

MOVING KING COUNTY RESIDENTS FORWARD

Meeting of the Board of Directors

Monday, November 16, 2015
10:15 AM

King County Housing Authority
Snoqualmie Conference Room
600 Andover Park West
Tukwila, WA 98188

Agenda

- I. Call to Order
- III. Roll Call
- IV. Public Comment
- V. Approval of Minutes - September 21, 2015 Special Board Meeting Minutes
- VI. Third 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, September 21, 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 10:45 a.m. at Villages at Overlake Station, Community Room, 2580 152nd Avenue N.E., Redmond, WA 98052

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

III. Public Comment:

No Public Comment.

IV. Approval of the Minutes:

Minutes from the June 22, 2015 Special Board Meeting were presented for approval.

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

V. Second Quarter 2015 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 10:58 a.m.

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: November 2, 2015

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

EXECUTIVE SUMMARY

Throughout the first nine months, 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 13 units using KCHA's force account.

THIRD QUARTER 2015 FINANCIAL REPORTS

Attached are financial reports through the third 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 nine months of 2015 exceeded budget by 3.2% while operating expenses, primarily routine maintenance, are 17.6% 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) were started during the quarter (e.g. paving), (3) were completed at a reduced costs due to internal staffing performing the labor (painting) or (4) have been deferred to 2016.

Throughout the period, the Properties generated net operating cash flow of \$751,210 after required debt service payments and additions to replacement reserves:

Operating Revenues	\$5,024,189
Operating Expenses	(3,015,490)
Debt Service	(1,160,985)
Trf to Replacement Reserves	(96,504)
Net Cash Flow	<u><u>\$751,210</u></u>

This cash flow has been used to fund the interior upgrades of 13 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, 112 units have been upgraded by KCHA's in-house force account maintenance team. A total of 313 units (61.5%) 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. KCHA notified HUD on October 12, 2015 of the completion of the required element of the 2012 disposition. Following is a history of rehabilitation work through September 2015:

<i>(In millions of dollars)</i>	2012	2013	2014	2015	Total
Rehabilitation projects-Capital Construction	\$2.1	\$6.1	\$6.6	\$2.7	\$17.5
Unit Upgrades-Housing Management	\$0.4	\$1.8	\$0.7	\$0.5	\$3.4
	\$2.5	\$7.9	\$7.3	\$3.2	\$20.9

As of September 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 \$58 of administrative expenses throughout the first nine months. All required monthly debt service payments to KCHA were made.

Although the September 30, 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 9/30/2015

	MKCRF Properties Managed by KCHA			MKCRF
	Operations	Capital	Combined	
ASSETS				
Working Capital Assets				
Cash-Unrestricted	\$714,746	(\$168,407)	\$546,338	\$306,424
Cash-Restricted Within Program	-	-	-	-
Cash-Restricted for WC Purposes	-	-	-	-
Accounts Receivables	35,173	330,620 (1)	365,793	-
Prepaid Assets & Inventory	546	-	546	-
Total Working Capital Assets	750,465	162,213	912,678	306,424
Liabilities Offsetting Working Capital Assets				
Accounts Payable	(2,068)	(119,602)	(121,670)	(330,620) (1)
Payroll Liabilities	(177,879)	-	(177,879)	-
Accrued Liabilities	-	-	-	-
Deferrals	-	-	-	-
Current Portion of Long-term debt	-	-	-	(518,060)
Total Offsetting Liabilities	(179,947)	(119,602)	(299,549)	(848,680)
Working Capital	\$570,518	\$42,611	\$613,129	(\$542,256)
Other Assets				
Cash-Designated	350,613	-	350,613	1,998,924
Cash-Restricted	77,000	-	77,000	-
Receivables	-	-	-	-
Capital Assets	68,665	-	68,665	61,693,673
Work-in-Process	6,324	(2)	6,322	7,101,583
Suspense	108	-	108	-
Other Assets	-	-	-	-
Total Other Assets	502,710	(2)	502,708	70,794,180
TOTAL ASSETS (net of WC offsets)	\$1,073,228	\$42,609	\$1,115,837	\$70,251,924
LIABILITIES & EQUITY				
Other Liabilities				
Deferrals-Related to Restr Cash	77,000	-	77,000	-
Debt	-	-	-	16,496,567
Other Liabilities	-	-	-	-
	77,000	-	77,000	16,496,567
Equity				
Equity	996,228	42,609	1,038,838	53,755,357
	996,228	42,609	1,038,838	53,755,357
TOTAL LIAB & EQ (net of curr liab)	\$1,073,228	\$42,609	\$1,115,837	\$70,251,924

1) Owed to KCHA for capital work performed at MKCRF properties in the third quarter. Payment to KCHA is due in October.

**Operations and Capital of MKCRF Properties
Working Capital Budget vs. Actual Report
For the Period Ended 9/30/2015**

	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	\$5,022,562	\$0	\$5,022,562	\$4,867,141	\$155,421	3.2%	\$6,489,502	\$1,466,940	77.4%	\$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	1,626	0	1,626	2,500	(874)	(34.9%)	10,866	9,240	15.0%	1,405,985
Non-operating Revenue	1,200	(917)	283	63	220	348.7%	103	(1,097)	1164.8%	2,835
Total Revenues	5,025,388	(917)	5,024,471	4,869,704	154,767	3.2%	6,500,471	1,475,083	77.3%	1,408,819
Expenses										
Salaries & Benefits	683,470	0	683,470	663,846	19,624	3.0%	869,231	185,761	78.6%	0
Routine Maintenance, Utilities, Taxes & Insurance	1,341,334	0	1,341,334	1,798,583	(457,249)	(25.4%)	2,309,782	968,448	58.1%	(1) 4
Direct Social Service Salaries	0	0	0	0	0	n/m	0	0	n/m	0
Other Social Service Support Expenses & HAP	1,128	0	1,128	279	849	304.2%	370	(758)	304.8%	0
Administrative Support Expenses	539,258	0	539,258	552,782	(13,524)	(2.4%)	734,915	195,657	73.4%	58
Non-operating Expenses	1,160,985	245,000	1,405,985	1,415,618	(9,633)	(0.7%)	1,812,491	651,506	64.1%	775,362
Total Expenses	3,726,174	245,000	3,971,174	4,431,108	(459,934)	(10.4%)	5,726,789	2,000,615	65.1%	775,423
Net Income	1,299,214	(245,917)	1,053,297	438,596	614,701	140.2%	773,682	(525,532)	167.9%	633,396
Other Sources/(Uses) of Working Capital										
(Increase) in Restricted/Designated Cash	(96,504)	0	(96,504)	(95,852)	(652)	0.7%	(127,830)	(31,326)	75.5%	(247,787)
Decrease in Restricted/Designated Cash	0	0	0	0	0	n/m	0	0	n/m	3,998,459
(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	(18,920)	(545,638)	(564,558)	(866,547)	301,989	(34.8%)	(1,140,516)	(1,121,596)	1.7%	(2) (2,743,241)
Disposition of Capital Assets	0	0	0	0	0	n/m	0	0	n/m	0
Change in Suspense	(108)	0	(108)	0	(108)	n/m	0	108	n/m	0
Change in Other Assets	0	0	0	0	0	n/m	0	0	n/m	0
Change in Deferrals	675	0	675	0	675	n/m	0	(675)	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	(385,623)
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	(152,421)	(545,638)	(698,059)	(962,399)	264,340	(27.5%)	(1,268,346)	(1,115,925)	12.0%	621,808
Transfer In from (Out to) Other Funds										
Transfers In from Other Funds	0	790,421	790,421	1,016,622	(226,201)	(22.3%)	1,273,816	1,273,816	0.0%	(2) 0
Transfers Out to Other Funds	(545,421)	0	(545,421)	(771,622)	226,201	(29.3%)	(1,028,816)	(483,395)	53.0%	(2) (0)
Net Transfer In/(Out)	(545,421)	790,421	(1,055,289)	245,000	(1,300,289)	n/m	245,000	790,421	n/m	(0)
Net Change in Working Capital	\$601,372	(\$1,134)	\$600,238	(\$278,803)	\$879,041	n/m	(\$249,664)	(\$851,036)	n/m	\$1,255,204
Working Capital, 12/31/2014	(30,854)	43,745	12,891							(2,128,080)
Working Capital, 9/30/2015	\$570,518	\$42,611	\$613,129							(\$872,876)

- 1) The Kirkwood Terrace paving projects were budgeted in July and August but started in September. Also, the Bellevue 8 paint project was completed for much less than budget by using internal central maintenance staff
- 2) Various unit upgrade projects were less than anticipated in the budget through the third quarter resulting in less interfund transfers.