



Boards of Commissioners Update

August 2016

Boards of Commissioners Update – August 2016

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BOARD UPDATE

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TO: Boards of Commissioners

Fresno Housing Authority

FROM: Preston Prince

CEO/Executive Director

DATE: August 16, 2016

AUTHOR: Emily De La Guerra

SUBJECT: Financial Operating Results through June 30, 2016

Executive Summary

The purpose of this update is to present the financial operating results as of June 30, 2016 along with a brief summary of variances from the current approved budgets. Projections have been incorporated into the year-to-date budget to account for the timing of cash flows and known variable expenses. These adjustments were based on historical trends and the most current information available.

Please see attached financial reports for summary revenues and expenses by budget and division. The Agency Operations Budget attachment provided with this memo show the consolidation of all Agency programmatic budgets combined into six divisions. Also, attached is the Housing Assistance Payments Budget and the Mixed Finance Budget. Each budget, separately and together as a whole, is intended to ensure that the Fresno Housing Authority and its related entities remain fiscally sound while investing in the Agency's future, and delivering services in accordance with our mission statement.

Agency Operating Budget

Overall, the Agency performed better than expected for the first half of the year. Total net income is about \$1.2 million better than projected, and unrestricted net income is \$832 thousand better than budgeted. These positive variances are mainly attributable to higher than expected proration levels in the Housing Choice Voucher program, and expense reductions across the Agency, particularly in payroll and administrative expenses.

Total income is about \$424 thousand below the year-to-date (YTD) budget, with the largest negative variances showing within P&CD. The \$1 million deviation in P&CD is namely attributable to the delay in receiving budgeted developer fees; however, these variances are only due to timing and we expect to collect the outstanding fees during the third or fourth quarters. In fact, \$600 thousand has already been received as of August 2016, and the remaining \$400 will be received in the later part of the year. Within the Assisted Housing

(AHD) division, the Housing Choice Voucher program has seen a significant increase in Administrative Fee Revenue under the HUD Grant Income line item due to an increase in proration levels at the Federal level. Staff originally budgeted 70% proration for FY2016; however, estimated Federal proration levels have been increased to 84%, which will earn the Agency approximately an additional \$1 million dollars over the original budgeted revenue amount.

Year-to-date operating and non-operating expenditures are \$1.6 million lower than budgeted, with major expense savings in payroll and administrative expenses. Payroll expenses will start to increase during the second half of the year as we backfill open positions, and finalize the workforce analyses in both Assisted Housing (AHD) and Housing Management (HSM) divisions. Since the original adopted budget anticipated that the workforce analyses would be completed by the first quarter of 2016, the Agency will see some budgetary savings in 2016 because the AHD analysis was not completed until April and the HSM analysis will not be completed until approximately September. Staff is estimating an approximate \$300 thousand dollar savings in payroll costs due to these timing delays. The largest variance in our administrative expenses is the fees we pay to consultants who assist with our Low-Income Housing Tax Credit developments. These consulting payments are normally contingent upon the receipt of our developer fees, and as the Agency receives its outstanding developer fee revenue during the third and fourth quarter, we should expect the budgeted expenses to be paid and our actuals to normalize during the latter half of 2016. Administrative expenses in Core are higher than budgeted due to software and implementation costs that will be allocated to the programs in the third quarter. As these fees are allocated, a portion will stay within Core, but a majority will be paid by the AHD and HSM programs. Staff expects that after these allocations are completed, expenses within the administrative expense line item in Core will be closer to the budgeted figures.

Housing Assistance Payments (HAP) Budget

Housing Assistance Payments (HAP) are the subsidies paid to landlords on behalf of residents participating in the Housing Choice Voucher program (formerly known as "Section 8") and the Shelter Plus Care program. Revenues and expenses for Housing Assistance Payments are slightly off budget as of June 30, 2016 due to cash management policies implemented by HUD. Revenues are approximately \$4.5 million dollar less than anticipated due to lower HAP expense levels and HUD's forced utilization of Agency-held HAP reserves in February and June of 2016, in which we used approximately \$2.6 million of our own reserves. HAP expenditures are lower than originally budgeted due to voucher utilization rates in the City and decreasing Per Unit Costs (PUC) across both programs. Staff is currently leasing up in the City program to increase voucher utilization rates. PUC is also being addressed as we look at increasing payment standards in the third quarter of 2016. As we expend additional dollars in 2016, HUD will readjust the HAP income to match our expenses.

Mixed Finance Budget

The Fresno Housing Authority has sponsored and developed numerous affordable housing properties across Fresno County. Over the past seven years, the Boards have approved over 20 projects, beginning with Yosemite Village, and including Granada Commons, two phases of Parc Grove Commons, three Renaissance projects, four RAD projects, and several other developments throughout Fresno County. We collectively call these groups of projects the "Mixed Finance Properties" because we used several ("mixed") financing sources to acquire and construct the units. Silvercrest, Inc., a wholly-owned subsidiary of the Agency, acts as the Managing General Partner (MGP) of these properties. The role of the MGP is to manage the on-going operations of the partnership, including the financial performance of the

properties. Because of this duty, and because the Agency has a vested interest in the success of these properties, we present the Mixed Finance budgets and financial results to the Boards of Commissioners.

As of June 2016, the Mixed Finance properties are operating slightly outside of the budget parameters during the first half of 2016. Revenues are \$246 thousand better than budget; however, operating and non-operating expenses are \$482 thousand higher than anticipated. Revenue variances are mainly attributable to additional revenue in Net Tenant Income, including tenant-paid rent and subsidy, at both Parc Grove sites, SE Fresno RAD, and Yosemite Village. Expenses are higher than budgeted by approximately \$482 thousand, of which approximately \$300 thousand is unanticipated construction interest paid by property operations instead of the construction budget, per usual. The remaining expense variance lies in administrative expenses and taxes and insurance. Administrative expenses are higher than budgeted due to auditing fees that are paid at the beginning of the year. We expect that as the year continues the expenditures will fall in line with the budget. Taxes and insurance are higher than anticipated due to property tax payments that were made at the beginning of the year, but will be reimbursed by the end of 2016 or in early 2017.

Background Information

The 2016 Operating Budget was approved by the Boards in December 2015 with revenues of \$36.42 million and expenses of \$35.01 million, resulting in total net income of approximately \$1.41 million. Of the \$1.41 million in net income, \$360 thousand is unrestricted and will be added to the Agency's unrestricted reserves by the end of 2016.

The 2016 budget for Housing Assistance Payments was approved in December 2015 with \$80.29 million in revenue and \$79.49 million in expenses, leaving \$790 thousand to be added to restricted HAP reserves.

The Mixed Finance Budget was approved by the Silvercrest Board in April 2016 with revenue of \$9.9 million and expenses of \$8.5 million, with total net income of \$1.4 million.

Fresno Housing Authority
Financial Results as of June 30, 2016

AGENCY OPERATING BUDGET	Core Budget	Core Actuals	Instrum. Budget	Instrum. Actuals	P&CD Budget	P&CD Actuals	AHD Budget	AHD Actuals	HSM Budget	HSM Actuals	Aff Hsg Budget	Aff Hsg Actuals	Total YTD Budget	Total YTD Actuals	\$ Variance	% Variance
INCOME																
NET TENANT INCOME	25,500	5,563	-	-	-	-	-	-	2,482,957	2,935,157	981,417	996,505	3,489,873	3,937,226	447,353	13%
INTEREST INCOME	2,153	18,787	556,500	526,259	-	43,793	225	23,072	715	-	-	337	559,593	612,249	52,656	9%
OTHER INCOME	216,634	170,251	67,375	243,331	130,500	23,160	251,628	247,680	16,599	32,606	19,287	19,602	702,023	736,630	34,607	5%
ADMIN & MANAGEMENT FEE INCOME	3,421,119	3,255,334	30,000	21,601	-	-	-	-	369,755	162,829	-	-	3,820,874	3,439,764	(381,109)	-10%
DEVELOPER FEE INCOME	-	-	-	-	2,186,599	1,178,720	-	-	-	-	-	-	2,186,599	1,178,720	(1,007,879)	-46%
HUD GRANT INCOME	-	-	-	-	-	-	3,990,231	4,789,314	2,395,292	1,828,001	-	-	6,385,523	6,617,315	231,791	4%
OTHER GRANT INCOME	-	-	-	-	-	-	306,976	305,045	409,758	609,879	-	-	716,734	914,924	198,190	28%
TOTAL INCOME	3,665,406	3,449,935	653,875	791,191	2,317,099	1,245,673	4,549,060	5,365,110	5,675,075	5,568,473	1,000,704	1,016,445	17,861,219	17,436,827	(424,392)	-2%
EXPENSES		(382,346)		288,695		439,786		122,249		70,014		10,158				
PAYROLL EXPENSES	2,340,430	2,176,656	-	65,048	719,188	649,519	3,062,255	2,506,826	1,858,319	1,670,699	116,482	84,984	8,096,675	7,153,733	(942,942)	-12%
ADMINISTRATIVE EXPENSES	1,354,004	1,736,350	413,818	125,123	674,648	234,862	2,332,752	2,210,502	1,361,784	1,291,770	78,792	68,634	6,215,796	5,667,240	(548,557)	-9%
TENANT SERVICES EXPENSES	26,500	29,535	-	-	-	-	-	5,811	5,298	7,614	-	170	31,798	43,130	11,332	36%
UTILITY EXPENSES	63,025	85,761	-	-	-	-	-	-	854,484	817,594	94,944	95,982	1,012,452	999,337	(13,116)	-1%
MAINTENANCE EXPENSES	195,874	135,567	25,000	56,291	4,250	8,843	21,250	18,883	740,275	790,160	250,440	214,561	1,237,089	1,224,306	(12,783)	-1%
TAXES & INSURANCE EXPENSES	14,020	17,765	125	6,326	1,300	16,159	1,050	3,227	189,733	189,179	11,351	5,374	217,579	238,030	20,451	9%
TOTAL EXPENSES	3,993,853	4,181,635	438,943	252,788	1,399,386	909,383	5,417,307	4,745,250	5,009,892	4,767,016	552,009	469,705	16,811,390	15,325,776	(1,485,614)	-9%
NET OPERATING INCOME	(328,447)	(731,700)	214,933	538,403	917,713	336,291	(868,247)	619,861	665,182	801,457	448,695	546,740	1,049,829	2,111,051	1,061,222	101%
NON-OPERATING EXPENSES																
TOTAL NON-OPERATING EXPENSES	-	-	-	-	-	-	-	13,686	232,437	409,846	15,200	798	247,637	424,330	176,693	71%
TOTAL FINANCING EXPENSES	315,996	139,074	-	-	-	-	-	-	122,754	73,844	164,892	103,643	603,642	316,560	(287,082)	-48%
TOTAL ADJUSTMENTS & OPERATING	-	10,000	-	-	-	(2,024)	-	-	-	-	-	-	-	7,976	7,976	0%
TOTAL NON-OPERATING EXPENSES	315,996	149,074	-	-	-	(2,024)	-	13,686	355,191	483,690	180,092	104,441	851,279	748,866	(102,413)	-12%
NET CASH FLOW	(644,443)	(880,774)	214,933	538,403	917,713	338,315	(868,247)	606,175	309,992	317,767	268,603	442,299	198,551	1,362,186	1,163,635	586%
UNRESTRICTED CASH FLOW	(644,443)	(880,774)			917,713	338,315	(868,247)	606,175			268,603	442,299	(326,374)	506,015	832,389	-255%

Fresno Housing Authority
Financial Results as of June 30, 2016

HOUSING ASSISTANCE PAYMENTS BUDGET

HAP REVENUE

HAP EXPENSES

HAP NET INCOME

Total YTD Budget	Total YTD Actuals
40,309,742	35,745,599
39,833,523	38,028,789
80,143,265	73,774,388

\$ Variance	% Variance
(4,564,143)	-11%
(1,804,734)	0%
(6,368,877)	-8%

Fresno Housing Authority
Financial Results as of June 30, 2016

	City MF Budget	City MF Actuals	County MF Budget	County MF Actuals	MF Total YTD Budget	MF Total YTD Actuals	\$ Variance	% Variance
MIXED FINANCE BUDGET								
INCOME								
NET TENANT INCOME	3,797,028	3,981,526	1,524,258	1,560,321	5,321,286	5,541,846	220,560	4%
OTHER INCOME	100,984	65,972	3,605	63,217	104,589	129,188	24,599	24%
TOTAL INCOME	3,898,013	4,047,497	1,527,863	1,623,537	5,425,875	5,671,035	245,159	5%
EXPENSES								
PAYROLL EXPENSES	718,350	725,797	272,133	271,178	990,483	996,975	6,492	1%
ADMINISTRATIVE EXPENSES	559,103	661,106	247,583	335,478	806,685	996,584	189,898	24%
TENANT SERVICES EXPENSES	173,403	159,965	76,522	52,112	249,924	212,077	(37,847)	-15%
UTILITY EXPENSES	412,545	432,524	200,468	242,176	613,013	674,700	61,687	10%
MAINTENANCE EXPENSES	661,640	594,206	216,444	231,200	878,084	825,406	(52,678)	-6%
TAXES & INSURANCE EXPENSES	127,073	194,595	60,416	94,167	187,489	288,762	101,273	54%
TOTAL EXPENSES	2,652,113	2,768,192	1,073,565	1,226,311	3,725,678	3,994,503	268,825	7%
NET OPERATING INCOME	1,245,900	1,279,305	454,297	397,226	1,700,197	1,676,531	(23,666)	-1%
NON-OPERATING EXPENSES								
TOTAL NON-OPERATING EXPENSES	155,204	170,765	58,102	(470)	213,306	170,295	(43,011)	-20%
TOTAL FINANCING EXPENSES	534,495	643,087	241,888	390,191	776,383	1,033,278	256,895	33%
TOTAL NON-OPERATING EXPENSES	689,699	813,853	299,990	389,721	989,689	1,203,573	213,885	22%
NET CASH FLOW	556,201	465,452	154,307	7,505	710,508	472,958	(237,550)	-33%

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TO: Boards of Commissioners

Fresno Housing Authority

DATE: August 16, 2016

AUTHOR: Bobby Coulter

FROM: Preston Prince, CEO/Executive Director

SUBJECT: Enterprise Management System (EMS) Update

Executive Summary

The purpose of this memo is to update the Boards of Commissioners on the status of the Agency's Enterprise Management System Implementation from a financial and work-progress perspective.

In November 2015, the Agency, in conjunction with Yardi staff and project management professionals from a third party consulting firm (IFH Solutions), began the implementation of the Yardi system. Yardi's implementation schedule originally consisted of two phases; Finance in April 2016 and Housing (HCV/Public Housing and Mixed Finance) in September 2016. In order to provide ample time for setup and testing, it was decided to split the implementation into three phases; Finance in April 2016, Housing (HCV/Public Housing) in September 2016, and Mixed Finance Housing in October 2016. The decision was made based on the fact that the Mixed Finance properties are more complex and will utilize features within Yardi that are new and thus require more testing.

As of August, the Agency has completed roughly 90% of the implementation (data conversion services, project management support, system design, and business process reviews). The remaining 10% consists of data conversion, data verification, and staff training. Staff training is the largest task as it will include not only the implementation team, but nearly every single Agency employee. The Agency began the training process in late July and will continue through the month of August. One of the more notable training sessions is the Yardi Basic Navigation Training. This training was special as it was Agency staff who conducted the training, as opposed to other training courses that were lead by Yardi staff. There were a total of 183 staff members who received this specific training over the course of four days. These Agency trainers took ownership of the task and it resulted in a better experience for those who attended the training, providing an instant connection and keeping the attendees engaged throughout the 1.5 hour class.

Financial Impact

In October 2015, the Boards of Commissioners approved a contract with Yardi Software, Inc. to implement an Agency-wide Enterprise Management software system. The approved Yardi contract included professional implementation and one-time only start-up fees of \$457,411.56, which would be paid over two budget years (2015 & 2016). This amount includes data conversion services, project management support, staff training, system design, business process reviews, custom solutions for document management and reporting, and more. For 2016 specifically, the Boards approved \$500,000 to be spent from the operating budget on software and implementation costs. Staff has earmarked \$359,068 in public housing capital funds to cover the costs associated with the conversion of the public housing properties. As of August 16th, the Agency has spent a total \$419,392.31 (91.6%) of the total start up fees.