

MOVING KING COUNTY RESIDENTS FORWARD

Hybrid Meeting of the Board of Directors

Monday, December 19, 2022

10:45 AM or immediately following the KCHA Board meeting

King County Housing Authority

600 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. May 16, 2022 Board Meeting Minutes | 1 |
| V. | Resolutions for Discussion and Possible Action | |
| | A. Resolution No. 40 - Adoption of the Calendar Year 2023 Operating and Capital Budget | 2 |
| VI. | Briefings and Reports | |
| | A. Third Quarter 2022 Financial Report for MKCRF and MKCRF - Owned Properties | 3 |
| VII. | Board of Directors Comments | |
| VIII. | 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, May 16, 2022

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 10:15 am.

II. ROLL CALL

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

III. ELECTION OF OFFICERS

- A. President – Doug Barnes
- B. Secretary – Dan Watson
- C. Treasurer – Susan Palmer

Resolution No. 38 – Election of Officers for MKCRF.

On motion by Director TerryLynn Stewart and seconded by Director John Welch, the board of Directors unanimously approved Doug Barnes as President, Dan Watson as Secretary and Susan Palmer as Treasurer, Resolution No. 38.

IV. PUBLIC COMMENT

No Public Comment.

V. APPROVAL OF MINUTES

- A. December 20, 2021 Board Meeting Minutes

On motion by Director John Welch and seconded by Director Susan Palmer, the Board of Directors unanimously approved the December 20, 2020 MKCRF Meeting Minutes.

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

Craig Violante, Interim Deputy Executive Director/Chief Administrative Office, presented the audit.

On motion by Director TerryLynn Stewart and seconded by Director John Welch, the Board of Directors unanimously approved Resolution No. 39.

VII. 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.

VIII. BOARD OF DIRECTORS COMMENTS

None.

IX. ADJOURNMENT

Director John Welch moved and Director Susan Palmer seconded the motion.
The meeting was officially adjourned at 10:36 a.m.

**MOVING KING COUNTY RESIDENTS
FORWARD**

DOUGLAS J. BARNES, President

DAN 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: December 9, 2022
RE: **Resolution 40: 2023 Budget for MKCRF and MKCRF-Owned Properties**

EXECUTIVE SUMMARY

The MKCRF-owned Properties (the “Properties”) will continue to generate positive cash flow in 2023, although substantially reduced from the 2022 budget. After debt service payments and additions to replacement reserves, the Properties will generate \$1.5 million, down from \$2.9 million in the 2022 budget. Out of this cash flow, \$1.0 million will be spent on 22 standard unit upgrades at an average cost of \$47,622, and \$529,000 on special maintenance projects, leaving a *net cash flow* deficit of approximately \$70,000. Current cash projections through the end of 2022 predict cash of approximately \$1.9 million to be carried into 2023.

In addition to the standard unit upgrades and special projects, the 2023 budget includes \$1.7 million for other capital projects, with funding coming from cash carried over from 2022. See the Capital Budget section below for additional details.

Projected cash at the end of 2023 is approximately \$207,000.

MKCRF-Owned Properties

The 509 units of multifamily housing that were sold to MKCRF in 2012 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 non-profit itself is found on page 3.

Operations Budget

Below is a high-level summary of the 2023 budget for the Properties with a comparison to the 2022 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.

	2022 Adopted Budget	2023 Proposed Budget
2023 Revenue		
Tenant Revenue	\$9,301,276	\$10,095,486
Investment Income	13,609	84,696
Miscellaneous Revenue	1,200	0
Total Revenue	9,316,085	10,180,182
2023 Uses		
Operating Expenses	(4,684,244)	(6,955,897)
Debt Service	(1,547,980)	(1,547,979)
Additions to Replacement Reserves	(127,788)	(169,870)
Total Uses	(6,360,012)	(8,673,746)
2023 Operating Margin	2,956,073	1,506,436
2023 Capital Projects		
Transfer from MTW for Capital	0	0
Capital Projects	(1,783,598)	(1,657,713)
Unit Upgrades	(446,958)	(1,047,698)
Special Maintenance Projects	(288,309)	(529,450)
Total Capital Projects	(2,518,865)	(3,234,861)
Change in Unrestricted Cash	\$437,208	(\$1,728,425)
Total Projected Available Resources, 12/31/2023		<u>\$206,820</u>

Tenant rents, consisting of subsidy payments from the Housing Choice Voucher program and rental payments from tenants, are forecast at \$10.1 million in 2023, up from the 2022 budget of \$9.3 million. The budget includes moderate increases in contract rents which are phased-in over time as tenants go through the recertification process. Actual out of pocket costs to resident households for rent and utilities remains capped at a percentage of household income pursuant to KCHA's Housing Choice Voucher rent policies.

Operating costs are increasing across the board. Salaries and Benefits are rising by \$656,000, reflective of additional positions and wage increases. Maintenance Contracts are seeing a \$470,000 spike, with the largest bumps in building security/fire safety, and cleaning.

The 2023 debt service budget represents 12 monthly payments of \$128,998 to KCHA as the conduit for the underlying FHLB loan, and the replacement reserve is fully funded at \$250 per unit per year.

Capital Budget

MKCRF will invest \$1.7 million in five major capital projects in 2023, managed by the Capital Construction department. Eastridge House, a 40-unit complex in Issaquah, will see elevator upgrades (\$427,000) and an upgrade to the fire-monitoring system (\$321,000). Vista Heights, a 30-unit apartment complex in Renton, will receive floor repairs (\$316,000). Juanita Trace, a 39-unit complex in Kirkland, will have attic ventilation issues fixed (\$120,000). Finally, Glenview Heights, a 10-unit complex in Renton, will receive envelope and roof upgrades (\$473,000).

The full budget for the MKCRF-Owned Properties is contained 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 the non-profit consists of the properties themselves, and the debt it owes to KCHA.

A total of \$1.7 million of capital work will be managed in 2023 by KCHA’s Capital Construction department on behalf of MKCRF:

Glenview Homes Envelope & Roof	\$473,452
Vista Heights Floor Repairs	315,793
Juanita Trace Attic Ventilation	120,180
Eastridge Elevator (22 Rollover)	427,000
Eastridge Fire Monitoring Systems Upgrade	321,287
	<hr/>
	<u>\$1,657,713</u>

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

MOVING KING COUNTY RESIDENTS FORWARD
2023 Budget-Properties

EXHIBIT A

	Operations	Capital	2023 Proposed Combined
Beginning Balance, Unrestricted Cash	\$2,537,814	(\$602,569)	\$1,935,245
Revenues			
Tenant Revenue	10,095,486	0	10,095,486
Other Operating Revenue	0	0	0
Total Operating Revenues	10,095,486	0	10,095,486
Expenses			
Salaries & Benefits	(2,505,128)	0	(2,505,128)
Routine Maintenance, Utilities, Taxes & Insurance	(2,894,284)	0	(2,894,284)
Other Social Service Support Expenses & HAP	(250,921)	0	(250,921)
Administrative Support Expenses	(1,200,793)	(104,770)	(1,305,563)
Total Operating Expenses	(6,851,127)	(104,770)	(6,955,897)
Operating Net Income	3,244,359	(104,770)	3,139,589
Non-operating Revenue	130,640	(45,944)	84,696
Non-operating Expenses	(1,547,979) (1)	(1,657,713) (1)	(3,205,691)
Net Income	1,827,020	(1,808,426)	6,429,976
Other Sources/(Uses) of Cash			
Capital Projects and Acquisitions	(529,450)	(1,047,698)	(1,577,148)
Changes in Designated Cash	(169,870) (2)	0	(169,868)
Total Other Sources/(Uses) of Cash	(699,320)	(1,047,698)	(1,747,018)
Transfer of Operating Funds for Unit Upgrades	(1,047,698)	1,047,698	0
Transfer of Operating Funds for Capital Construction	(1,657,713)	1,657,713	0
Transfer from MTW fir Capital Construction	0	0	0
Total Use of Operating Funds for Capital Purposes	(2,705,411)	2,705,411	0
Net Change in Unrestricted Cash	(1,577,711)	(150,714)	(1,728,425)
Ending Balance, Unrestricted Cash	960,103	(753,283)	206,820
Beginning Balance, Designated Cash	\$1,278,099	\$0	\$1,278,099
Changes in Designated Cash	169,870 (2)	0	169,872
Ending Balance, Designated Cash	\$1,447,969	\$0	\$1,447,969

- 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
2023 Budget (Cash Basis)**

EXHIBIT B

<i>Beginning Balance, Unrestricted Cash</i>	<i>(\$6,386)</i>
<i>Revenues</i>	
Other Revenue	3,205,517
Total Revenues	3,205,517
<i>Expenses</i>	
Interest Expense	(711,829)
Administrative Support Expenses	(1,001)
Total Expenses	(712,830)
Net Income	2,492,687
<i>Other Sources/(Uses) of Cash</i>	
Capital Projects	(1,657,713)
Changes in Debt	(836,150)
Total Other Sources/(Uses) of Cash	(2,493,863)
Net Change in Unrestricted Cash	(1,176)
<i>Ending Balance, Unrestricted Cash</i>	<i>(\$7,562)</i>

MOVING KING COUNTY RESIDENTS FORWARD

RESOLUTION NO. 40

ADOPTION OF THE CALENDAR YEAR 2023 OPERATING AND CAPITAL BUDGET

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, 2023 (Calendar Year 2023); 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 2023 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 19th DAY OF DECEMBER, 2022.

**MOVING KING COUNTY RESIDENTS
FORWARD**

DOUGLAS J BARNES
President, Board of Directors

ROBIN WALLS
Secretary

**MOVING KING COUNTY RESIDENTS FORWARD
2023 Budget-Properties**

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Operating Net Income	3,244,359	(104,770)	3,139,589
Non-operating Revenue	130,640	(45,944)	84,696
Non-operating Expenses	(1,547,979) (1)	(1,657,713) (1)	(3,205,691)
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Ending Balance, Unrestricted Cash	960,103	(753,283)	206,820
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**MOVING KING COUNTY RESIDENTS FORWARD
2023 Budget (Cash Basis)**

EXHIBIT B

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Changes in Debt	(836,150)
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MOVING KING COUNTY RESIDENTS FORWARD

TO: Board of Directors

FROM: Windy Epps

DATE: December 8, 2022

RE: 2022 Third-Quarter Financial Reports for Moving King County Residents Forward (MKCRF) and MKCRF-Owned Properties

EXECUTIVE SUMMARY

Through the third quarter, 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 twelve units using KCHA's internal unit upgrade crews.

THIRD-QUARTER FINANCIAL REPORTS

Attached are financial reports for the third quarter of 2022:

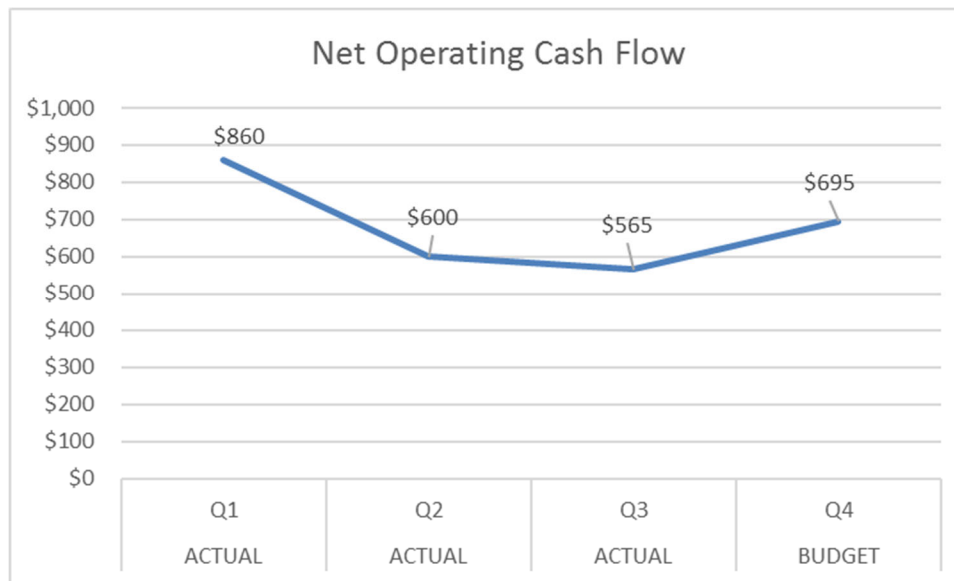
- Statement of Financial Position for the Properties that reflects their short-term assets and liabilities
- Statement of Financial Position for the non-profit Moving King County Residents Forward that reflects its long-term assets and liabilities, primarily the apartment complexes and related debt
- 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

Tenant revenue was 71.4% of the annual budget due to rent credits and concessions related to the Eviction Prevention Rental Assistance Program (EPRAP) program. Operating expenses were 69.2% of the annual budget, due mostly to the timing of maintenance projects and other administrative expenses.

During the third quarter, the Properties generated net operating cash flow of \$565 thousand after required debt service payments and additions to replacement reserves. This result was less than the third quarter budget of \$663 thousand. Year to date net operating cash flow is slightly lower than budget by \$47 thousand. The final 2022 net cash flow is expected to be near the original budget projection of \$2.8 million, as depicted by the graph on the next page.

Net Operating Cash Flow	Q3
Operating Revenues	\$2,412,999
Operating Expenses	(\$1,421,741)
Debt Service	(\$386,995)
Transfers to Replacement Reserves	(\$39,149)
Net Operating Cash Flow	<u>\$565,115</u>



Capital Projects

The third quarter capital project expenditures were less than assumed in the 2022 budget. It is expected that capital construction projects will pick up in the fourth quarter but end the year lower than budget projections by \$600 thousand.

KCHA’s internal unit upgrade crews rehabilitated the interiors of twelve of the eighteen standard units that were included in the 2022 budget through the third quarter. Unit upgrades depend on unit availability.

Since the transfer of the properties from KCHA to MKCRF in 2012, 228 units have been upgraded by KCHA’s in-house unit upgrade crew. A total of 440 units (86.4%) have been upgraded since the inception of the unit upgrade program in 2006.

Operations of Moving King County Residents Forward

MKCRF administrative expenses were greater than budget through the third quarter, primarily due to the 2018-2020 Accountability Audit cost, which was missed in the budget. All required monthly debt service payments to KCHA were made.

Moving King County Residents Forward
Statement of Net Position
Properties and MKCRF
As of September 30, 2022

	MKCRF Properties 2022 Actual	MKCRF 2022 Actual
Cash-Unrestricted	\$1,466,346	(\$6,384)
Cash-Held by Management Agent	0	0
Cash-Designated	1,306,964	0
Cash-Restricted	78,911	0
Total Cash	<u>2,852,221</u>	<u>(6,384)</u>
Current Assets	107,245	0
Long-term Assets	781,460	72,519,116
Total Other Assetts	<u>888,704</u>	<u>72,519,116</u>
Total Assets	<u><u>\$3,740,925</u></u>	<u><u>\$72,512,732</u></u>
Current Liabilities	\$333,117	\$787,642
Long-Term Liabilities	0	11,655,506
Total Liabilities	<u>333,117</u>	<u>12,443,147</u>
Equity	3,407,808	60,069,585
Total Liabilities and Equity	<u><u>\$3,740,925</u></u>	<u><u>\$72,512,732</u></u>

Moving King County Residents Forward
Cash Reconciliation
Properties and MKCRF
As of September 30, 2022

	MKCRF Properties			MKCRF		
	2022 Actual	2022 Annual Budget	Favorable (Unfavorable) % Variance	2022 Actual	2022 Annual Budget	Favorable (Unfavorable) % Variance
Beginning Cash Balance-Unrestricted	(256,938)			2,271		
Beginning Cash Balance-Designated	1,201,053			0		
Beginning Cash Balance-Restricted	80,061			0		
	<u>1,024,176</u>			<u>2,271</u>		
Tenant Revenue	6,944,124	9,722,396	71.4%	-	-	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	-	-	n/a	2,861,209	5,477,708	52.2% (3)
Total Operating Income	<u>6,944,124</u>	<u>9,722,396</u>	<u>71.4%</u>	<u>2,861,209</u>	<u>5,477,708</u>	<u>52.2%</u>
Salaries	(1,030,533)	(1,283,196)	-80.3%	-	-	n/a
Benefits	(452,667)	(565,744)	-80.0%	-	-	n/a
Occupancy Expenses	(1,445,197)	(2,300,955)	-62.8% (1)	-	-	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	(19,334)	(24,815)	-77.9%	-	-	n/a
Administrative Expenses	(704,925)	(1,104,900)	-63.8% (2)	(7,864)	(1,150)	-683.8%
Total Operating Costs	<u>(3,652,655)</u>	<u>(5,279,611)</u>	<u>-69.2%</u>	<u>(7,864)</u>	<u>(1,150)</u>	<u>-683.8%</u>
Total Operating Income before P & I	<u>3,291,469</u>	<u>4,442,785</u>	<u>74.1%</u>	<u>2,853,346</u>	<u>5,476,558</u>	<u>52.1%</u>
Transfers for Debt Service Payments	(1,160,985)	(1,547,980)	-75.0%	-	-	n/a
Transfers to Replacement Reserves	(105,911)	(127,788)	-82.9%	-	-	n/a
Principal Payments	-	-	n/a	(586,289)	(787,575)	-74.4%
Interest Payments	-	-	n/a	(574,695)	(760,405)	-75.6%
			n/a			n/a
Operating Cash Flow	<u>2,024,573</u>	<u>2,767,017</u>	<u>73.2%</u>	<u>1,692,361</u>	<u>3,928,578</u>	<u>43.1%</u>
Non-Operating income	16,657	12,328	135.1%	-	(9)	0.0%
Non-Operating Expenses	(1,702,257)	(3,929,728)	-43.3% (3)	-	-	n/a
Capital Expenditures	(10,487)	(334,300)	-3.1% (4)	(1,700,225)	(3,929,728)	-43.3% (3)
Unit Upgrades	(511,966)	(626,786)	-81.7% (5)	-	-	n/a
Acquisitions/LIHTC Return to KCHA	-	-	n/a	-	-	n/a
Change in Designated Cash	-	-	n/a	-	-	n/a
Change in Restricted Cash	1,150	-	n/a	-	-	n/a
Transfers In/Out	1,899,406	1,800,000	105.5% (6)	-	-	n/a
Other Changes in Debt	-	-	n/a	-	-	n/a
Others Sources/(Uses of Cash)	6,209	0	n/a	(792)	0	n/a
Non Operating Net Sources (Uses) of Cash	<u>(301,289)</u>	<u>(3,078,486)</u>	<u>-9.8%</u>	<u>(1,701,017)</u>	<u>(3,929,737)</u>	<u>-43.3%</u>
Net Change in Unrestricted Cash	<u>1,723,284</u>	<u>(311,469)</u>	<u>553.3%</u>	<u>(8,655)</u>	<u>(1,159)</u>	<u>-746.8%</u>
Ending Cash Balance-Unrestricted	1,466,346			(6,384)		
Ending Cash Balance-Designated	1,306,964			0		
Ending Cash Balance-Restricted	78,911			0		
	<u>2,852,221</u>			<u>(6,384)</u>		

- Maintenance expenses and utilities are lower than budgeted due to slower spending on maintenance contracts but expected to catch up by year-end.
- Mainly due to reversal of uncollectible accounts expense as rental receivable balances were paid by the Eviction Prevention Rental Assistance Program (EPRAP). Also, various categories of administrative expenses were under target.
- MKCRF capital projects were less than target resulting in lower capital transfers and reimbursements. Capital projects will pick up over the remainder of the year. However, they are expected to end the year under budget by approximately \$600K.
- Various capital projects were below target. The Riverton Terrace parking lot project was didn't start until the fourth quarter. The Youngs Lake project to install curbs and storm drains was cancelled as the actual scope of the project was more complicated and expensive than anticipated in the budget. Finally, the Vista Heights project to replace rotting sub-floors in several units was postponed to 2023.
- Eighteen unit upgrades were budgeted throughout the year. Twelve unit upgrades were completed as of September. Unit upgrades depend on availability. The avergae unit upgrade cost has increased due to increase in material prices.
- EPRAP grant income from King County transferred-in to various MKCRF housing projects.