0	0	0	0	0	n/m	0	0	n/m	0
Change in Deferrals	1,391	0	1,391	0	1,391	n/m	0	(1,391)	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	(487,567)
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	38,361	0	38,361	0	38,361	n/m	0	(38,361)	n/m	(7) 0
Total Other Sources/(Uses) of Working Capital	(26,078)	(675,146)	(701,223)	(1,015,145)	313,922	(30.9%)	(1,015,145)	(989,067)	2.6%	(698,406)
Transfer In from (Out to) Other Funds										
Transfers In from Other Funds	325,000	1,397,543	1,722,543	1,866,096	(143,553)	(7.7%)	1,866,096	1,541,096	17.4%	0
Transfers Out to Other Funds	(842,939)	(853,378)	(1,696,317)	(841,500)	(854,817)	101.6%	(841,500)	1,439	100.2%	(8) 0
Net Transfer In/(Out)	(517,939)	544,166	(1,248,731)	1,024,596	(2,273,327)	n/m	1,024,596	1,542,535	n/m	0
Net Change in Working Capital	\$662,515	(\$806,018)	(\$143,503)	\$792,741	(\$936,244)	(118.1%)	\$792,741	\$130,226	83.6%	\$495,591
Working Capital, 12/31/2013	(603,932)	849,763	245,831							(603,932)
Working Capital, 12/31/2014	\$58,584	\$43,745	\$102,329							(\$108,340)

- 1) Some project expenses such as fence & playground replacement , smoking shelter installation and exterior painting were budgeted for 2014 but are being delayed until 2015.
- 2) Some relocation employees were budgeted with a large percentage of their time allocated to MKCRF properties in error. This allocation error was corrected in the payroll system, but was not addressed in the midyear budget revision. Therefore, actual salary expense was below budget at year-end.
- 3) Relocation expense is less than anticipated at MKCRF properties. In addition, the budgeted Public Housing FSS subsidy for MCKRF properties is being charged to Section 8 as the projects are converted to project-based Section 8.
- 4) Due to unbudgeted MTW capital transfer of \$675K to MCKRF.
- 5) MKCRF project construction costs were less than anticipated for the year primarily due to lack of availability for unit upgrades at Cedarwood, Kirkwood Terrace, Bellevue 8 and Victorian Woods.
- 6) Vehicles transferred to Central Vehicle Fund of COCC.
- 7) Due to a technical clean-up entry.
- 8) Mostly due to MKCRF reimbursement of \$853K for rehab project costs initially funded by MTW. Unbudgeted.