

MOVING KING COUNTY RESIDENTS FORWARD

Special Meeting of the Board of Directors

Monday, September 21, 2015

10:45 AM

Villages at Overlake Station

Community Room

2580 152nd Avenue N.E.

Redmond, WA 98052

Agenda

- I. Call to Order
- III. Roll Call
- IV. Public Comment
- V. Approval of Minutes - June 22, 2015 Special Board Meeting Minutes
- VI. Second Quarter 2015 Financial Report
- VII. Board of Directors Comments
- VIII. Adjourn

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

Monday, June 22, 2015

I. CALL TO ORDER

The special meeting of the Board of Directors of Moving King County Residents Forward (MKCRF) was called to order by President Doug Barnes, at 10:10 a.m. at Valli Kee, 23401 104th Avenue S.E. Tukwila, Washington.

II. ROLL CALL

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

Excused: Commissioner Michael Brown

KCHA Staff: Bill Cook, Connie Davis, Dave Gashler, Megan Hyla, Burgandi McCurdy, Marsha Murphy, Jessica Olives, Nikki Parrott, Beth Pearson, Craig Violante, and Tim Walter

III. Public Comment:

No Public Comment.

IV. Approval of the Minutes:

Minutes from the May 18, 2015 Annual Special Board Meeting were presented for approval.

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

V. First Quarter Financial Report

Craig Violante, Director of Finance, briefed the board and provided an overview on the MKCRF financial reports.

VI. Board of Director Comments

None

VII. Adjournment

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

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: August 19, 2015

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

EXECUTIVE SUMMARY

Throughout the first half 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.

SECOND QUARTER 2015 FINANCIAL REPORTS

Attached are financial reports through the second 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 first half of 2015 exceeded budget by 2.7% while operating expenses, primarily routine maintenance, are 6.1% below budget. In general, budgeted operating expenses that have not yet been incurred have either (1) not been needed to the extent budgeted (e.g. bed bug treatment, new floor coverings) or (2) are seasonal and will be incurred later in the year (e.g. roofing and paving).

Throughout the first two quarters, the Properties generated net operating cash flow of \$766,852 after required debt service payments and additions to replacement reserves:

Operating Revenues	\$3,333,909
Operating Expenses	(1,728,787)
Debt Service	(773,990)
Trf to Replacement Reserves	(64,280)
Net Cash Flow	<u><u>\$766,852</u></u>

This cash flow has been used to fund the interior upgrades of 8 units throughout the first half of 2015. Although 34 apartments were budgeted for rehabilitation in 2015, unit availability has thus far limited upgrade opportunities.

Since acquiring the Properties, 107 units have been upgraded by KCHA's in-house force account maintenance team. A total of 308 units (60.5%) have been upgraded since inception of the program in 2006.

As part of the disposition application filed with HUD, KCHA committed to performing \$18 million of capital work over five years, and this threshold was met during the second quarter. Following is a history of rehabilitation work through June 2015:

<i>(In millions of dollars)</i>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>Total</u>
Rehabilitation projects-Capital Construction	\$2.1	\$6.1	\$6.6	\$2.4	\$17.2
Unit Upgrades-Housing Management	\$0.4	\$1.8	\$0.7	\$0.3	3.2
	<u>\$2.5</u>	<u>\$7.9</u>	<u>\$7.3</u>	<u>\$2.7</u>	<u>\$20.4</u>

- 1) Funded primarily through cash generated from site operations

As of June, 30, 2015, the Properties had combined cash-on-hand and short-term receivables from MKCRF of \$933,000.

Operations of Moving King County Residents Forward

MKCRF had minimal operating activity with only \$48 of administrative expenses in the first half of the year. All required monthly debt service payments to KCHA were made.

Although the June 30, 2015 balance sheet reflects negative working capital of \$523,000, 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 6/30/2015

ASSETS	MKCRF Properties Managed by KCHA			MKCRF
	Operations	Capital	Combined	
Working Capital Assets				
Cash-Unrestricted	\$622,589	(\$1,333,744)	(\$711,155)	\$1,620,414
Cash-Restricted Within Program	-	-	-	-
Cash-Restricted for WC Purposes	-	-	-	-
Accounts Receivables	18,759	1,625,841	1,644,600 (1)	-
Prepaid Assets & Inventory	21,758	-	21,758	-
Total Working Capital Assets	663,105	292,097	955,203	1,620,414
Liabilities Offsetting Working Capital Assets				
Accounts Payable	(2,068)	(249,450)	(251,518)	(1,625,841)
Payroll Liabilities	(177,879)	-	(177,879)	-
Accrued Liabilities	-	-	-	-
Deferrals	-	-	-	-
Current Portion of Long-term debt	-	-	-	(518,060)
Total Offsetting Liabilities	(179,947)	(249,450)	(429,396)	(2,143,901)
Working Capital	\$483,158	\$42,648	\$525,806	(\$523,487)
Other Assets				
Cash-Designated	318,647	-	318,647	2,065,783
Cash-Restricted	76,742	-	76,742	-
Receivables	-	-	-	-
Capital Assets	69,608	-	69,608	62,020,890
Work-in-Process	6,294	(1)	6,292	6,770,965
Suspense	198	-	198	-
Other Assets	-	-	-	-
Total Other Assets	471,489	(1)	471,488	70,857,638
TOTAL ASSETS (net of WC offsets)	\$954,648	\$42,647	\$997,294	\$70,334,151
LIABILITIES & EQUITY				
Other Liabilities				
Deferrals-Related to Restr Cash	76,592	-	76,592	-
Debt	-	-	-	16,627,036
Other Liabilities	-	-	-	-
	76,592	-	76,592	16,627,036
Equity				
Equity	878,055	42,647	920,702	53,707,115
	878,055	42,647	920,702	53,707,115
TOTAL LIAB & EQ (net of curr liab)	\$954,648	\$42,647	\$997,294	\$70,334,151

1) \$1.6 million owed to KCHA for capital work performed at MKCRF properties in the second quarter. Reimbursement will occur in the third quarter

Operations and Capital of MKCRF Properties
Working Capital Budget vs. Actual Report
For the Period Ended 6/30/2015

	MKCRF Properties Managed by KCHA									
	Year-to-Date					(n/m= not meaningful)	2015	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	\$3,332,827	\$0	\$3,332,827	\$3,244,751	\$88,076	2.7%	\$6,489,502	\$3,156,675	51.4%	\$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	1,081	0	1,081	1,684	(603)	(35.8%)	10,866	9,785	10.0%	773,990
Non-operating Revenue	672	(880)	(208)	27	(235)	(869.1%)	103	(569)	652.6%	2,835
Total Revenues	3,334,581	(880)	3,333,701	3,246,462	87,239	2.7%	6,500,471	3,165,890	51.3%	776,824
Expenses										
Salaries & Benefits	446,599	0	446,599	434,666	11,933	2.7%	869,231	422,632	51.4%	0
Routine Maintenance, Utilities, Taxes & Insurance	822,308	0	822,308	933,638	(111,330)	(11.9%)	2,309,782	1,487,474	35.6%	(1) 4
Direct Social Service Salaries	0	0	0	0	0	n/m	0	0	n/m	0
Other Social Service Support Expenses & HAP	794	0	794	185	609	329.0%	370	(424)	214.5%	0
Administrative Support Expenses	353,232	0	353,232	360,298	(7,066)	(2.0%)	734,915	381,683	48.1%	48
Non-operating Expenses	773,990	0	773,990	773,746	244	0.0%	1,812,491	1,038,501	42.7%	518,836
Total Expenses	2,396,923	0	2,396,923	2,502,533	(105,610)	(4.2%)	5,726,789	3,329,866	41.9%	518,887
Net Income	937,658	(880)	936,778	743,929	192,849	25.9%	773,682	(163,976)	121.2%	257,937
Other Sources/(Uses) of Working Capital										
(Increase) in Restricted/Designated Cash	(64,280)	0	(64,280)	(63,878)	(402)	0.6%	(127,830)	(63,550)	50.3%	(2,787)
Decrease in Restricted/Designated Cash	0	0	0	0	0	n/m	0	0	n/m	2,372,620
(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	(760)	(321,328)	(322,088)	(560,215)	238,127	(42.5%)	(1,140,516)	(1,139,756)	0.1%	(2) (2,412,623)
Disposition of Capital Assets	0	0	0	0	0	n/m	0	0	n/m	0
Change in Suspense	(198)	0	(198)	0	(198)	n/m	0	198	n/m	0
Change in Other Assets	0	0	0	0	0	n/m	0	0	n/m	0
Change in Deferrals	267	0	267	0	267	n/m	0	(267)	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	(255,154)
Change in Other Liabilities	(35,022)	0	(35,022)	0	(35,022)	n/m	0	35,022	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	(2,542)	0	(2,542)	0	(2,542)	n/m	0	2,542	n/m	0
Total Other Sources/(Uses) of Working Capital	(102,535)	(321,328)	(423,863)	(624,093)	200,230	(32.1%)	(1,268,346)	(1,165,811)	8.1%	(297,944)
Transfer In from (Out to) Other Funds										
Transfers In from Other Funds	0	321,111	321,111	514,415	(193,304)	(37.6%)	1,273,816	1,273,816	0.0%	(2) 0
Transfers Out to Other Funds	(321,111)	0	(321,111)	(514,415)	193,304	(37.6%)	(1,028,816)	(707,705)	31.2%	(2) (1,644,600)
Net Transfer In/(Out)	(321,111)	321,111	(783,714)	0	(783,714)	n/m	245,000	566,111	n/m	(1,644,600)
Net Change in Working Capital	\$514,013	(\$1,097)	\$512,915	\$119,836	\$393,079	328.0%	(\$249,664)	(\$763,677)	n/m	(\$1,684,607)
Working Capital, 12/31/2014	(30,854)	43,745	12,891							(2,128,080)
Working Capital, 6/30/2015	\$483,158	\$42,648	\$525,806							(\$3,812,687)

- 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 (Bellevue 8 & Young's Lake sidewalk replacement) have yet to be incurred.
- 2) Two unit upgrades were completed in the quarter and eight have been completed in the first six months, both below the pace necessary to reach the annual budget of 34 units. Upgrades are dependent upon unit availability.