

MOVING KING COUNTY RESIDENTS FORWARD

Meeting of the Board of Directors

Monday, April 17, 2017

10:15 AM or immediately following the
KCHA Board of Commissioners Meeting

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

Agenda

- I. Call to Order
- II. Roll Call
- III. Public Comment
- IV. Approval of Minutes
 - a. December 19, 2016 Board Meeting Minutes
- V. Resolution for Discussion and Possible Action
 - a. None
- VI. Reports
 - a. Calendar Year 2016 Financial Report for Moving King County Residents Forward (MKCRF) and MKCRF-owned properties
- VII. Board of Directors Comments
- VIII. Adjourn

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

Monday, December 19, 2016

I. CALL TO ORDER

The meeting of the Board of Directors of Moving King County Residents Forward (MKCRF) was called to order by Vice-President Michael Brown, at 10:30 a.m. at King County Housing Authority, 700 Andover Park West, Tukwila, WA 98188.

II. ROLL CALL

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

Absent: President Doug Barnes

III. Public Comment:

No Public Comment.

IV. Approval of the Minutes:

Minutes from the November 21, 2016 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. Resolutions for Discussion and Possible Action

a. **Resolution No. 27:** 2017 Budget for MKCRF and MKCRF-owned properties

Craig Violante, Director of Finance, briefed the Board on the MKCRF budget for Calendar Year 2017. Mr. Violante provided an overview of the proposed budget assumptions and activities supported by it.

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

Director Susan Palmer moved for the approval of Resolution No. 27, with Director TerryLynn Stewart seconding the motion. Resolution No. 27 was unanimously approved.

VI. Board of Director Comments

None

VII. Adjournment

There being no further business, the meeting was officially adjourned at 10:55 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: April 11, 2017

RE: Calendar Year 2016 Financial Reports for Moving King County Residents Forward (MKCRF) and MKCRF-Owned Properties

EXECUTIVE SUMMARY

Throughout 2016, 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 10 units using KCHA's internal unit upgrade crew.

FOURTH QUARTER 2016 FINANCIAL REPORTS

Attached are financial reports through the last quarter of 2016:

- 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 on the far right.
- Working Capital reports for the Properties as reflected on the books of KCHA as operator, and for MKCRF itself. MKCRF information is on the far right.

KCHA Operations of the Properties

Operating revenues for 2016 exceeded budget by 2.7% while operating expenses exceeded budget by 1.4% due to unexpected security costs at Riverton Terrace.

During 2016, the Properties generated net operating cash flow of \$2,389,137 after required debt service payments and additions to replacement reserves:

Operating Revenues	\$7,191,164
Operating Expenses	(3,511,054)
Debt Service	(1,160,985)
Trf to Replacement Reserves	(129,989)
Net Cash Flow	<u>\$2,389,137</u>

This cash flow was partially used to fund the interior upgrades of ten units. Although 25 apartments were budgeted for rehabilitation in 2016, unit availability limited upgrade opportunities. Since acquiring the Properties in 2012, 122 units have been upgraded by KCHA's in-house unit upgrade crew. A total of 323 units (63.5%) have been upgraded since inception of the program in 2006.

Total 2016 expenditures for capital projects were \$2.8 million, exceeding the budget of \$1.8 million. This variance is primarily related to project scope increases at three properties:

- The original budget for Evergreen Court did not include the envelope improvements for the management office/community space, upgrading unit back porches, or the addition of concrete walkways in some areas.
- The scope of the Juanita Trace roof replacement project was expanded to include the addition of fall protection which was later required by the City of Shoreline. The fall protection required additional framing in multiple locations. Work was also added to replace the soffits while the roof was open and they were accessible.
- After removal of the shingles from the Wellswood roof, the severe moisture damage of the sheathing was evident. All the sheathing required replacement, and the effects of significant moisture in the attic had to be remediated. The additional work nearly doubled the duration of the work and increased KCHA staff costs on the project. Also, the siding repair work was more extensive than originally scoped and the installation of the new windows required the careful removal and replacement of siding that was not anticipated.

As of December 31, 2016, the Properties had combined cash on hand and short-term receivables of \$179,000.

Operations of Moving King County Residents Forward

Year-to-date, MKCRF has had minimal operating activity with only \$2,483 of administrative expenses, primarily fees for tax return preparation. All required monthly debt service payments to KCHA were made.

Although the December 31, 2016 balance sheet reflects negative working capital of \$518,060, this is the result of minimum loan payments of \$518,060 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 12/31/2016

	MKCRF Properties Managed by KCHA			MKCRF
	Operations	Capital	Combined	
ASSETS				
Working Capital Assets				
10 Cash-Unrestricted	(\$183,201)	\$300,193	\$116,992	\$0
10 Cash-Restricted Within Program	244	-	244	-
10 Cash-Restricted for WC Purposes	-	-	-	-
12 Accounts Receivable	61,820	-	61,820	-
14 Prepaid Assets & Inventory	98,374	-	98,374	-
Total Working Capital Assets	(22,764)	300,193	277,429	-
Liabilities Offsetting Working Capital Assets				
20 Accounts Payable	(1,507)	(259,009)	(260,516)	-
21 Payroll Liabilities	(115,517)	-	(115,517)	-
22 Accrued Liabilities	-	-	-	-
24 Deferrals	-	-	-	-
25 Current Portion of Long-term debt	-	-	-	(518,060)
Total Offsetting Liabilities	(117,024)	(259,009)	(376,033)	(518,060)
Working Capital	(\$139,788)	\$41,183	(\$98,605) (1)	(\$518,060)
Other Assets				
10 Cash-Designated	512,633	-	512,633	0
10 Cash-Restricted	77,257	-	77,257	-
15 Receivables	-	-	-	-
16 Capital Assets	63,949	-	63,949	66,686,261
17 Work-in-Process	767	(1)	766	3,716,691
18 Suspense	-	-	-	-
19 Other Assets	-	-	-	-
Total Other Assets	654,605	(1)	654,604	70,402,952
TOTAL ASSETS (net of WC offsets)	\$514,818	\$41,182	\$555,999	\$69,884,892
LIABILITIES & EQUITY				
Other Liabilities				
24 Deferrals-Related to Restr Cash	77,257	-	77,257	-
26 Debt	-	-	-	15,814,119
27 Other Liabilities	-	-	-	-
	77,257	-	77,257	15,814,119
Equity				
28 Equity	437,561	41,182	478,742	54,070,773
	437,561	41,182	478,742	54,070,773
TOTAL LIAB & EQ (net of curr liab)	\$514,818	\$41,182	\$555,999	\$69,884,892

1) Negative working capital due to a \$200k construction project at Evergreen Court that was budgeted for 2017 and was to be funded with 2017 operating cash flow. Instead, this project was substantially completed in 2016 and temporarily caused negative working capital.

**Operations and Capital of MKCRF Properties
Working Capital Budget vs. Actual Report
For the Period Ended 12/31/2016**

	MKCRF Properties Managed by KCHA									MKCRF					
	Year-to-Date			Budget	Variance	(n/m= not meaningful)	2016 Annual Budget	Remainder to Receive/ Spend	(n/m= not meaningful)	Actual	Budget	Variance	(n/m= not meaningful)	Annual Budget	Remainder to Receive/ Spend
	Operations	Capital	Combined			Percent YTD			Percent of Annual Budget				Percent YTD		
Revenues															
Tenant Revenue	7,174,716	0	\$7,174,716	\$6,993,238	\$181,478	2.6%	\$6,993,238	(\$181,478)	102.6%	\$0	\$0	\$0	n/m	\$0	\$0
Operating Fund Subsidy from HUD	0	0	0	0	0	n/m	0	0	n/m	0	0	0	n/m	0	0
Section 8 Subsidy from HUD	0	0	0	0	0	n/m	0	0	n/m	0	0	0	n/m	0	0
Other Operating Revenue	16,449	0	16,449	9,443	7,006	74.2%	9,443	(7,006)	174.2%	3,076,563	2,677,674	398,889	n/m	2,677,674	(398,889)
Non-operating Revenue	13,235	(1,483)	11,752	(944)	12,696	n/m	(944)	(12,696)	n/m	0	0	0	n/m	0	0
Total Revenues	7,204,399	(1,483)	7,202,917	7,001,737	201,180	2.9%	7,001,737	(201,180)	102.9%	3,076,563	2,677,674	398,889	n/m	2,677,674	(398,889)
Expenses															
Salaries & Benefits	886,294	0	886,294	876,154	10,140	1.2%	876,154	(10,140)	101.2%	0	0	0	n/m	0	0
Routine Maintenance, Utilities, Taxes & Insurance	1,912,903	0	1,912,903	1,904,051	8,852	0.5%	1,904,051	(8,852)	100.5%	0	0	0	n/m	0	0
Direct Social Service Salaries	0	0	0	0	0	n/m	0	0	n/m	0	0	0	n/m	0	0
Other Social Service Support Expenses & HAP	46,290	0	46,290	650	45,640	7021.6%	650	(45,640)	7121.6%	0	0	0	n/m	0	0
Administrative Support Expenses	714,330	0	714,330	730,199	(15,869)	(2.2%)	730,199	15,869	97.8%	2,483	7,548	(5,065)	(67.1%)	7,548	5,065
Non-operating Expenses	1,625,435	1,528,584	3,154,019	4,682,603	(1,528,584)	(32.6%)	2,687,674	(466,345)	60.5%	997,968	997,968	(0)	n/m	997,968	0
Total Expenses	5,185,251	1,528,584	6,713,835	8,193,657	(1,479,822)	(18.1%)	6,198,728	(515,107)	83.7%	1,000,451	1,005,516	(5,065)	n/m	1,005,516	5,065
Net Income	2,019,149	(1,530,067)	489,082	(1,191,920)	1,681,001	n/m	803,009	313,927	251.4%	2,076,113	1,672,158	403,955	24.2%	1,672,158	(403,955)
Other Sources/(Uses) of Working Capital															
(Increase) in Restricted/Designated Cash	(129,989)	0	(129,989)	(127,788)	(2,201)	1.7%	(127,788)	2,201	101.7%	0	0	0	n/m	0	0
Decrease in Restricted/Designated Cash	810	0	810	0	810	n/m	0	(810)	n/m	1,517,916	700,000	817,916	n/m	700,000	(817,916)
(Increase) in LT Receivables	0	0	0	0	0	n/m	0	0	n/m	0	0	0	n/m	0	0
Decrease in LT Receivables	0	0	0	0	0	n/m	0	0	n/m	0	0	0	n/m	0	0
Acquisition of Capital Assets	(367,044)	(377,066)	(744,110)	(1,299,727)	555,617	(42.7%)	(1,299,727)	(555,617)	28.2%	(2,799,781)	(1,830,183)	(969,598)	53.0%	(1,830,183)	969,598
Disposition of Capital Assets	0	0	0	0	0	n/m	0	0	n/m	0	0	0	n/m	0	0
Change in Suspense	(0)	0	(0)	0	(0)	n/m	0	0	n/m	0	0	0	n/m	0	0
Change in Other Assets	0	0	0	0	0	n/m	0	0	n/m	0	0	0	n/m	0	0
Change in Deferrals	(810)	0	(810)	0	(810)	n/m	0	810	n/m	0	0	0	n/m	0	0
Increase in LT Debt	0	0	0	0	0	n/m	0	0	n/m	0	0	0	n/m	0	0
(Decrease) in LT Debt	0	0	0	0	0	n/m	0	0	n/m	(550,011)	(583,935)	33,924	(5.8%)	(583,935)	(33,924)
Change in Other Liabilities	0	0	0	0	0	n/m	0	0	n/m	0	0	0	n/m	0	0
Other Non-Working Capital Income/Expense Items	0	0	0	0	0	n/m	0	0	n/m	0	0	0	n/m	0	0
Non Income/Expense Change in Equity	0	0	0	0	0	n/m	0	0	n/m	0	0	0	n/m	0	0
Total Other Sources/(Uses) of Working Capital	(497,033)	(377,066)	(874,099)	(1,427,515)	553,416	(38.8%)	(1,427,515)	(553,416)	34.8%	(1,831,876)	(1,714,118)	(117,758)	6.9%	(1,714,118)	117,758
Transfer In from (Out to) Other Funds															
Transfers In from Other Funds	0	1,905,650	1,905,650	1,861,381	44,269	2.4%	1,861,381	(44,269)	0.0%	0	0	0	n/m	0	0
Transfers Out to Other Funds	(1,905,650)	0	(1,905,650)	(1,861,381)	(44,269)	2.4%	(1,861,381)	44,269	102.4%	0	0	0	n/m	0	0
Net Transfer In/(Out)	(1,905,650)	1,905,650	0	0	0	n/m	0	0	n/m	0	0	0	n/m	0	0
Net Change in Working Capital	(\$383,534)	(\$1,483)	(\$385,017)	(\$2,619,435)	\$2,234,418	(85.3%)	(\$624,506)	(\$239,489)	61.4%	\$244,237	(\$41,960)	\$286,197	(682.1%)	(\$41,960)	(\$286,197)
Working Capital, 12/31/2015	243,747	42,666	286,412							(762,297)					
Working Capital, 12/31/2016	(\$139,788)	\$41,183	(\$98,604)							(\$518,060)					

- 1) Following an incident at Riverton Terrace, a security patrol agency was temporarily hired to provide security services. Unbudgeted.
- 2) Cost related to Vista Heights fire damage exceeded insurance proceeds. Also, technical entry for capital contributions to MKCRF exceeded budget.
- 3) 25 unit upgrades were budgeted for 2016 but only 10 unit upgrades were completed due to lack of unit availability.