

# MOVING KING COUNTY RESIDENTS FORWARD

Meeting of the Board of Directors

Monday, December 16, 2019

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

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- |       |  |   |
|-------|--|---|
| I.    | Call to Order  |   |
| II.   | Roll Call  |   |
| III.  | Public Comment   |   |
| IV.   | Approval of Minutes  |   |
|       | A. September 16, 2019 Board Meeting Minutes  | 1 |
| V.    | Resolutions for Discussion and Possible Action   |   |
|       | <b>A. Resolution No. 32</b> - Adoption of the Calendar Year 2020 Operating and Capital Budgets | 2 |
| VI.   | Briefings and Reports  |   |
|       | A. Third Quarter 2019 Financial Report for MKCRF and MKCRF - Owned Properties                  | 3 |
| VII.  | Board of Directors Comments  |   |
| VIII. | Adjourn  |   |

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# MINUTES OF THE MOVING KING COUNTY RESIDENTS FORWARD

## BOARD OF DIRECTORS

Monday, September 16, 2019

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### I. CALL TO ORDER

The annual meeting of the Board of Directors of Moving King County Residents Forward (MKCRF) was held on Monday, September 16, 2019 at the, at the King County Housing Authority, 700 Andover Park West, Tukwila, WA at 10:21 a.m.

### II. ROLL CALL

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

### III. PUBLIC COMMENT

No Public Comment.

### IV. APPROVAL OF MINUTES

A. May 20, 2019 Board Meeting Minutes

On motion by Director John Welch and seconded by Director Michael Brown, the Board of Directors unanimously approved the May 20, 2019 MKCRF Meeting Minutes.

### V. RESOLUTIONS FOR DISCUSSION AND POSSIBLE ACTION

No Resolutions.

### VI. BRIEFINGS AND REPORTS

A. Second Quarter 2019 Financial Report for MKCRF and MKCRF – Owned Properties

Craig Violante, Director of Finance, gave a detailed explanation on the reports.

The assumption that new rents went into effect at the beginning of the year, but they are across the year. There are 140 units of 509 left to upgrade. The smaller number is more of a challenge to turn units.

### VII. BOARD OF DIRECTORS COMMENTS

None.

### VIII. ADJOURNMENT

Director TerryLynn Stewart moved and Director Susan Palmer seconded the motion. The meeting was officially adjourned at 10:26 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

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# MOVING KING COUNTY RESIDENTS FORWARD

**TO:** Board of Directors

**FROM:** Craig Violante

**DATE:** December 6, 2019

**RE: Resolution 32: 2020 Budget for MKCRF and MKCRF-Owned Properties**

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## EXECUTIVE SUMMARY

The MKCRF-owned Properties (the “Properties”) will continue to generate positive cash flow in 2020. After debt service payments and additions to replacement reserves, the Properties will generate \$2.5 million of cash flow. Out of this cash flow, \$520,000 will be spent on 11 standard unit upgrades and special maintenance projects, leaving a *net cash flow* balance of \$2.0 million. Current cash projections through the end of 2019 predict a cash balance of approximately \$1.1 million to be carried into 2020.

In addition to the standard unit upgrades and the special projects, the 2020 budget includes \$4.5 million for other capital projects, with funding being a combination of cash carried over from 2019, newly-general cash flow in 2020, and a transfer of \$1.4 million from MTW. See the Capital Budget section below for additional details.

### **MKCRF-Owned Properties**

The 509 units of multifamily housing that were sold to MKCRF continue to be operated by KCHA. According to the terms of the Operating Agreement between KCHA and MKCRF, the revenue generated by the Properties is KCHA’s revenue, and the Authority is responsible for operating costs. This construct allows the properties to continue to be exempt from sales tax. The budget discussion in this section applies solely to the operations of the Properties, and do not include the operations of the non-profit Moving King County Residents Forward. The budget discussion for MKCRF itself is found on page 3.

### Operations Budget

Below is a high-level summary of the 2020 budget for the Properties with a comparison to the 2019 budget. It is in a different format from the formal budget on page 4, and is intended to present the budget in a more user-friendly, operations-oriented layout.

(in \$1,000s)

	2019 Adopted Budget	2020 Proposed Budget
Projected Unrestricted Cash, 1/1/2020		\$1,051,794
<b>2020 Revenue</b>		
Tenant Revenue	\$8,845,197	\$8,530,442
Investment Income	11,815	48,617
Miscellaneous Revenue	1,426	1,260
Total Revenue	8,858,438	8,580,319
<b>2020 Uses</b>		
Operating Expenses	(4,319,824)	(4,429,649)
Debt Service	(1,547,979)	(1,547,980)
Additions to Replacement Reserves	(127,250)	(145,220)
Total Uses	(5,995,053)	(6,122,849)
2020 Operating Margin	2,863,385	2,457,470
<b>2020 Capital Projects</b>		
Transfer from MTW for Capital Capital Projects	(1,387,420)	1,400,000 (3,229,001)
Unit Upgrades	(605,917)	(1,621,390)
Special Maintenance Projects	(148,700)	(96,100)
Total Capital Projects	(2,142,037)	(3,546,491)
Transfer from MTW for Capital Projects	0	0
2020 Change in Unrestricted Cash	\$721,348	(\$1,089,020)
Total Projected Available Resources, 12/31/2020		(\$37,226)

Tenant rents, consisting of subsidy payments from the Housing Choice Voucher program and rental payments from tenants, are forecast at \$8.5 million in 2020, down from a budget of \$8.9 million in 2019. The 2020 budget is more in line with 2019 actual results as rents were over-budgeted in 2019. Increased contract rents were projected to begin immediately in 2019 when in reality they were phased-in over time.

The 2019 debt service budget represents 12 monthly payments of \$128,998 to KCHA as conduit for the FHLB loan, and the replacement reserve is fully funded at \$250 per unit per year.

### Capital Budget

MKCRF will invest \$4.5 million in three major capital projects in 2020. The Capital Construction department will be solely managing two of these. Avondale Manor, a 20-unit complex in Redmond, will see site improvements, building envelope upgrades and a new roof (\$1.54 million). Cedarwood, a 25-unit apartment in Kirkland, will get needed site improvements (\$465,000). The Capital Construction Department will also be partnering with Housing Management on a major project at Young's Lake, a 28-unit complex in Renton. The property will receive complete water and waste line replacements (\$1.23 million) as well as the full interior upgrade of all 28 units (\$1.24 million). The interior upgrades will be performed by KCHA's Unit Upgrade crews.

Housing Management’s Unit Upgrade Crews are budgeted to complete a total of 39 unit upgrades in 2020, 11 standard upgrades and 28 at Young’s Lake as part of the larger water and waste line replacement project described above. The budgeted average cost for the 11 standard upgrades is \$34,931 per unit while the work at Young’s Lake is projected to cost \$44,184 per unit due to a more extensive rehabilitation agenda. Through September 2019, 374 of the 509 units in this portfolio have been upgraded since inception of the program and six more are slated for the remainder of 2019, leaving only 129 units to modernize. Of this total, 28 will be upgraded as part of the Young’s Lake project, leaving 101 units. The budget of 11 units in 2020 is 11% of this remaining total.

\$96,100 of additional small projects, such as upgrading intercom systems, parking lot and sidewalk repair, and minor electrical work have been budgeted.

The full budget for the MKCRF-Owned Properties is in Exhibit A, found on page 4.

**MKCRF Entity**

Moving King County Residents Forward is a 501(c)(3) non-profit that owns 509 units of multifamily housing. MKCRF entered into an Operating Agreement with KCHA whereby the Authority would operate the properties, own the revenue, and be responsible for operating costs. Accordingly, none of the operations of the properties appear on the books of MKCRF. The balance sheet of MKCRF consists of the properties themselves, and the debt it owes to KCHA.

A total of \$4.5 million of capital work will be managed by KCHA’s Capital Construction and Housing Management departments on behalf of MKCRF:

Young's Lake Water/Waste Line Repair	\$1,227,000 (1)
Young's Lake Unit Upgrades	1,237,144
Avondale Waste Line/Site drainage	490,263
Avondale Envelope Upgrade	1,046,500
Cedarwood Site Improvement	465,238
	<u>\$4,466,145</u>

1) Includes \$216k for tenant temporary relocation

The full budget for the MKCRF entity is on Exhibit B, found on page 5.

**MOVING KING COUNTY RESIDENTS FORWARD**  
**2020 Budget-Properties**  
(In \$1,000s)  
**EXHIBIT A**

	Operations	Capital	2020 Proposed Combined
<b>Beginning Balance, Unrestricted Cash</b>	<b>\$1,129,321</b>	<b>(\$77,527)</b>	<b>\$1,051,794</b>
<b>Revenues</b>			
Tenant Revenue	8,530,442	0	8,530,442
Other Operating Revenue	1,260	0	1,260
<b>Total Operating Revenues</b>	<b>8,531,702</b>	<b>0</b>	<b>8,531,702</b>
<b>Expenses</b>			
Salaries & Benefits	(1,708,269)	0	(1,708,269)
Routine Maintenance, Utilities, Taxes & Insurance	(1,794,112)	0	(1,794,112)
Other Social Service Support Expenses & HAP	(815)	0	(815)
Administrative Support Expenses	(926,453)	0	(926,453)
<b>Total Operating Expenses</b>	<b>(4,429,649)</b>	<b>0</b>	<b>(4,429,649)</b>
<b>Operating Net Income</b>	<b>4,102,053</b>	<b>0</b>	<b>4,102,053</b>
Non-operating Revenue	41,202	7,415	48,617
Non-operating Expenses	(1,547,980) (1)	(3,229,001) (1)	(4,776,980)
<b>Net Income</b>	<b>2,595,275</b>	<b>(3,221,586)</b>	<b>8,927,650</b>
<b>Other Sources/(Uses) of Cash</b>			
Capital Projects and Acquisitions	(96,100)	(1,621,390)	(1,717,490)
Changes in Designated Cash	(145,220) (2)	0	(145,218)
<b>Total Other Sources/(Uses) of Cash</b>	<b>(241,320)</b>	<b>(1,621,390)</b>	<b>(1,862,710)</b>
Transfer of Operating Funds for Unit Upgrades	(1,621,390)	1,621,390	0
Transfer of Operating Funds for Capital Construction	(1,829,000)	1,829,000	0
Transfer from MTW fir Capital Construction	0	1,400,000	1,400,000
<b>Total Use of Operating Funds for Capital Purposes</b>	<b>(3,450,390)</b>	<b>4,850,390</b>	<b>1,400,000</b>
<b>Net Change in Unrestricted Cash</b>	<b>(1,096,435)</b>	<b>7,415</b>	<b>(1,089,020)</b>
<b>Ending Balance, Unrestricted Cash</b>	<b>32,886</b>	<b>(70,113)</b>	<b>(37,226)</b>
<b>Beginning Balance, Designated Cash</b>			
<b>Beginning Balance, Designated Cash</b>	<b>\$863,430</b>	<b>\$0</b>	<b>\$863,430</b>
Changes in Designated Cash	145,220 (2)	0	145,222
<b>Ending Balance, Designated Cash</b>	<b>\$1,008,650</b>	<b>\$0</b>	<b>\$1,008,650</b>

- 1) The Properties pay debt service (\$1,547,979) on the loan from KCHA and the cost of capital projects (\$1,387,419) on behalf of MKCRF, and these expenditures are reflected on the books of the Properties as Non-operating Expenses. MKCRF records a like amount on its books as Other Revenue. The \$1,000 difference relates to miscellaneous MKCRF expenses such as tax return preparation fees.
- 2) Increase in Designated Cash reflects transfers of operating revenues to replacement reserves (\$127,250), plus earned interest.



**MOVING KING COUNTY RESIDENTS FORWARD**  
**2020 Budget (Cash Basis)**  
(In \$1,000s)  
**EXHIBIT B**

<b><i>Beginning Balance, Unrestricted Cash</i></b>	<b>\$1,797</b>
<b><i>Revenues</i></b>	
Other Revenue	4,777,019
<b>Total Revenues</b>	<b>4,777,019</b>
<b><i>Expenses</i></b>	
Interest Expense	(849,196)
Administrative Support Expenses	(800)
<b>Total Expenses</b>	<b>(849,996)</b>
<b>Net Income</b>	<b>3,927,023</b>
<b><i>Other Sources/(Uses) of Cash</i></b>	
Capital Projects	(3,229,001)
Changes in Debt	(698,784)
<b>Total Other Sources/(Uses) of Cash</b>	<b>(3,927,785)</b>
<b>Net Change in Unrestricted Cash</b>	<b>(762)</b>
<b><i>Ending Balance, Unrestricted Cash</i></b>	<b>\$1,035</b>

**MOVING KING COUNTY RESIDENTS FORWARD**

**RESOLUTION NO. 32**

**ADOPTION OF THE CALENDAR YEAR 2020 OPERATING AND CAPITAL BUDGET**

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**WHEREAS**, the King County Housing Authority, as Operator of the Moving King County Residents Forward (MKCRF) Properties (the Properties), has submitted Operating and Capital Budgets for the Properties and for MKCRF for the Calendar Year beginning January 1, 2020 (Calendar Year 2020); and,

**WHEREAS**, the Board of Directors has determined that the proposed expenditures are necessary for the efficient and economical operation of the Properties and of MKCRF; and,

**WHEREAS**, the Budgets of the Properties and MKCRF indicates sources of funding adequate to cover all proposed expenditures;

**NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF MOVING KING COUNTY RESIDENTS FORWARD:**

The Calendar Year 2020 Operating and Capital Budgets are hereby adopted. The Budgets are attached hereto as Exhibits A and B and are made a part thereof.

**ADOPTED AT A MEETING OF THE BOARD OF DIRECTORS OF MOVING KING COUNTY RESIDENTS FORWARD THIS 16<sup>th</sup> DAY OF DECEMBER, 2019**

**MOVING KING COUNTY RESIDENTS FORWARD**

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**STEPHEN J. NORMAN**  
Secretary

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**DOUGLAS J BARNES**  
President, Board of Directors

**MOVING KING COUNTY RESIDENTS FORWARD**  
**2020 Budget-Properties**  
(In \$1,000s)  
**EXHIBIT A**

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<b>Total Operating Expenses</b>	<b>(4,429,649)</b>	<b>0</b>	<b>(4,429,649)</b>
<b>Operating Net Income</b>	<b>4,102,053</b>	<b>0</b>	<b>4,102,053</b>
Non-operating Revenue	41,202	7,415	48,617
Non-operating Expenses	(1,547,980) (1)	(3,229,001) (1)	(4,776,980)
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<b>Net Change in Unrestricted Cash</b>	<b>(1,096,435)</b>	<b>7,415</b>	<b>(1,089,020)</b>
<b>Ending Balance, Unrestricted Cash</b>	<b>32,886</b>	<b>(70,113)</b>	<b>(37,226)</b>
<b>Beginning Balance, Designated Cash</b>			
	<b>\$863,430</b>	<b>\$0</b>	<b>\$863,430</b>
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**MOVING KING COUNTY RESIDENTS FORWARD**  
**2020 Budget (Cash Basis)**  
**(In \$1,000s)**  
**EXHIBIT B**

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<b><i>Revenues</i></b>	
Other Revenue	4,777,019
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Capital Projects	(3,229,001)
Changes in Debt	(698,784)
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<b><i>Ending Balance, Unrestricted Cash</i></b>	<b>\$1,035</b>

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# MOVING KING COUNTY RESIDENTS FORWARD

**TO:** Board of Directors

**FROM:** Craig Violante

**DATE:** November 6, 2019

**RE: Third quarter 2019 Financial Reports for Moving King County Residents Forward (MKCRF) and MKCRF-Owned Properties**

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## EXECUTIVE SUMMARY

Throughout the nine months of 2019, 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 five units using KCHA's internal unit upgrade crews.

## THIRD QUARTER 2019 FINANCIAL REPORTS

Attached are financial reports for the third quarter of 2019:

- 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.
- Cash Reconciliation 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*

Tenant revenue is below projections as the budget assumed that higher rental income from increased contract rents would begin in January. In practice, actual increases only occur at the time of tenant recertification which happens periodically throughout the year. Operating expenses through the third quarter were slightly lower than anticipated and are now at 96.9% of budget.

Throughout the first three quarters, the Properties generated net operating cash flow of nearly \$1.8 million after required debt service payments and additions to replacement reserves:

Operating Revenues	\$6,199,388
Operating Expenses	(3,132,949)
Debt Service	(1,170,985)
Transfers to Replacement Reserves	(111,645)
Net Cash Flow	<u><u>\$1,783,809</u></u>

Throughout the year, this cash flow has been partially used to fund the interior upgrades of 13 out of the 19 units that were included in the 2019 budget. Since acquiring the Properties in 2012, 162 units have been upgraded by KCHA's in-house unit upgrade crew. A total of 374 units (73.5%) have been upgraded since inception of the program in 2006.

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

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

**Moving King County Residents Forward**  
**Statements of Financial Position**  
**As of September 30, 2019**

	MKCRF Properties Managed by KCHA			MKCRF
	Operations	Capital	Combined	
<b>Assets</b>				
Cash-Unrestricted	\$828,838	(\$80,874)	\$747,964	\$1,800
Cash-Designated	900,122	0	900,122	0
Cash-Restricted	78,244	0	78,244	0
Accounts Receivable	34,588	0	34,588	0
Other Short-term Assets	39,716	0	39,716	0
Long-term Receivables	0	0	0	0
Capital Assets	80,664	143,078	223,742	71,216,738
Other Assets	0	0	0	0
Total Assets	<u>\$1,962,172</u>	<u>\$62,204</u>	<u>\$2,024,376</u>	<u>\$71,218,538</u>
<b>Liabilities and Equity</b>				
Short-term Liabilities	\$192,305	\$31,027	\$223,331	\$0
Current Portion of Long-term Debt	0	0	0	658,189
Long-term Debt	0	0	0	13,980,172
Other Long-term Liabilities	0	0	0	0
Total Liabilities	<u>192,305</u>	<u>31,027</u>	<u>223,331</u>	<u>14,638,361</u>
Equity	1,769,868	31,177	1,801,045	56,580,177
Total Liabilities and Equity	<u>\$1,962,172</u>	<u>\$62,204</u>	<u>\$2,024,376</u>	<u>\$71,218,538</u>

**Moving King County Residents Forward  
Cash Reconciliation Report  
Properties and MKCRF  
Through September 30, 2019**

	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>\$1,323,610</b>				<b>(\$7,902)</b>			
<i>Rental Revenue and Subsidy</i>								
Tenant Revenue	\$6,199,388	\$6,639,216	(\$439,828)	-6.6%	\$0	\$0	\$0	n/a
<i>Total Rental Revenue and Federal Support</i>	6,199,388	6,639,216	(439,828)	-6.6%	0	0	0	n/a
<i>Other Operating Revenue</i>								
Other Revenue	38,271	24,633	13,638	55.4%	2,566,610	2,403,843	162,767	6.8%
<i>Total Other Operating Revenue</i>	38,271	24,633	13,638	55.4%	2,566,610	2,403,843	162,767	6.8%
<i>Total Operating Revenue</i>	6,237,659	6,663,849	(426,190)	-6.4%	2,566,610	2,403,843	162,767	6.8%
<i>Operating Expenses</i>								
Salaries and Benefits	(1,335,021)	(1,285,706)	(49,315)	-3.8%	0	0	0	n/a
Administrative Expenses	(114,840)	(115,932)	1,092	0.9%	0	(1,000)	1,000	100.0%
Maintenance Expenses, Utilities, Taxes	(1,105,324)	(1,295,937)	190,613	14.7%	0	0	0	n/a
Management Fees Charged to Properties and Programs	(576,454)	(579,825)	3,371	0.6%	0	0	0	n/a
Other Programmatic Expenses	(1,309)	(615)	(694)	-112.8%	0	0	0	n/a
Debt Service	(1,170,985)	(1,161,909)	(9,076)	-0.8%	0	0	0	n/a
<i>Total Operating Expenses</i>	(4,303,933)	(4,439,924)	135,991	3.1%	0	(1,000)	1,000	100.0%
<i>Net Operating Income</i>	1,933,726	2,223,925	(290,199)	-13.0%	2,566,610	2,402,843	163,767	6.8%
<i>Non Operating Income/(Expense)</i>								
Interest Expense	0	0	0	n/a	(671,055)	(667,881)	(3,174)	-0.5%
Other Non-operating Income/(Expense)	50,100	0	50,100	n/a	0	0	0	n/a
<i>Total Non Operating Income/(Expense)</i>	50,100	0	50,100	n/a	(671,055)	(667,881)	(3,174)	-0.5%
<i>Capital Activity</i>								
Capital Project Funding, Excluding Debt Issuance	0	0	0	n/a	0	0	0	n/a
Capital Project Expenditures	(1,952,219)	(1,696,733)	(255,486)	-15.1%	(1,395,626)	(1,241,933)	(153,693)	-12.4%
<i>Total Change in Capital Assets, net of Direct Funding and Debt</i>	(1,952,219)	(1,696,733)	(255,486)	-15.1%	(1,395,626)	(1,241,933)	(153,693)	-12.4%
<i>Change in Other Assets/Liabilities</i>								
Change in Designated/Restricted Cash	(111,664)	(110,142)	(1,522)	-1.4%	0	0	0	n/a
Change in Short-term Assets	127,698	0	127,698	n/a	0	0	0	n/a
Change in Short-term Liabilities	(623,288)	0	(623,288)	n/a	(298)	0	(298)	n/a
Change in Long-term Debt	0	0	0	n/a	(489,930)	(494,037)	4,107	0.8%
<i>Change in Other Assets/Liabilities</i>	(607,253)	(110,142)	(497,111)	-451.3%	(490,227)	(494,037)	3,810	0.8%
<i>Change in Unrestricted/Program Cash</i>	(\$575,646)	\$417,050	(\$992,696)	-238.0%	\$9,702	(\$1,008)	\$10,710	1062.5%
<b>ENDING UNRESTRICTED/PROGRAM CASH</b>	<b>\$747,964</b>				<b>\$1,800</b>			
<b>BEGINNING DESIGNATED/RESTRICTED CASH</b>	<b>\$866,702</b>				<b>\$0</b>			
Change in Replacement Reserves	111,645	110,142	1,503	1.4%	0	0	0	n/a
Change in Debt Service Reserves	0	0	0	n/a	0	0	0	n/a
Change in Other Reserves	19	0	19	n/a	0	0	0	n/a
<i>Change in Designated/Restricted Cash</i>	111,664	110,142	1,522	1.4%	0	0	0	n/a
<b>ENDING DESIGNATED/RESTRICTED CASH</b>	<b>\$978,366</b>				<b>\$0</b>			

- 1) Due to higher-than-anticipated interest rates, interest income was higher than budgeted.
- 2) Seasonal and periodic contracts are below target due to timing but are expected to catch up by year-end.
- 3) Vista Heights insurance proceeds for fire loss. Unbudgeted.
- 4) MKCRF capital expenditures exceeded budget as the Eastridge House roofing and Wellswood site improvements projects were unbudgeted. Also, the Greenleaf envelope & deck project was budgeted in 2018, but the project continued into 2019.
- 5) Due to changes in tenant accounts receivable and prepaid insurance which are not budgeted.
- 6) Due to change in accounts payable which is not budgeted.