

MOVING KING COUNTY RESIDENTS FORWARD

Virtual Annual Meeting of the Board of Directors

Monday, May 16, 2022

10:45 AM or immediately following the KCHA Board meeting

King County Housing Authority

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 20, 2021 Board Meeting Minutes 1
 - VI. Resolutions for Discussion and Possible Action
 - A. **Resolution No. 39** - Acknowledging Receipt of Audit Examination for the Period January 1, 2018 through December 31, 2020 2
 - VII. Briefings and Reports
 - A. Fourth Quarter 2021 Financial Report for MKCRF and MKCRF - Owned Properties 3
 - VIII. Board of Directors Comments
 - IX. Adjourn

Members of the public who wish to give public comment: We are now accepting public comment during the meeting or written comments. Please send your requests for public comment to the Board Coordinator via email 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 ANNUAL MOVING KING COUNTY RESIDENTS FORWARD
BOARD OF DIRECTORS VIRTUAL MEETING
Monday, December 20, 2021**

I. CALL TO ORDER

The virtual meeting of the Annual Board of Directors of Moving King County Residents Forward (MKCRF) was held on Monday, December 20, 2021 at the King County Housing Authority, 700 Andover Park West, Tukwila, WA at 10:55 am.

II. ROLL CALL

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

III. PUBLIC COMMENT

No Public Comment.

IV. APPROVAL OF MINUTES

A. September 20, 2021 Board Meeting Minutes

On motion by Director TerryLynn Stewart and seconded by Director John Welch, the Board of Directors unanimously approved the September 20, 2020 MKCRF Meeting Minutes.

V. RESOLUTIONS FOR DISCUSSION AND POSSIBLE ACTION

A. Resolution No. 36 – Adoption of the Calendar Year 2022 Operating and Capital Budget

Windy Epps, Director of Finance, presented the Resolution.

On motion by Director Susan Palmer and seconded by Director John Welch, the Board of Directors unanimously approved Resolution No. 36.

B. Resolution No. 37 – Election of Dan Watson as Secretary for MKCRF

Director Barnes presented the Resolution.

On motion by Director TerryLynn Stewart and seconded by Director John Welch, the Board of Directors unanimously approved Resolution No. 37.

VI. BRIEFINGS AND REPORTS

A. Fourth Quarter 2021 Financial Report for MKCRF and MKCRF – Owned Properties

Windy Epps, Director of Finance, gave a detailed explanation on the reports.

VII. BOARD OF DIRECTORS COMMENTS

None.

VIII. ADJOURNMENT

Director John Welch moved and Director Susan Palmer seconded the motion.
The meeting was officially adjourned at 11:02 a.m.

**MOVING KING COUNTY RESIDENTS
FORWARD**

DOUGLAS J. BARNES, President

DANIEL WATSON, Secretary of the Corporation

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MOVING KING COUNTY RESIDENTS FORWARD

TO: Board of Directors

FROM: Windy Epps, Director of Finance

DATE: May 2, 2022

RE: **Resolution No. 39:** Acceptance of the Washington State Auditor's Office
Accountability Report for the Period January 1, 2018 through December 31, 2020

The Washington State Auditor's Office issued Accountability Audit Report No.1030345 for Moving King County Residents Forward (MKCRF) on April 21, 2022. The audit covers the period from January 1, 2018 through December 31, 2020. A separate financial statement audit is not required as MKCRF is deemed low risk due to its inclusion as a blended component unit in KCHA's annual financial statements.

In the Accountability Audit Report, the auditors found that MKCRF had complied with all state laws and regulations and its own policies and procedures. It also found that internal controls were adequate to safeguard public assets.

There were no negative findings in the report.

An exit conference with the SAO took place on April 14, 2022 and was attended by Director Stewart and several staff members. The SAO expressed their appreciation for the responsiveness of staff toward the SAO audit staff.

When the Board formally accepts the SAO report via resolution, this signifies the Board's review and approval of the information contained within the report.

MOVING KING COUNTY RESIDENTS FORWARD

RESOLUTION NO. 39

**ACKNOWLEDGING RECEIPT OF AUDIT EXAMINATION FOR THE PERIOD
JANUARY 1, 2018 THROUGH DECEMBER 31, 2020**

WHEREAS, the State of Washington, Office of the State Auditor, Division of Audit Services, has conducted an accountability audit of Moving King County Residents Forward for the period of January 1, 2018 through December 31, 2020; and

WHEREAS, a formal acceptance of the Audit is required by the Board of Directors;

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

Receipt of the official examination of the Moving King County Residents Forward Accountability Audit Report No. 1030345 for the period January 1, 2018 through December 31, 2020, prepared and transmitted for filing by the State Auditor's Division of Municipal Corporation pursuant to RCW 43.09.260 is hereby acknowledged and formally accepted by the Board of Directors of Moving King County Residents Forward.

ADOPTED AT THE ANNUAL MEETING OF THE BOARD OF DIRECTORS OF MOVING KING COUNTY RESIDENTS FORWARD THIS 16TH DAY OF MAY, 2022.

MOVING KING COUNTY RESIDENTS FORWARD

DOUGLAS J BARNES
President, Board of Directors

DAN WATSON
Secretary

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MOVING KING COUNTY RESIDENTS FORWARD

TO: Board of Directors

FROM: Windy Epps, Director of Finance

DATE: May 3, 2022

RE: Fourth quarter 2021 Financial Reports for Moving King County Residents Forward (MKCRF) and MKCRF-Owned Properties

EXECUTIVE SUMMARY

Throughout 2021, 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 16 units using KCHA's internal unit upgrade crews.

FINANCIAL REPORTS

Attached are year-end unaudited financial reports for 2021:

- 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 apartment complexes and related debt
- Cash Reconciliation report for the Properties that reflects 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

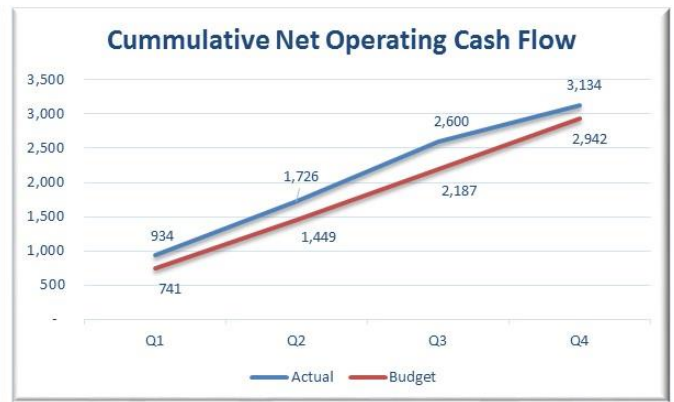
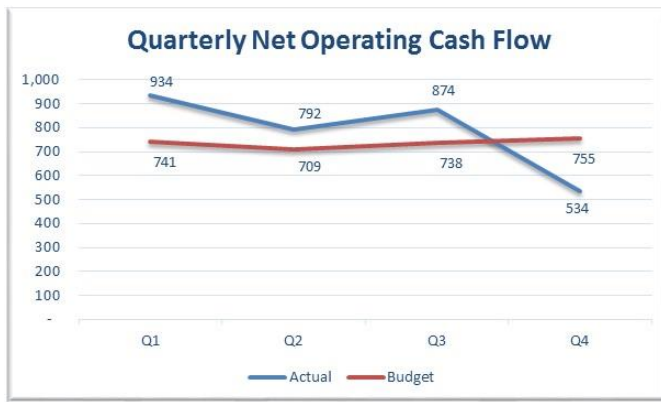
KCHA OPERATIONS OF THE PROPERTIES

Operating income for 2021 was greater than budget projections by \$239,000, or 2.6%, due to an increase in tenant revenue. Operating expenses were close to budget, exceeding projections by \$42,000, or less than 1%.

During the fourth quarter, the Properties generated net operating cash flow of \$534,000 after required debt service payments and additions to replacement reserves, coming in under budget for the quarter. A decline was expected as various maintenance projects were completed late in the year. Total net operating cash flow for 2021 was \$3.1 million, exceeding the \$2.9 million budget for the year.

Operating Revenues	\$9,541,647
Operating Expenses	(\$4,725,815)
Debt Service	(\$1,552,979)
Transfers to Replacement Reserves	(\$129,195)
Net Operating Cash Flow	<u>\$3,133,657</u>

The graphs on the next page depict quarterly and cumulative budget versus actual net operating cash flow.



Cash Balances

The MKCRF operating fund reflected an unrestricted cash balance in the amount of \$58,000 at year-end, while the capital fund was reflecting a negative balance in the amount of \$455,000. The total cash balance of \$884,000 included \$1.2 million in replacement reserves and \$80,000 in security deposits. It is expected MKCRF operations will have sufficient cash flow during the first quarter of 2022 to transfer funds to cover the deficit in the capital fund.

Rent Arrearages

Delinquencies outstanding by more than 90 days for MKCRF properties have grown significantly over the course of the pandemic. Past-due balances totaled \$212,000 at the end of the year, which is up 3 times from the end of 2020, and 9 times from the end of 2019. Some of these balances will be eligible for the Eviction Prevention Rental Assistance Program (EPRAP) funds. However, a loss reserve of \$106,000 was established at the end of the year and will be reviewed as EPRAP funds are received.

Capital Projects

Capital project expenditures exceeded budget projections in 2021 by \$460,000, or 25.8%. Several projects originally planned to be completed in 2020 were delayed to 2021 due to the pandemic. This has resulted in higher than budget expenditures for 2021.

Unit upgrades and other special projects are higher than budget by \$98,000. KCHA's internal unit upgrade crews rehabilitated the interiors of sixteen standard units, although only twelve were included in the 2021 budget. Unit upgrades are dependent on unit availability.

Since the transfer of the Properties from KCHA to MKCRF in 2012, 216 units have been upgraded by KCHA's in-house unit upgrade crew. A total of 428 units (84.1%) have been upgraded since the inception of the upgrade program in 2006.

OPERATIONS OF MOVING KING COUNTY RESIDENTS FORWARD

MKCRF had only \$1,879 in administrative expenses throughout 2021. All required monthly debt service payments to KCHA were made.

Moving King County Residents Forward
Statement of Net Position
Properties and MKCRF
As of December 31, 2021

	MKCRF Properties 2021 Actual	MKCRF 2021 Actual
Cash-Unrestricted	(\$397,260)	\$2,075
Cash-Held by Management Agent	0	0
Cash-Designated	1,201,053	0
Cash-Restricted	80,061	0
Total Cash	<u>883,854</u>	<u>2,075</u>
Current Assets	378,364	0
Long-term Assets	784,701	72,324,105
Total Other Assetts	<u>1,163,064</u>	<u>72,324,105</u>
Total Assets	<u><u>\$2,046,919</u></u>	<u><u>\$72,326,180</u></u>
Current Liabilities	\$460,968	\$658,189
Long-Term Liabilities	0	12,371,843
Total Liabilities	<u>460,968</u>	<u>13,030,032</u>
Equity	1,585,951	59,296,148
Total Liabilities and Equity	<u><u>\$2,046,919</u></u>	<u><u>\$72,326,180</u></u>

Moving King County Residents Forward
Cash Reconciliation
Properties and MKCRF
As of December 31, 2021

	MKCRF Properties				MKCRF			
	2021	2021	Favorable	Favorable	2021	2021	Favorable	Favorable
	Actual	Budget	(Unfavorable) \$ Variance	(Unfavorable) % Variance	Actual	Budget	(Unfavorable) \$ Variance	(Unfavorable) % Variance
Beginning Cash Balance-Unrestricted	(283,382)				(1,046)			
Beginning Cash Balance-Designated	1,071,859				0			
Beginning Cash Balance-Restricted	79,393				0			
	<u>867,869</u>				<u>(1,046)</u>			
Tenant Revenue	9,539,801	9,301,276	238,525	2.6%	-	-	-	n/a
Operating Subsidy from HUD-HCV	-	-	-	n/a	-	-	-	n/a
Operating Subsidy from HUD-PH	-	-	-	n/a	-	-	-	n/a
Port-In Income	-	-	-	n/a	-	-	-	n/a
Other Operating Income	1,846	1,200	646	53.8%	3,796,696	3,331,578	465,118	14.0%
Total Operating Income	<u>9,541,647</u>	<u>9,302,476</u>	<u>239,171</u>	<u>2.6%</u>	<u>3,796,696</u>	<u>3,331,578</u>	<u>465,118</u>	<u>14.0%</u>
Salaries	(1,200,085)	(1,144,550)	(55,535)	-4.9%	-	-	-	n/a
Benefits	(543,249)	(496,715)	(46,534)	-9.4%	-	-	-	n/a
Occupancy Expenses	(1,900,757)	(1,996,064)	95,307	4.8%	-	-	-	n/a
Maintenance Projects	-	-	-	n/a	-	-	-	n/a
HAP Expense-KCHA	-	-	-	n/a	-	-	-	n/a
HAP Expense-Ports In	-	-	-	n/a	-	-	-	n/a
Other Social Service Expenses	(2,332)	(37,571)	35,239	93.8%	-	-	-	n/a
Administrative Expenses	(1,079,392)	(1,009,342)	(70,050)	-6.9%	(1,879)	(1,200)	(679)	-56.5%
Total Operating Costs	<u>(4,725,815)</u>	<u>(4,684,243)</u>	<u>(41,573)</u>	<u>-0.9%</u>	<u>(1,879)</u>	<u>(1,200)</u>	<u>(679)</u>	<u>-56.5%</u>
Total Operating Income before P & I	4,815,831	4,618,233	197,598	4.3%	3,794,817	3,330,378	464,439	13.9%
Transfers for Debt Service Payments	(1,552,979)	(1,547,980)	(4,999)	-0.3%	-	-	-	n/a
Transfers to Replacement Reserves	(129,195)	(127,788)	(1,407)	-1.1%	-	-	-	n/a
Principal Payments	-	-	-	n/a	(741,883)	(741,821)	(62)	0.0%
Interest Payments	-	-	-	n/a	(806,096)	(806,159)	63	0.0%
Operating Cash Flow	<u>3,133,657</u>	<u>2,942,465</u>	<u>191,192</u>	<u>6.5%</u>	<u>2,246,838</u>	<u>1,782,398</u>	<u>464,440</u>	<u>26.1%</u>
Non-Operating income	1,552	13,660	(12,108)	-88.6%	-	5	(5)	-100.0%
Non-Operating Expenses	(2,237,869)	(1,783,598)	(454,271)	-25.5%	-	-	-	n/a
Capital Expenditures	(229,330)	(288,309)	58,979	20.5%	(2,243,716)	(1,783,598)	(460,118)	-25.8%
Unit Upgrades	(544,698)	(446,958)	(97,740)	-21.9%	-	-	-	n/a
Acquisitions/LIHTC Return to KCHA	-	-	-	n/a	-	-	-	n/a
Change in Designated Cash	-	-	-	n/a	-	-	-	n/a
Change in Restricted Cash	(668)	-	(668)	n/a	-	-	-	n/a
Transfers In/Out	-	-	-	n/a	-	-	-	n/a
Other Changes in Debt	-	-	-	n/a	-	-	-	n/a
Others Sources/(Uses of Cash)	(236,522)	0	(236,522)	n/a	-	0	-	n/a
Non Operating Net Sources (Uses) of Cash	<u>(3,247,535)</u>	<u>(2,505,205)</u>	<u>(742,330)</u>	<u>-29.6%</u>	<u>(2,243,716)</u>	<u>(1,783,593)</u>	<u>(460,123)</u>	<u>-25.8%</u>
Net Change in Unrestricted Cash	<u>(113,878)</u>	<u>437,261</u>	<u>(551,138)</u>	<u>-126.0%</u>	<u>3,122</u>	<u>(1,195)</u>	<u>4,317</u>	<u>361.2%</u>
Ending Cash Balance-Unrestricted	(397,260)				2,075			
Ending Cash Balance-Designated	1,201,053				0			
Ending Cash Balance-Restricted	80,061				0			
	<u>883,854</u>				<u>2,075</u>			

- Security patrol expenses were budgeted, but no charges were incurred.
- As interest rates fell, lower than anticipated interest income was earned on invested cash.
- Capital construction projects delayed in 2020 due to COVID-19 pandemic were completed in 2021, resulting in higher than budgeted expenditures and capital transfers.
- Maintenance projects were under budget due to COVID-19 pandemic.
- Twelve unit upgrades were budgeted for 2021 but sixteen unit upgrades were completed during the year. Unit upgrades depend on availability.
- Mainly due to decrease in deferred rental revenue and accounts payable offset by increase in contract retentions.