

MOVING KING COUNTY RESIDENTS FORWARD

Annual Meeting of the Board of Directors

Monday, May 21, 2018

10:15 AM

or immediately following the KCHA Board meeting

Snoqualmie Conference Room

700 Andover Park West

Tukwila, WA 98188

Agenda

- I. Call to Order
- II. Election of Officers
 - a. President
 - b. Secretary
 - c. Treasurer
- III. Roll Call
- IV. Public Comment
- V. Approval of Minutes - December 18, 2017 Board Meeting Minutes
- VI. Resolutions for Discussion and Possible Action
 - a. None.
- VII. Briefings and Reports
 - A. CY 2017 Fourth Quarter Financial Report for MKCRF and MKCRF-Owned Properties
 - B. CY 2018 First Quarter Financial Report for MKCRF and MKCRF-Owned Properties
- VIII. Board of Directors Comments
- IX. Adjourn

Members of the public who are disabled and require special accommodations, or assistance at the meeting are requested to notify the Board Coordinator, Jessica Olives, in writing at 600 Andover Park West, Seattle, WA 98188, or by calling 206-574-1194 prior to the meeting date.

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

Monday, December 18, 2017

I. CALL TO ORDER

The meeting of the Board of Directors of Moving King County Residents Forward (MKCRF) was held on Monday, December 18, 2017 at 700 Andover Park West at 10:33 a.m.

II. ROLL CALL

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

III. Public Comment

None.

IV. Approval of the Minutes

A. Minutes from the August 21, 2017 Board of Directors' meeting were presented for approval.

Director Michael Brown moved for approval of the August 2017 minutes, with Director John Welch seconding the motion. The minutes were unanimously approved.

V. Resolutions for Discussion and Possible Action

A. **Resolution No. 28: Adoption of the Calendar Year 2018 Operating & Capital Budget**

Craig Violante, Director of Finance, briefed the board on the MKCRF budget for Calendar Year 2018. Mr. Violante provided an overview of the proposed budget adjustments.

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

On motion by Director TerryLynn Stewart, seconded by Director Michael Brown, the board unanimously approved Resolution No. 28.

VI. Briefings and Reports

None.

VII. Board of Director Comments

None.

VIII. Adjournment

There being no further business, the meeting was officially adjourned at 10:52 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: March 26, 2018

RE: Calendar Year 2017 Financial Reports for Moving King County Residents Forward (MKCRF) and MKCRF-Owned Properties

EXECUTIVE SUMMARY

Throughout 2017, 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 20 units using KCHA's internal unit upgrade crew. Although non-routine capital projects were \$158k over budget, this variance was due to the receipt in 2017 of invoices for a playground project at Juanita Court and Greenleaf that was completed mid-2016. After accounting for this \$160k project, actual 2017 project expenditures were in alignment with the budget. This timing issue caused an unanticipated drop in working capital in 2017.

FOURTH QUARTER 2017 FINANCIAL REPORTS

Attached are financial reports for 2017:

- 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

2017 net operating income finished essentially on-target with 100.5% of budgeted tenant revenue having been received and 101.6% of planned operating expenses incurred, for net operating income of 99.4% of budget projections.

Throughout the period, the Properties generated net operating cash flow of \$2,136,999 after required debt service payments and additions to replacement reserves:

Operating Revenues	\$7,554,075
Operating Expenses	(3,735,634)
Debt Service	(1,547,979)
Trf to Replacement Reserves	(133,463)
Net Cash Flow	<u><u>\$2,136,999</u></u>

This cash flow was partially used to fund the interior upgrades of 20 units vs. 11 that were included in the entire 2017 MKCRF unit upgrade budget. To supplement the MKCRF unit upgrade program, \$250,000 earmarked for a deck and patio replacement project at Greenleaf was redirected to the unit upgrade program. The deck and patio project is instead being folded into to a larger project scheduled for 2018 that will have a different funding source. At the 2017 average cost of \$27,165 per unit, this gave MKCRF the capacity to upgrade nine additional units to reach the grand total of 20. Since acquiring the Properties in 2012, 140 units have been upgraded by KCHA's in-house unit

upgrade crew. A total of 343 units (67.4%) have been upgraded since inception of the program in 2006.

At the end of 2017, the Properties had negative working capital of (\$341,159). More than half of the 12/31/2017 negative working capital was carried-over from the beginning of 2017 and the remainder is the result of \$160k playground project timing issue identified above. The negative working capital will be monitored during 2018 and funds will be transferred from MTW as required.

Operations of Moving King County Residents Forward

MKCRF has had minimal operating activity with only \$777 of administrative expenses. All required monthly debt service payments to KCHA were made.

The December 31, 2017 balance sheet reflects negative working capital of approximately \$584,000, equal to the minimum loan payments due within the next 12 months. These loan payments 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 12/31/2017

ASSETS	MKCRF Properties Managed by KCHA			MKCRF
	Operations	Capital	Combined	
Working Capital Assets				
Cash-Unrestricted	(\$357,588)	\$83,089	(\$274,498)	(\$778)
Cash-Restricted Within Program	-	-	-	-
Cash-Restricted for WC Purposes	-	-	-	-
Accounts Receivable	102,747	-	102,747	-
Prepaid Assets & Inventory	115,000	-	115,000	-
Total Working Capital Assets	(139,841)	83,089	(56,752)	(778)
Liabilities Offsetting Working Capital Assets				
Accounts Payable	(94,149)	(47,692)	(141,841)	-
Payroll Liabilities	(150,753)	(208)	(150,961)	-
Accrued Liabilities	-	-	-	-
Deferrals	-	-	-	-
Current Portion of Long-term debt	-	-	-	(583,936)
Total Offsetting Liabilities	(244,902)	(47,900)	(292,802)	(583,936)
Working Capital	(\$384,743)	\$35,189	(\$349,554)	(\$584,714)
Other Assets				
Cash-Designated	646,427	-	646,427	-
Cash-Restricted	76,925	-	76,925	-
Receivables	-	-	-	-
Capital Assets	88,367	-	88,367	67,389,338
Work-in-Process	763	1,951	2,714	2,752,359
Suspense	-	-	-	-
Other Assets	-	-	-	-
Total Other Assets	812,483	1,951	814,434	70,141,697
TOTAL ASSETS (net of WC offsets)	\$427,740	\$37,140	\$464,880	\$69,556,983
LIABILITIES & EQUITY				
Other Liabilities				
Deferrals-Related to Restr Cash	76,925	-	76,925	-
Debt	-	-	-	15,164,307
Other Liabilities	-	-	-	-
	76,925	-	76,925	15,164,307
Equity				
Equity	350,815	37,140	387,955	54,392,676
	350,815	37,140	387,955	54,392,676
TOTAL LIAB & EQ (net of curr liab)	\$427,740	\$37,140	\$464,880	\$69,556,983

**Operations and Capital of MKCRF Properties
Working Capital Budget vs. Actual Report
For the Period Ended 12/31/2017**

	MKCRF Properties Managed by KCHA						MKCRF			
	Year-to-Date					Variance	Actual	Budget	Variance	Variance
	Operations	Capital	Combined	Budget	Variance					
Revenues										
Tenant Revenue	7,551,401	0	\$7,551,401	\$7,513,534	\$37,867	0.5%	\$0	\$0	\$0	n/m
Operating Fund Subsidy from HUD	0	0	0	0	0	n/m	0	0	0	n/m
Section 8 Subsidy from HUD	0	0	0	0	0	n/m	0	0	0	n/m
Other Operating Revenue	2,674	0	2,674	3,830	(1,156)	(30.2%)	2,960,422	2,974,407	(13,985)	(0.5%)
Non-operating Revenue	10,180	(991)	9,189	3,316	5,873	177.1%	0	0	0	n/m
Total Revenues	7,564,255	(991)	7,563,264	7,520,680	42,584	0.6%	2,960,422	2,974,407	(13,985)	n/m
Expenses										
Salaries & Benefits	967,203	1,955	969,157	963,030	6,127	0.6%	0	0	0	n/m
Routine Maintenance, Utilities, Taxes & Insurance	2,033,824	898	2,034,722	1,998,168	36,554	1.8%	0	0	0	n/m
Direct Social Service Salaries	0	0	0	0	0	n/m	0	0	0	n/m
Other Social Service Support Expenses & HAP	2,136	0	2,136	530	1,606	303.0%	0	0	0	n/m
Administrative Support Expenses	729,619	0	729,619	706,024	23,595	3.3%	777	1,000	(223)	n/m
Non-operating Expenses	1,510,290	1,412,442	2,922,732	2,976,407	(53,675)	(1.8%)	964,044	964,044	0	0.0%
Total Expenses	5,243,071	1,415,295	6,658,366	6,644,159	14,207	0.2%	964,821	965,044	(223)	(0.0%)
Net Income	2,321,184	(1,416,286)	904,898	876,521	28,377	3.2%	1,995,600	2,009,363	(13,763)	n/m
Other Sources/(Uses) of Working Capital										
(Increase) in Restricted/Designated Cash	(133,463)	0	(133,463)	(129,708)	(3,755)	2.9%	0	0	0	n/m
Decrease in Restricted/Designated Cash	0	0	0	0	0	n/m	0	0	0	n/m
(Increase) in LT Receivables	0	0	0	0	0	n/m	0	0	0	n/m
Decrease in LT Receivables	0	0	0	0	0	n/m	0	0	0	n/m
Acquisition of Capital Assets	(351,437)	(603,636)	(955,073)	(732,648)	(222,425)	(1) 30.4%	(1,412,442)	(1,426,916)	14,474	(1.0%)
Disposition of Capital Assets	0	0	0	0	0	n/m	0	0	0	n/m
Change in Suspense	0	0	0	0	0	n/m	0	0	0	n/m
Change in Other Assets	0	0	0	0	0	n/m	0	0	0	n/m
Change in Deferrals	(332)	0	(332)	0	(332)	n/m	0	0	0	n/m
Increase in LT Debt	0	0	0	0	0	n/m	0	0	0	n/m
(Decrease) in LT Debt	0	0	0	0	0	n/m	(649,812)	(619,951)	(29,861)	4.8%
Change in Other Liabilities	0	0	0	0	0	n/m	0	0	0	n/m
Other Non-Working Capital Income/Expense Items	0	0	0	0	0	n/m	0	0	0	n/m
Non Income/Expense Change in Equity	0	0	0	0	0	n/m	0	0	0	n/m
Total Other Sources/(Uses) of Working Capital	(485,232)	(603,636)	(1,088,868)	(862,356)	(226,512)	26.3%	(2,062,254)	(2,046,867)	(15,387)	0.8%
Transfer In from (Out to) Other Funds										
Transfers In from Other Funds	0	2,014,126	2,014,126	1,716,164	297,962	(2) 17.4%	0	0	0	n/m
Transfers Out to Other Funds	(2,014,126)	0	(2,014,126)	(1,716,164)	(297,962)	(2) 17.4%	0	0	0	n/m
Net Transfer In/(Out)	(2,014,126)	2,014,126	0	0	0	n/m	0	0	0	n/m
Net Change in Working Capital	(\$178,174)	(\$5,796)	(\$183,970)	\$14,165	(\$198,135)	n/m	(\$66,654)	(\$37,504)	(\$29,150)	n/m
Working Capital, 12/31/2016	(206,569)	40,985	(165,584)				(518,060)			
Working Capital, 12/31/2017	(\$384,743)	\$35,189	(\$349,554)				(\$584,714)			

1) Budget consisted of 11 unit upgrades plus \$443k in miscellaneous projects. Ultimately, 20 units were upgraded during the year and \$351k was spent on projects, resulting in the variance.

2) Budget included transfers from operating fund to capital fund to pay for 11 unit upgrades; final unit upgrade count was 20

MOVING KING COUNTY RESIDENTS FORWARD

TO: Board of Directors

FROM: Craig Violante

DATE: May 10, 2018

RE: Calendar Year 2018 Financial Reports for Moving King County Residents Forward (MKCRF) and MKCRF-Owned Properties

EXECUTIVE SUMMARY

Throughout the first quarter of 2018, 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 three units using KCHA's internal unit upgrade crews.

FIRST QUARTER 2018 FINANCIAL REPORTS

Attached are financial reports for the first quarter of 2018:

- 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

First quarter tenant revenue is on target as the Properties received 100.3% of budgeted projections. Operating expenses, due primarily to the timing of utility bills received, finished the quarter at 83.4% of the budget.

Throughout the period, the Properties generated net operating cash flow of \$677,384 after required debt service payments and additions to replacement reserves:

Operating Revenues	\$1,933,640
Operating Expenses	(834,300)
Debt Service	(386,995)
Trf to Replacement Reserves	(34,962)
Net Cash Flow	<u><u>\$677,384</u></u>

This cash flow was partially used to fund the interior upgrades of three out of the 16 units that were included in the 2018 budget. Since acquiring the Properties in 2012, 143 units have been upgraded by KCHA's in-house unit upgrade crew. A total of 346 units (68.0%) have been upgraded since inception of the program in 2006.

As of March 31, 2018, the Properties had working capital of just under \$200,000.

Operations of Moving King County Residents Forward

MKCRF had no operating activity during the first quarter. All required monthly debt service payments to KCHA were made.

The March 31, 2018 balance sheet reflects negative working capital of approximately \$620,000, equal to the minimum loan payments due within the next 12 months. These loan payments 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 3/31/2018

ASSETS	MKCRF Properties Managed by KCHA			MKCRF
	Operations	Capital	Combined	
Working Capital Assets				
Cash-Unrestricted	\$133,931	\$83,245	\$217,176	(\$778)
Cash-Restricted Within Program	-	-	-	-
Cash-Restricted for WC Purposes	-	-	-	-
Accounts Receivable	127,390	-	127,390	-
Prepaid Assets & Inventory	99,293	-	99,293	-
Total Working Capital Assets	360,614	83,245	443,859	(778)
Liabilities Offsetting Working Capital Assets				
Accounts Payable	(64,210)	(47,692)	(111,902)	-
Payroll Liabilities	(132,023)	-	(132,023)	-
Accrued Liabilities	-	-	-	-
Deferrals	-	-	-	-
Current Portion of Long-term debt	-	-	-	(619,952)
Total Offsetting Liabilities	(196,232)	(47,692)	(243,925)	(619,952)
Working Capital	\$164,382	\$35,553	\$199,935	(\$620,730)
Other Assets				
Cash-Designated	680,798	-	680,798	-
Cash-Restricted	77,517	-	77,517	-
Receivables	-	-	-	-
Capital Assets	87,158	-	87,158	68,179,119
Work-in-Process	763	1,951	2,714	1,569,066
Suspense	-	-	-	-
Other Assets	-	-	-	-
Total Other Assets	846,236	1,951	848,186	69,748,185
TOTAL ASSETS (net of WC offsets)	\$1,010,618	\$37,503	\$1,048,121	\$69,127,455
LIABILITIES & EQUITY				
Other Liabilities				
Deferrals-Related to Restr Cash	77,517	-	77,517	-
Debt	-	-	-	14,976,764
Other Liabilities	-	-	-	-
	77,517	-	77,517	14,976,764
Equity				
Equity	933,101	37,503	970,604	54,150,691
	933,101	37,503	970,604	54,150,691
TOTAL LIAB & EQ (net of curr liab)	\$1,010,618	\$37,503	\$1,048,121	\$69,127,455

**Operations and Capital of MKCRF Properties
Working Capital Budget vs. Actual Report
For the Period Ended 3/31/2018**

	MKCRF Properties Managed by KCHA										MKCRF				
	Year-to-Date					(n/m= not meaningful)	2018	Remainder	(n/m= not meaningful)	(n/m= not meaningful)					
	Operations	Capital	Combined	Budget	Variance	Percent YTD Variance	Annual Budget	to Receive/ Spend	Percent of Annual Budget	Actual	Budget	Variance	Percent YTD Variance	Annual Budget	Remainder to Receive/ Spend
Revenues															
Tenant Revenue	1,933,579	0	\$1,933,579	\$1,928,377	\$5,202	0.3%	\$7,713,505	\$5,779,926	25.1%	\$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	62	0	62	1,493	(1,431)	(95.9%)	9,612	9,550	0.6%	431,134	788,994	(357,860)	(45.4%)	5,123,020	4,691,886
Non-operating Revenue	2,831	165	2,997	1,921	1,076	56.0%	8,237	5,406	34.4%	0	0	0	n/m	0	0
Total Revenues	1,936,472	165	1,936,637	1,931,791	4,846	0.3%	7,731,354	5,794,882	25.0%	431,134	788,994	(357,860)	(45.4%)	5,123,020	4,691,886
Expenses															
Salaries & Benefits	247,574	0	247,574	264,477	(16,903)	(6.4%)	1,117,791	870,217	22.1%	0	0	0	n/m	0	0
Routine Maintenance, Utilities, Taxes & Insurance	414,256	0	414,256	554,161	(139,905)	(25.2%)	2,480,957	2,066,701	16.7%	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	636	0	636	221	415	187.8%	817	181	77.9%	0	0	0	n/m	0	0
Administrative Support Expenses	171,834	0	171,834	180,785	(8,951)	(5.0%)	731,186	559,352	23.5%	0	0	0	n/m	1,000	1,000
Non-operating Expenses	386,995	44,139	431,134	788,994	(357,860)	(45.4%)	5,124,020	4,737,025	7.6%	235,468	232,007	3,461	1.5%	928,029	692,561
Total Expenses	1,221,295	44,139	1,265,434	1,788,638	(523,204)	(29.3%)	9,454,771	8,233,476	12.9%	235,468	232,007	3,461	1.5%	929,029	693,561
Net Income	715,177	(43,974)	671,203	143,153	528,050	368.9%	(1,723,417)	(2,438,594)	n/m	195,666	556,987	(361,321)	n/m	4,193,991	3,998,325
Other Sources/(Uses) of Working Capital															
(Increase) in Restricted/Designated Cash	(34,962)	0	(34,962)	(33,033)	(1,929)	5.8%	(132,132)	(97,170)	26.5%	0	0	0	n/m	0	0
Decrease in Restricted/Designated Cash	0	0	0	0	0	n/m	0	0	n/m	0	0	0	n/m	0	0
(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	(0)	0	(0)	0	(0)	n/m	0	0	n/m	(44,139)	(402,121)	357,982	n/m	(3,575,529)	(3,531,390)
Maintenance Projects	(47,484)	(101,249)	(148,733)	(174,921)	26,188	(15.0%)	(754,073)	(706,589)	6.3%	0	0	0	n/m	0	0
Acquisition of Capital Assets	(47,484)	(101,249)	(148,733)	(174,921)	26,188	(15.0%)	(754,073)	(706,589)	6.3%	(44,139)	(402,121)	357,982	(89.0%)	(3,575,529)	(3,531,390)
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	592	0	592	0	592	n/m	0	(592)	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	(151,527)	(164,547)	13,020	(7.9%)	(658,188)	(506,661)
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	(81,855)	(101,249)	(183,103)	(207,954)	24,851	(12.0%)	(886,205)	(804,350)	9.2%	(195,666)	(566,668)	371,002	(65.5%)	(4,233,717)	(4,038,051)
Transfer In from (Out to) Other Funds															
Transfers In from Other Funds	0	145,388	145,388	526,517	(381,129)	(72.4%)	4,073,102	4,073,102	0.0%	0	0	0	n/m	0	0
Transfers Out to Other Funds	(101,249)	0	(101,249)	(124,396)	23,147	(18.6%)	(497,573)	(396,324)	20.3%	0	0	0	n/m	0	0
Net Transfer In/(Out)	(101,249)	145,388	44,139	402,121	(357,982)	n/m	3,575,529	3,676,778	n/m	0	0	0	n/m	0	0
Net Change in Working Capital	\$532,074	\$165	\$532,239	\$337,320	\$194,919	57.8%	\$965,907	\$433,833	55.1%	\$0	(\$9,681)	\$9,681	n/m	(\$39,726)	(\$39,726)
Working Capital, 12/31/2017	(367,692)	35,387	(332,304)							(620,730)					
Working Capital, 3/31/2018	\$164,382	\$35,553	\$199,935							(\$620,730)					

- 1) Timing of invoicing; many properties have not yet received water and sewer bills for March. Seasonal and periodic contracts are low as is typical early in the year.
- 2) Various site improvements and building envelope projects at MKCRF properties were less than anticipated in the budget resulting in less capital contribution to MKCRF.
- 3) Budget consisted of 16 unit upgrades evenly throughout the year. As of March, only 3 unit upgrades were completed resulting in lower unit upgrade transfers.