

MOVING KING COUNTY RESIDENTS FORWARD

Special Meeting of the Board of Directors

Monday, June 22, 2015
9:45 AM

Valli Kee
Conference Room
23401 104th Avenue S.E.
Tukwila, WA 98031

Agenda

- I. Call to Order
- III. Roll Call
- IV. Public Comment
- V. Approval of Minutes - May 18, 2015 Annual Special Board Meeting Minutes
- VI. First Quarter Financial Report
- VII. Board of Directors Comments
- VIII. Adjourn

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

Monday, May 18, 2015

I. CALL TO ORDER

The annual meeting of the Board of Directors of Moving King County Residents Forward (MKCRF) was called to order by President Doug Barnes, at 10:34 a.m. at Riverton Terrace II 14410 41st Avenue South, Tukwila, Washington.

II. ROLL CALL

Present: Board of Directors: Doug Barnes, Susan Palmer, TerryLynn Stewart, Michael Brown, John Welch and Secretary of the Corporation, Stephen Norman

KCHA Staff: Tony Buhr, Knute Brinchmann, Connie Davis, Sean Heron, Lisa Hall, Megan Hyla, Dan Landes, Gary Leaf, Heath MacCoy, Jessica Olives, Nikki Parrot, Beth Pearson, Jennifer Ramirez Robson, Mike Reilly, Craig Violante, Tim Walter, and Kristin Winkel

III. Election of Officers

- a. President: Doug Barnes
- b. Secretary: Stephen Norman
- c. Treasurer: Michael Brown

Director TerryLynn Stewart moved for approval and Director Susan Palmer seconded the motion. The Board of Directors unanimously approved the election of officers.

IV. Public Comment:

No Public Comment.

V. Approval of the Minutes:

Minutes from the March 23, 2015 Board Meeting were presented for approval.

Director Susan Palmer moved for approval of the minutes, with Director TerryLynn Stewart seconding the motion. The minutes were approved.

VI. Board of Director Comments

President Barnes mentioned the FHLB Loan.

VII. ADJOURNMENT

There being no further business, the meeting was officially adjourned at 10:56 a.m. by a motion from Director TerryLynn Stewart, seconded by Director Michael Brown and unanimously passed.

MOVING KING COUNTY RESIDENTS FORWARD

Douglas J. Barnes
President

Stephen J. Norman
Secretary of the Corporation

DRAFT FOR APPROVAL

MOVING KING COUNTY RESIDENTS FORWARD

TO: Board of Directors

FROM: Craig Violante

DATE: May 20, 2015

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

EXECUTIVE SUMMARY

Throughout the first quarter of 2015, 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.

FIRST QUARTER 2015 FINANCIAL REPORTS

Attached are financial reports for the first quarter of 2015

- 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 quarter were on target while operating expenses, primarily routine maintenance and utility costs, lagged. In general, operating expenses that have not yet been incurred have either not been needed (e.g. bed bug treatment) or are seasonal and will be incurred later in the year (e.g. roofing and paving). Utility variances are due to the timing of billings received for sewer, water and surface water management.

Throughout the first quarter, the Properties generated net operating cash flow of \$380,085 after required debt service payments and additions to replacement reserves:

Operating Revenues	\$1,662,786
Operating Expenses	(863,032)
Debt Service	(386,995)
Trf to Replacement Reserves	(32,675)
Net Cash Flow	<u>\$380,085</u>

This cash flow has been used to fund the interior upgrades of 6 units throughout the quarter. Although 34 apartments were budgeted for rehabilitation in 2015, unit availability has thus far limited upgrade opportunities.

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 March 2015:

MKCRF Financial Statement
 June 22, 2015 Board Meeting
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<i>(In millions of dollars)</i>	2012	2013	2014	2015	Total
Rehabilitation projects-Capital Construction	\$2.1	\$2.6	\$6.6	\$0.8	\$12.1
Unit Upgrades-Housing Management	\$0.4	\$1.8	\$0.7	\$0.2	3.1 ⁽¹⁾
	\$2.5	\$4.4	\$7.3	\$1.0	\$15.2

1) Funded primarily through cash generated from site operations

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

Since acquiring the Properties, 105 units have been upgraded by KCHA’s in-house force account maintenance team. A total of 306 units (60.1%) 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 \$194,000.

Operations of Moving King County Residents Forward

MKCRF had minimal operating activity with only \$18 of administrative expenses in the quarter. All required monthly debt service payments to KCHA were made.

Although the March 31, 2015 balance sheet reflects negative working capital of \$542,000, this is primarily the result of minimum loan payments due within the next 12 months that will be funded by cash generated by the properties over the course of the year. Confidence is high that MKCRF will continue to be in full compliance with the terms and conditions of its loan from KCHA.

Operations and Capital of MKCRF Properties

Statements of Financial Position

As of 3/31/2015

ASSETS	MKCRF Properties Managed by KCHA			MKCRF
	Operations	Capital	Combined	
Working Capital Assets				
Cash-Unrestricted	\$357,140	(\$974,327)	(\$617,187)	(\$24,187)
Cash-Restricted Within Program	-	-	-	-
Cash-Restricted for WC Purposes	-	-	-	786,785
Accounts Receivables	24,614	786,785	811,399 (1)	-
Prepaid Assets & Inventory	42,966	-	42,966	-
Total Working Capital Assets	424,720	(187,542)	237,178	762,598
Liabilities Offsetting Working Capital Assets				
Accounts Payable	-	(265,553)	(265,553)	(786,785)
Payroll Liabilities	(177,879)	-	(177,879)	-
Accrued Liabilities	-	-	-	-
Deferrals	-	-	-	-
Current Portion of Long-term debt	-	-	-	(518,060)
Total Offsetting Liabilities	(177,879)	(265,553)	(443,432)	(1,304,845)
Working Capital	\$246,841	(\$453,095)	(\$206,254)	(\$542,247)
Other Assets				
Cash-Designated	286,659	-	286,659	4,205,621
Cash-Restricted	77,125	-	77,125	-
Receivables	-	-	-	-
Capital Assets	70,551	-	70,551	62,380,272
Work-in-Process	6,294	496,563	502,857	4,648,562
Suspense	349	-	349	-
Other Assets	-	-	-	-
Total Other Assets	440,978	496,563	937,541	71,234,455
TOTAL ASSETS (net of WC offsets)	\$687,819	\$43,468	\$731,287	\$70,692,208
LIABILITIES & EQUITY				
Other Liabilities				
Deferrals-Related to Restr Cash	77,125	-	77,125	-
Debt	-	-	-	16,755,568
Other Liabilities	-	-	-	-
	77,125	-	77,125	16,755,568
Equity				
Equity	610,694	43,468	654,162	53,936,641
	610,694	43,468	654,162	53,936,641
TOTAL LIAB & EQ (net of curr liab)	\$687,819	\$43,468	\$731,287	\$70,692,208

1) \$787K owed to KCHA for capital work performed at MKCRF properties in the first quarter. Payment to KCHA is due in April.

Operations and Capital of MKCRF Properties
Working Capital Budget vs. Actual Report
For the Period Ended 3/31/2015

	MKCRF Properties Managed by KCHA										
	Year-to-Date					(n/m= not meaningful)	2015	Remainder	(n/m= not meaningful)		
	Operations	Capital	Combined	Budget	Variance	Percent	Annual	to Receive/	Percent of		
						YTD	Budget	Spend	Annual	Budget	MKCRF
Revenues											
Tenant Revenue	\$1,662,248	\$0	\$1,662,248	\$1,622,392	\$39,856	2.5%	\$6,489,502	\$4,827,254	25.6%		\$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	538	0	538	869	(331)	(38.1%)	10,866	10,328	5.0%		386,995
Non-operating Revenue	145	(277)	(131)	2	(133)	(6668.0%)	103	(42)	141.2%		1,480
Total Revenues	1,662,932	(277)	1,662,655	1,623,263	39,392	2.4%	6,500,471	4,837,539	25.6%		388,475
Expenses											
Salaries & Benefits	238,293	0	238,293	229,236	9,057	4.0%	869,231	630,938	27.4%		0
Routine Maintenance, Utilities, Taxes & Insurance	346,169	0	346,169	453,599	(107,430)	(23.7%)	2,309,782	1,963,613	15.0%	(1)	4
Direct Social Service Salaries	0	0	0	0	0	n/m	0	0	n/m		0
Other Social Service Support Expenses & HAP	362	0	362	94	268	285.2%	370	8	97.9%		0
Administrative Support Expenses	172,575	0	172,575	180,103	(7,528)	(4.2%)	734,915	562,340	23.5%		18
Non-operating Expenses	386,995	0	386,995	386,873	122	0.0%	1,812,491	1,425,496	21.4%		260,372
Total Expenses	1,144,394	0	1,144,394	1,249,905	(105,511)	(8.4%)	5,726,789	4,582,395	20.0%		260,394
Net Income	518,537	(277)	518,260	373,358	144,902	38.8%	773,682	255,145	67.0%		128,081
Other Sources/(Uses) of Working Capital											
(Increase) in Restricted/Designated Cash	(32,675)	0	(32,675)	(31,915)	(760)	2.4%	(127,830)	(95,155)	25.6%		(1,462)
Decrease in Restricted/Designated Cash	0	0	0	0	0	n/m	0	0	n/m		1,876,057
(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	0	2	2	0	2	n/m	0	(0)	n/m		(786,363)
Maintenance Projects	0	(175,664)	(175,664)	(269,190)	93,526	(34.7%)	(1,140,516)	(1,140,516)	0.0%		(422)
Acquisition of Capital Assets	0	(175,662)	(175,662)	(269,190)	93,528	n/m	(1,140,516)	(1,140,516)	n/m	(2)	(786,785)
Disposition of Capital Assets	0	0	0	0	0	n/m	0	0	n/m		0
Change in Suspense	(349)	0	(349)	0	(349)	n/m	0	349	n/m		0
Change in Other Assets	0	0	0	0	0	n/m	0	0	n/m		0
Change in Deferrals	800	0	800	0	800	n/m	0	(800)	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		(126,623)
Change in Other Liabilities	0	0	0	0	0	n/m	0	0	n/m		0
Other Non-Working Capital Income/Expense Items	0	0	0	0	0	n/m	0	0	n/m		0
Non Income/Expense Change in Equity	0	0	0	0	0	n/m	0	0	n/m		0
Total Other Sources/(Uses) of Working Capital	(32,224)	(175,662)	(207,886)	(301,105)	93,219	(31.0%)	(1,268,346)	(1,236,122)	2.5%		961,188
Transfer In from (Out to) Other Funds											
Transfers In from Other Funds	0	175,664	175,664	257,215	(81,551)	(31.7%)	1,273,816	1,273,816	0.0%	(2)	0
Transfers Out to Other Funds	(175,664)	0	(175,664)	(257,215)	81,551	(31.7%)	(1,028,816)	(853,152)	17.1%	(2)	(0)
Net Transfer In/(Out)	(175,664)	175,664	(383,898)	0	(383,898)	n/m	245,000	420,664	n/m		(0)
Net Change in Working Capital	\$310,649	(\$275)	\$310,374	\$72,253	\$238,121	329.6%	(\$249,664)	(\$560,313)	n/m		\$1,089,268
Working Capital, 12/31/2014	(63,808)	(452,820)	(516,628)								(1,631,515)
Working Capital, 3/31/2015	\$246,841	(\$453,095)	(\$206,254)								(\$542,247)

- Most categories are under budget. March sewer and water invoices have yet to be received for most properties. In addition, Seasonal and periodic contracts (Pest Control, Landscaping) are expected to catch up as the year progresses.
- Various site upgrade and building envelope projects were less than anticipated in the budget through the first quarter resulting in less transfer from MKCRF. Upgrade costs are expected to increase as the year progresses.