

MOVING KING COUNTY RESIDENTS FORWARD

Telephonic Annual Meeting of the Board of Directors

Monday, May 18, 2020

10:15 AM or immediately following the KCHA Board meeting

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

Agenda

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- I. Call to Order
 - II. Roll Call
 - III. Election of Officers
 - A. President
 - B. Secretary
 - C. Treasurer
 - IV. Public Comment
 - V. Approval of Minutes
 - A. December 16, 2019 Board Meeting Minutes 1
 - VI. Briefings and Reports
 - A. Fourth Quarter 2019 Financial Report for MKCRF and MKCRF - Owned Properties 2
 - VII. Board of Directors Comments
 - VIII. Adjourn

Members of the public who wish to give public comment: We are only accepting written comments for the time being due to COVID-19. Please send your written comments to kamir@kcha.org prior to the meeting date. If you have questions, please call 206-574-1206.

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MINUTES OF THE MOVING KING COUNTY RESIDENTS FORWARD

BOARD OF DIRECTORS

Monday, December 16, 2019

I. CALL TO ORDER

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

On motion by Director Susan Palmer and seconded by Director John Welch, the Board of Directors unanimously approved the September 16, 2019 MKCRF Meeting Minutes.

V. RESOLUTIONS FOR DISCUSSION AND POSSIBLE ACTION

A. Resolution No. 32 - Adoption of the Calendar Year 2020 Operating and Capital Budgets

Craig Violante, Director of Finance briefly stated what MKCRF is as he explained the budget.

These 509 housing units were previously part of the Public Housing program. They were disposed of to Moving King County Residents Forward, which is a 501C(3) non-profit organization. The transition from public housing to project based Section 8 resulted in higher subsidy levels for the properties. As a result, these properties generate excess cash flow.

On motion by Director Michael Brown and seconded by Director John Welch, the Board of Directors unanimously approved Resolution No. 32.

VI. BRIEFINGS AND REPORTS

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

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

Money was used to fund 13 out of the 19 upgrades that were completed and the unit upgrade program was adopted in 2006. This is 74% of the units.

VII. BOARD OF DIRECTORS COMMENTS

None.

VIII. ADJOURNMENT

Director Susan Palmer moved and Director TerryLynn Stewart seconded the motion.
The meeting was officially adjourned at 10:21 a.m.

MOVING KING COUNTY RESIDENTS FORWARD

DOUGLAS J. BARNES
President

STEPHEN J. NORMAN
Secretary of the Corporation

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MOVING KING COUNTY RESIDENTS FORWARD

TO: Board of Directors

FROM: Craig Violante

DATE: April 8, 2020

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

EXECUTIVE SUMMARY

Throughout 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 15 units using KCHA's internal unit upgrade crews.

FOURTH QUARTER 2019 FINANCIAL REPORTS

Attached are financial reports for the fourth quarter of 2019:

- Statement of Financial Position for the Properties that reflects their short-term assets and liabilities
- Statement of Financial Position for the non-profit Moving King County Residents Forward that reflects its long-term assets and liabilities, primarily the apartments complexes and related debt
- Cash Reconciliation report for the Properties that reflect their operating income, expenses, and other cash expenditures
- Cash Reconciliation report for the non-profit Moving King County Residents Forward that reflects its minor operating income and expenses

KCHA Operations of the Properties

Tenant revenue finished the year \$467,000, or 5.3%, below initial projections. The budget incorrectly assumed that higher rental income from increased contract rents would uniformly begin January 2019. In practice, actual increases occurred at the time of tenant recertification which happened periodically throughout the year. Operating expenses were slightly over budget with a variance of 1.6%

During 2019, the Properties generated net operating cash flow in excess of \$2.1 million after required debt service payments and additions to replacement reserves:

Operating Revenues	\$8,378,016
Operating Expenses	(4,554,760)
Debt Service	(1,557,979)
Transfers to Replacement Reserves	(149,012)
Net Cash Flow	<u><u>\$2,116,265</u></u>

Capital Projects

Several capital projects were completed or worked on during the year with expenditures totaling \$2.7 million. These expenditures exceeded the budget by \$1.3 million but were necessitated by some unexpected critical work at Kings Count and Wellswood. These additional expenditures resulted in a

negative unrestricted cash balance at the end of 2019 of \$358,000. Rather than transferring funds from MTW, it was decided to roll the negative cash balance into 2020 and use current year cash flow to make up the deficit. If the need arises, a cash transfer from MTW will be made in 2020. In addition, KCHA's internal Unit Upgrade crews rehabilitated the interiors of 15 out of the 19 units that were included in the 2019 budget. Since acquiring the Properties in 2012, 164 units have been upgraded by KCHA's in-house unit upgrade crew. A total of 376 units (73.9%) have been upgraded since inception of the program in 2006.

Operations of Moving King County Residents Forward

MKCRF had only \$1,140 in administrative expenses throughout the year. All required monthly debt service payments to KCHA were made.

Moving King County Residents Forward
Statements of Financial Position
As of December 31, 2019

	MKCRF Properties Managed by KCHA			MKCRF
	Operations	Capital	Combined	
Assets				
Cash-Unrestricted	\$7,972	(\$365,891)	(\$357,919)	\$660
Cash-Designated	937,488	0	937,488	0
Cash-Restricted	79,025	0	79,025	0
Accounts Receivable	51,711	0	51,711	0
Other Short-term Assets	140,640	0	140,640	0
Long-term Receivables	0	0	0	0
Capital Assets	79,454	423,355	502,810	71,730,973
Other Assets	0	0	0	0
Total Assets	<u>\$1,296,291</u>	<u>\$57,464</u>	<u>\$1,353,756</u>	<u>\$71,731,633</u>
Liabilities and Equity				
Short-term Liabilities	\$194,793	\$41,543	\$236,336	\$0
Current Portion of Long-term Debt	0	0	0	658,189
Long-term Debt	0	0	0	13,811,914
Other Long-term Liabilities	0	0	0	0
Total Liabilities	<u>194,793</u>	<u>41,543</u>	<u>236,336</u>	<u>14,470,103</u>
Equity	1,101,498	15,921	1,117,419	57,261,530
Total Liabilities and Equity	<u>\$1,296,291</u>	<u>\$57,464</u>	<u>\$1,353,756</u>	<u>\$71,731,633</u>

Moving King County Residents Forward
Cash Reconciliation Report
Properties and MKCRF
Through December 31, 2019

	MKCRF Properties, Managed by KCHA				MKCRF			
	Actual	Budget	Favorable (Unfavorable) \$ Variance	Favorable (Unfavorable) % Variance	Actual	Budget	Favorable (Unfavorable) \$ Variance	Favorable (Unfavorable) % Variance
BEGINNING UNRESTRICTED/PROGRAM CASH	\$1,323,610				(\$7,902)			
<i>Rental Revenue and Subsidy</i>								
Tenant Revenue	\$8,378,016	\$8,845,225	(\$467,209)	-5.3%	\$0	\$0	\$0	n/a
Total Rental Revenue and Federal Support	8,378,016	8,845,225	(467,209)	-5.3%	0	0	0	n/a
<i>Other Operating Revenue</i>								
Other Revenue	47,767	32,826	14,941	45.5%	3,882,477	2,935,393	947,084	32.3%
Total Other Operating Revenue	47,767	32,826	14,941	45.5%	3,882,477	2,935,393	947,084	32.3%
Total Operating Revenue	8,425,783	8,878,051	(452,268)	-5.1%	3,882,477	2,935,393	947,084	32.3%
<i>Operating Expenses</i>								
Salaries and Benefits	(1,846,203)	(1,759,583)	(86,620)	-4.9%	0	0	0	n/a
Administrative Expenses	(177,389)	(153,519)	(23,870)	-15.5%	(1,140)	(1,000)	(140)	-14.0%
Maintenance Expenses, Utilities, Taxes	(1,762,173)	(1,782,643)	20,470	1.1%	0	0	0	n/a
Management Fees Charged to Properties and Programs	(767,255)	(772,480)	5,226	0.7%	0	0	0	n/a
Other Programmatic Expenses	(1,741)	(804)	(937)	-116.5%	0	0	0	n/a
Debt Service	(1,557,979)	(1,547,974)	(10,005)	-0.6%	0	0	0	n/a
Total Operating Expenses	(6,112,739)	(6,017,003)	(95,736)	-1.6%	(1,140)	(1,000)	(140)	-14.0%
Net Operating Income	2,313,044	2,861,048	(548,004)	-19.2%	3,881,337	2,934,393	946,944	32.3%
<i>Non Operating Income/(Expense)</i>								
Interest Expense	0	0	0	n/a	(889,791)	(889,796)	5	0.0%
Other Non-operating Income/(Expense)	50,100	0	50,100	n/a	0	0	0	n/a
Total Non Operating Income/(Expense)	50,100	0	50,100	n/a	(889,791)	(889,796)	5	0.0%
<i>Capital Activity</i>								
Capital Project Funding, Excluding Debt Issuance	0	0	0	n/a	0	0	0	n/a
Capital Project Expenditures	(3,294,231)	(1,993,334)	(1,300,897)	-65.3%	(2,324,497)	(1,387,419)	(937,078)	-67.5%
Total Change in Capital Assets, net of Direct Funding and Debt	(3,294,231)	(1,993,334)	(1,300,897)	-65.3%	(2,324,497)	(1,387,419)	(937,078)	-67.5%
<i>Change in Other Assets/Liabilities</i>								
Change in Designated/Restricted Cash	(149,812)	(146,834)	(2,978)	-2.0%	0	0	0	n/a
Change in Short-term Assets	9,652	0	9,652	n/a	0	0	0	n/a
Change in Short-term Liabilities	(610,283)	0	(610,283)	n/a	(298)	0	(298)	n/a
Change in Long-term Debt	0	0	0	n/a	(658,188)	(658,189)	1	0.0%
Change in Other Assets/Liabilities	(750,442)	(146,834)	(603,608)	-411.1%	(658,486)	(658,189)	(297)	0.0%
Change in Unrestricted/Program Cash	(\$1,681,529)	\$720,880	(\$2,402,409)	-333.3%	\$8,562	(\$1,011)	\$9,573	946.9%
ENDING UNRESTRICTED/PROGRAM CASH	(\$357,919)				\$660			
<i>BEGINNING DESIGNATED/RESTRICTED CASH</i>								
BEGINNING DESIGNATED/RESTRICTED CASH	\$866,702				\$0			
Change in Replacement Reserves	149,012	146,834	2,178	1.5%	0	0	0	n/a
Change in Debt Service Reserves	0	0	0	n/a	0	0	0	n/a
Change in Other Reserves	800	0	800	n/a	0	0	0	n/a
Change in Designated/Restricted Cash	149,812	146,834	2,978	2.0%	0	0	0	n/a
ENDING DESIGNATED/RESTRICTED CASH	\$1,016,514				\$0			

- Due to higher-than-anticipated interest rates, interest income was higher than budgeted.
- Vista Heights insurance proceeds for fire loss. Unbudgeted.
- MKCRF capital expenditures exceeded budget; the largest being the Kings Court Water/Waste Lines and Wellswood Site Improvements projects which were unbudgeted. Also, the Greenleaf envelope & deck project was budgeted in 2018, but the project continued into 2019. As a result, the related transfer from MKCRF operations to fund these projects exceeded budget.
- Due to decrease in accounts payable. Unbudgeted.