

# MOVING KING COUNTY RESIDENTS FORWARD

## Meeting of the Board of Directors

Monday, September 24, 2018

10:15 AM or immediately following the KCHA Board meeting

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

## Agenda

- I. Call to Order
- II. Roll Call
- III. Public Comment
- IV. Approval of Minutes - May 21, 2018 Board Meeting Minutes
- V. Resolutions for Discussion and Possible Action  

None.
- VI. Briefings and Reports
  - A. Second Quarter 2018 Financial Reports for Moving King County Residents Forward (MKCRF) and MKCRF-Owned Properties
- VII. Board of Directors Comments
- VIII. Adjourn

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

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**Monday, May 21, 2018**

**I. CALL TO ORDER**

The annual meeting of the Board of Directors of Moving King County Residents Forward (MKCRF) was held on Monday, May 21, 2018 at the, at the King County Housing Authority, 700 Andover Park West, Tukwila, WA at 10:15 a.m.

**II. ROLL CALL**

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

**III. Election of Officers for the Organization**

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

**IV. Public Comment:**

No Public Comment.

**V. Approval of the Minutes:**

Minutes from the December 18, 2017 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. Resolutions for Discussion and Possible Action**

None.

**VII. Briefings and Reports**

- a. **CY 2017 Fourth Quarter Financial Reports for MKCRF and MKCRF-Owned Properties**
- b. **CY 2018 First Quarter Financial Report for MKCRF and MKCRF-Owned Properties**

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

**VIII. Board of Director Comments**

None.

**IX. Adjournment**

There being no further business, the meeting was officially adjourned at 10:45 a.m.

**MOVING KING COUNTY RESIDENTS FORWARD**

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**Douglas J. Barnes**  
President

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**Stephen J. Norman**  
Secretary of the Corporation

DRAFT FOR APPROVAL

# MOVING KING COUNTY RESIDENTS FORWARD

**TO:** Board of Directors

**FROM:** Craig Violante

**DATE:** September 4, 2018

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

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## EXECUTIVE SUMMARY

Throughout the first half 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 seven units using KCHA's internal unit upgrade crews.

## SECOND QUARTER 2018 FINANCIAL REPORTS

Attached are financial reports for the second 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 half tenant revenue is on nearly target as the Properties received 99.7% of budgeted projections. Excluding garbage expenses at Wellswood that were inadvertently over-budgeted, operating expenses finished the first half of 2018 at 91.3% of budget projections, driven by maintenance expenses that lagged projections but will increase in the third quarter as summer projects are undertaken.

Throughout the period, the Properties generated net operating cash flow of \$988,637 after required debt service payments and additions to replacement reserves:

Operating Revenues	\$3,843,865
Operating Expenses	(2,011,653)
Debt Service	(773,990)
Transfers to Replacement Reserves	(69,586)
Net Cash Flow	<u><u>\$988,637</u></u>

This cash flow was partially used to fund the interior upgrades of seven out of the 16 units that were included in the 2018 budget. Since acquiring the Properties in 2012, 147 units have been upgraded by KCHA's in-house unit upgrade crew. A total of 350 units (68.8%) have been upgraded since inception of the program in 2006.

In addition to the standard “Working Capital” report, this packet also includes the new “Cash Reconciliation” report, included at the end as Attachment A. Although the working capital basis of presentation is an excellent way to focus on the Properties’ ability to meet their short-term obligations, it has not been intuitive for users and has also proven to be administratively burdensome, from both budgetary and financial reporting perspectives. Therefore, this quarter is the last time the Board will be presented with quarterly financial statements prepared in the working capital format. The new cash reconciliation report will differ from the working capital report in several ways:

- The new report reconciles the change in cash rather than the change in working capital; therefore both the beginning and ending cash balances are displayed
- Non-operating Income and Expenses are segregated from Operating Income and Expenses to allow for the direct calculation of Net Operating Income
- Expenses are summarized in different categories; in particular the Salaries and Benefits line now reflects all MKCRF salaries and benefits, including Maintenance Salaries. The working capital version combined maintenance salaries with other maintenance expenses on the line Routine Maintenance, Utilities, Taxes and Insurance

Note that the overall change in working capital on the traditional statement is an increase of \$743,872 while the increase in unrestricted cash on the new cash reconciliation report is \$616,011. The difference is that the working capital report excludes changes in short-term assets and liabilities, while the cash reconciliation report includes them.

#### ***Operations of Moving King County Residents Forward***

MKCRF had no operating activity during the first half of 2018. All required monthly debt service payments to KCHA were made.

The June 30, 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 6/30/2018

ASSETS	MKCRF Properties Managed by KCHA			MKCRF
	Operations	Capital	Combined	
<b>Working Capital Assets</b>				
Cash-Unrestricted	\$404,899	\$36,443	\$441,343	(\$778)
Cash-Restricted Within Program	-	-	-	-
Cash-Restricted for WC Purposes	-	-	-	-
Accounts Receivable	43,700	-	43,700	-
Prepaid Assets & Inventory	65,513	-	65,513	-
Total Working Capital Assets	514,112	36,443	550,555	(778)
<b>Liabilities Offsetting Working Capital Assets</b>				
Accounts Payable	0	(965)	(965)	-
Payroll Liabilities	(132,023)	-	(132,023)	-
Accrued Liabilities	-	-	-	-
Deferrals	-	-	-	-
Current Portion of Long-term debt	-	-	-	(619,952)
Total Offsetting Liabilities	(132,022)	(965)	(132,987)	(619,952)
<b>Working Capital</b>	<b>\$382,090</b>	<b>\$35,479</b>	<b>\$417,568</b>	<b>(\$620,730)</b>
<b>Other Assets</b>				
Cash-Designated	716,013	-	716,013	-
Cash-Restricted	77,738	-	77,738	-
Receivables	-	-	-	-
Capital Assets	85,948	-	85,948	67,764,482
Work-in-Process	763	1,951	2,714	1,716,425
Suspense	-	-	-	-
Other Assets	-	-	-	-
Total Other Assets	880,463	1,951	882,414	69,480,908
<b>TOTAL ASSETS (net of WC offsets)</b>	<b>\$1,262,553</b>	<b>\$37,429</b>	<b>\$1,299,982</b>	<b>\$68,860,178</b>
<b>LIABILITIES &amp; EQUITY</b>				
<b>Other Liabilities</b>				
Deferrals-Related to Restr Cash	77,738	-	77,738	-
Debt	-	-	-	14,822,953
Other Liabilities	-	-	-	-
	77,738	-	77,738	14,822,953
<b>Equity</b>				
Equity	1,184,815	37,429	1,222,244	54,037,225
	1,184,815	37,429	1,222,244	54,037,225
<b>TOTAL LIAB &amp; EQ (net of curr liab)</b>	<b>\$1,262,553</b>	<b>\$37,429</b>	<b>\$1,299,982</b>	<b>\$68,860,178</b>

**Operations and Capital of MKCRF Properties  
Working Capital Budget vs. Actual Report  
For the Period Ended 6/30/2018**

	MKCRF Properties Managed by KCHA										MKCRF								
	Year-to-Date			Budget	Variance	Percent YTD Variance	2018 Annual Budget	Remainder to Receive/Spend	(n/m= not meaningful) Percent of Annual Budget	(n/m= not meaningful) Percent YTD	Annual Budget	Remainder to Receive/Spend	Actual	Budget	Variance	(n/m= not meaningful) Percent YTD	Annual Budget	Remainder to Receive/Spend	
	Operations	Capital	Combined																
<b>Revenues</b>																			
Tenant Revenue	3,843,865	0	\$3,843,865	\$3,856,750	(\$12,885)	(0.3%)	\$7,713,505	\$3,869,640	49.8%				\$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	110	0	110	2,986	(2,876)	(96.3%)	9,612	9,502	1.1%				965,488	2,960,145	(1,994,657)	(67.4%)	5,123,020	4,157,532	
Non-operating Revenue	8,280	91	8,371	3,938	4,433	112.6%	8,237	(43)	100.5%				0	0	0	n/m	0	0	
<b>Total Revenues</b>	<b>3,852,256</b>	<b>91</b>	<b>3,852,347</b>	<b>3,863,674</b>	<b>(11,327)</b>	<b>(0.3%)</b>	<b>7,731,354</b>	<b>3,879,098</b>	<b>49.8%</b>				<b>965,488</b>	<b>2,960,145</b>	<b>(1,994,657)</b>	<b>(67.4%)</b>	<b>5,123,020</b>	<b>4,157,532</b>	
<b>Expenses</b>																			
Salaries & Benefits	533,315	0	533,315	558,976	(25,661)	(4.6%)	1,117,791	584,476	47.7%				0	0	0	n/m	0	0	
Routine Maintenance, Utilities, Taxes & Insurance	1,010,242	0	1,010,242	1,194,355	(184,113)	(15.4%)	(1)	2,480,957	1,470,715	40.7%			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	1,027	0	1,027	435	592	136.2%	817	(210)	125.8%				0	0	0	n/m	0	0	
Administrative Support Expenses	346,666	0	346,666	359,759	(13,093)	(3.6%)	731,186	384,520	47.4%				0	0	0	n/m	1,000	1,000	
Non-operating Expenses	773,990	191,499	965,488	2,960,145	(1,994,657)	(67.4%)	(2)	5,124,020	4,350,030	15.1%				468,652	464,015	4,637	1.0%	928,029	459,377
<b>Total Expenses</b>	<b>2,665,240</b>	<b>191,499</b>	<b>2,856,739</b>	<b>5,073,670</b>	<b>(2,216,931)</b>	<b>(43.7%)</b>	<b>9,454,771</b>	<b>6,789,531</b>	<b>28.2%</b>				<b>468,652</b>	<b>464,015</b>	<b>4,637</b>	<b>1.0%</b>	<b>929,029</b>	<b>460,377</b>	
<b>Net Income</b>	<b>1,187,015</b>	<b>(191,408)</b>	<b>995,608</b>	<b>(1,209,996)</b>	<b>2,205,604</b>	<b>n/m</b>	<b>(1,723,417)</b>	<b>(2,910,432)</b>	<b>n/m</b>				<b>496,836</b>	<b>2,496,130</b>	<b>(1,999,294)</b>	<b>n/m</b>	<b>4,193,991</b>	<b>3,697,155</b>	
<b>Other Sources/(Uses) of Working Capital</b>																			
(Increase) in Restricted/Designated Cash	(70,399)	0	(70,399)	(66,066)	(4,333)	6.6%	(132,132)	(61,733)	53.3%				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				(191,499)	(2,186,399)	1,994,900	n/m	(3,575,529)	(3,384,030)	
Maintenance Projects	(120,402)	(247,246)	(367,648)	(358,066)	(9,582)	2.7%	(754,073)	(633,671)	16.0%				0	0	0	n/m	0	0	
Acquisition of Capital Assets	(120,402)	(247,246)	(367,648)	(358,066)	(9,582)	2.7%	(754,073)	(633,671)	16.0%				(191,499)	(2,186,399)	1,994,900	(91.2%)	(3,575,529)	(3,384,030)	
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	813	0	813	0	813	n/m	0	(813)	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				(305,338)	(329,094)	23,756	(7.2%)	(658,188)	(352,850)	
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	
<b>Total Other Sources/(Uses) of Working Capital</b>	<b>(189,988)</b>	<b>(247,246)</b>	<b>(437,234)</b>	<b>(424,132)</b>	<b>(13,102)</b>	<b>3.1%</b>	<b>(886,205)</b>	<b>(696,217)</b>	<b>21.4%</b>				<b>(496,836)</b>	<b>(2,515,493)</b>	<b>2,018,657</b>	<b>(80.2%)</b>	<b>(4,233,717)</b>	<b>(3,736,881)</b>	
<b>Transfer In from (Out to) Other Funds</b>																			
Transfers In from Other Funds	0	438,745	438,745	2,435,190	(1,996,445)	(82.0%)	(2)	4,073,102	4,073,102	0.0%			0	0	0	n/m	0	0	
Transfers Out to Other Funds	(247,246)	0	(247,246)	(248,791)	1,545	(0.6%)	(497,573)	(250,327)	49.7%				0	0	0	n/m	0	0	
<b>Net Transfer In/(Out)</b>	<b>(247,246)</b>	<b>438,745</b>	<b>191,499</b>	<b>2,186,399</b>	<b>(1,994,900)</b>	<b>n/m</b>	<b>3,575,529</b>	<b>3,822,775</b>	<b>n/m</b>				<b>0</b>	<b>0</b>	<b>0</b>	<b>n/m</b>	<b>0</b>	<b>0</b>	
<b>Net Change in Working Capital</b>	<b>\$749,781</b>	<b>\$91</b>	<b>\$749,872</b>	<b>\$552,271</b>	<b>\$197,601</b>	<b>35.8%</b>	<b>\$965,907</b>	<b>\$216,126</b>	<b>77.6%</b>				<b>\$0</b>	<b>(\$19,363)</b>	<b>\$19,363</b>	<b>n/m</b>	<b>(\$39,726)</b>	<b>(\$39,726)</b>	
Working Capital, 12/31/2017	(367,692)	35,387	(332,304)										(620,730)						
<b>Working Capital, 6/30/2018</b>	<b>\$382,090</b>	<b>\$35,479</b>	<b>\$417,568</b>										<b>(\$620,730)</b>						

- 1) Some properties have not yet been billed for June water and sewer expenses; Wellswood annual garbage expense was inadvertently budgeted as \$99,850 rather than the intended amount of \$9,985. Also, seasonal and periodic contracts are below budget but expected to catch up as the year progresses.
- 2) Contribution for MKCRF capital reimbursement was less than anticipated in the budget as the Juanita Trace building envelope and Green Leaf envelope and deck projects were rescheduled for the 3rd quarter.

# APPENDIX A



Moving King County Residents Forward  
Cash Reconciliation Report  
Properties and MKCRF  
Through June 30, 2018

	MKCRF Properties, Managed by KCHA				MKCRF			
	Actual	Budget	Favorable (Unfavorable) \$ Variance	Favorable (Unfavorable) % Variance	Actual	Budget	Favorable (Unfavorable) \$ Variance	Favorable (Unfavorable) % Variance
<b>BEGINNING UNRESTRICTED/PROGRAM CASH</b>	<b>(\$174,668)</b>				<b>(\$778)</b>			
<i>Rental Revenue and Subsidy</i>								
Tenant Revenue	\$3,843,865	\$3,856,750	(\$12,885)	-0.3%	\$0	\$0	\$0	n/a
Federal Operating Support	0	0	0	n/a	0	0	0	n/a
<b>Total Rental Revenue and Federal Support</b>	<b>3,843,865</b>	<b>3,856,750</b>	<b>(12,885)</b>	<b>-0.3%</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>n/a</b>
<i>Other Operating Revenue</i>								
Federal Support for HCV Program	0	0	0	n/a	0	0	0	n/a
Other Revenue	8,481	6,924	1,557	22.5%	965,488	2,960,145	(1,994,657)	-67.4%
<b>Total Other Operating Revenue</b>	<b>8,481</b>	<b>6,924</b>	<b>1,557</b>	<b>22.5%</b>	<b>965,488</b>	<b>2,960,145</b>	<b>(1,994,657)</b>	<b>-67.4%</b>
<b>Total Operating Revenue</b>	<b>3,852,347</b>	<b>3,863,674</b>	<b>(11,327)</b>	<b>-0.3%</b>	<b>965,488</b>	<b>2,960,145</b>	<b>(1,994,657)</b>	<b>-67.4%</b>
<i>Operating Expenses</i>								
Salaries and Benefits	(914,482)	(924,103)	9,621	1.0%	0	0	0	n/a
Administrative Expenses	(58,669)	(71,590)	12,921	18.0%	0	0	0	n/a
Maintenance Expenses, Utilities, Taxes	(749,477)	(938,503)	189,026	20.1%	0	0	0	n/a
Management Fees Charged to Properties and Programs	(287,996)	(288,169)	173	0.1%	0	0	0	n/a
HCV Housing Assistance Payments to Landlords	0	0	0	n/a	0	0	0	n/a
Other Programmatic Expenses	(1,027)	(435)	(592)	-136.2%	0	0	0	n/a
Other Expenses	(965,488)	(2,960,145)	1,994,657	67.4%	0	0	0	n/a
Transfers Out for Operating Purposes	0	0	0	n/a	0	0	0	n/a
Transfers Out for Capital Purposes	(247,246)	(248,791)	1,545	0.6%	0	0	0	n/a
<b>Total Operating Expenses</b>	<b>(3,224,387)</b>	<b>(5,431,736)</b>	<b>2,207,349</b>	<b>40.6%</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>n/a</b>
<b>Net Operating Income</b>	<b>627,960</b>	<b>(1,568,062)</b>	<b>2,196,022</b>	<b>140.0%</b>	<b>965,488</b>	<b>2,960,145</b>	<b>(1,994,657)</b>	<b>-67.4%</b>
<i>Non Operating Income/(Expense)</i>								
Interest Income from Loans	0	0	0	n/a	0	0	0	n/a
Interest Expense	0	0	0	n/a	(468,652)	(464,015)	(4,637)	-1.0%
Other Non-operating Income/(Expense)	0	0	0	n/a	0	0	0	n/a
<b>Total Non Operating Income/(Expense)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>n/a</b>	<b>(468,652)</b>	<b>(464,015)</b>	<b>(4,637)</b>	<b>-1.0%</b>
<i>Capital Activity</i>								
Capital Project Funding, Excluding Debt Issuance	438,745	2,435,190	(1,996,445)	-82.0%	0	0	0	n/a
Capital Project Expenditures	(247,246)	(248,791)	1,545	0.6%	(191,499)	(2,186,399)	1,994,900	91.2%
Grant Revenue-Capital	0	0	0	n/a	0	0	0	n/a
<b>Total Change in Capital Assets, net of Direct Funding and Debt</b>	<b>191,499</b>	<b>2,186,399</b>	<b>(1,994,900)</b>	<b>-91.2%</b>	<b>(191,499)</b>	<b>(2,186,399)</b>	<b>1,994,900</b>	<b>91.2%</b>
<i>Change in Other Assets/Liabilities</i>								
Change in Designated/Restricted Cash	(70,399)	(66,066)	(4,333)	-6.6%	0	0	0	n/a
Change in Short-term Assets	85,545	0	85,545	n/a	0	0	0	n/a
Change in Long-term Receivables	0	0	0	n/a	0	0	0	n/a
Change in Other Assets	0	0	0	n/a	0	0	0	n/a
Change in Short-term Liabilities	(218,594)	0	(218,594)	n/a	0	0	0	n/a
Change in Long-term Debt	0	0	0	n/a	(305,338)	(329,094)	23,756	7.2%
Change in Other Liabilities	0	0	0	n/a	0	0	0	n/a
Change in Equity	0	0	0	n/a	0	0	0	n/a
<b>Change in Other Assets/Liabilities</b>	<b>(203,448)</b>	<b>(66,066)</b>	<b>(137,382)</b>	<b>-207.9%</b>	<b>(305,338)</b>	<b>(329,094)</b>	<b>23,756</b>	<b>7.2%</b>
<b>Change in Unrestricted/Program Cash</b>	<b>\$616,011</b>	<b>\$552,271</b>	<b>\$63,740</b>	<b>11.5%</b>	<b>\$0</b>	<b>(\$19,363)</b>	<b>\$19,363</b>	<b>100.0%</b>
<b>ENDING UNRESTRICTED/PROGRAM CASH</b>	<b><u>\$441,343</u></b>				<b><u>(\$778)</u></b>			
<b>BEGINNING DESIGNATED/RESTRICTED CASH</b>	<b>\$723,352</b>				<b>\$0</b>			
Change in Replacement Reserves	69,586	66,066	3,520	5.3%	0	0	0	n/a
Change in Debt Service Reserves	0	0	0	n/a	0	0	0	n/a
Change in Other Reserves	813	0	813	n/a	0	0	0	n/a
<b>Change in Designated/Restricted Cash</b>	<b>70,399</b>	<b>66,066</b>	<b>4,333</b>	<b>6.6%</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>n/a</b>
<b>ENDING DESIGNATED/RESTRICTED CASH</b>	<b><u>\$793,751</u></b>				<b><u>\$0</u></b>			