



# Board Update

December 2018

## **Boards of Commissioners Update – December 2018**

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## BOARD UPDATE

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**TO:** Boards of Commissioners

Fresno Housing Authority

**DATE:** December 6, 2018

**AUTHOR:** Emily De La Guerra

**FROM:** Preston Prince, CEO/Executive Director

**SUBJECT:** Fresno Housing Operating Budget as of October 31, 2018

### Executive Summary

The purpose of this update is to present an overview of the financial operating results for the Fresno Housing Authority as of October 31, 2018. The attached financial report shows the consolidation of all Agency operational budgets combined into six divisions. 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.

The 2018 Operating Budget was approved by the Boards of Commissioners in December 2017 with total revenues of \$41.4 million and total operating expenses of \$38.0 million. As of October, total revenues are \$39.0 million, and total operating expenses are \$29.2 million. Net Operating Income is \$9.8 million, which means that the operating income exceeds the gross operating expenses during the first ten months of the year.

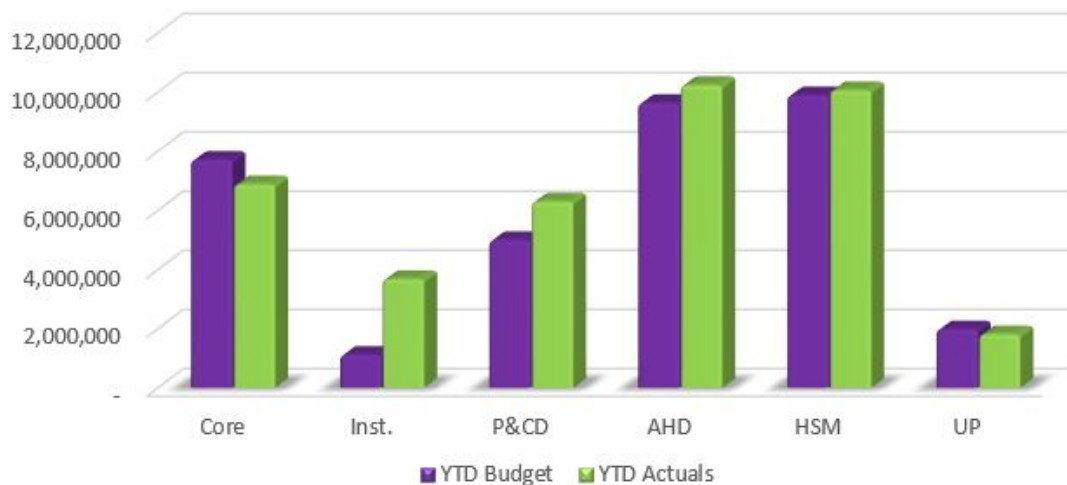
#### OPERATING BUDGET

TOTAL INCOME  
 TOTAL EXPENSES  
**NET OPERATING INCOME**  
 TOTAL NON-OPERATING EXPENSES  
**NET INCOME**  
**UNRESTRICTED NET INCOME**

Fresno Housing Authority			
	Annual Budget	YTD Budget	YTD Actuals
TOTAL INCOME	41,402,540	35,332,060	38,983,746
TOTAL EXPENSES	37,974,220	31,909,184	29,165,323
<b>NET OPERATING INCOME</b>	<b>3,428,320</b>	<b>3,422,876</b>	<b>9,818,423</b>
TOTAL NON-OPERATING EXPENSES	1,957,088	1,630,907	2,219,422
<b>NET INCOME</b>	<b>1,471,232</b>	<b>1,791,970</b>	<b>7,599,002</b>
<b>UNRESTRICTED NET INCOME</b>	<b>(441,488)</b>	<b>198,036</b>	<b>3,530,187</b>

## Agency Revenue

### YTD Revenue: Budget to Actual



UP - Unrestricted Properties: Agency-owned non-subsidized properties, for example Dayton, Woodside, and San Ramon (formerly known as Affordable Housing)

HSM - Housing Management: Restricted, subsidized properties including all public housing, farm labor and migrant properties

AHD - Assisted Housing Division: Housing Choice Voucher, Resident Services and Homeless programs

P&CD - Planning & Community Development: Real Estate Development and Construction Management departments

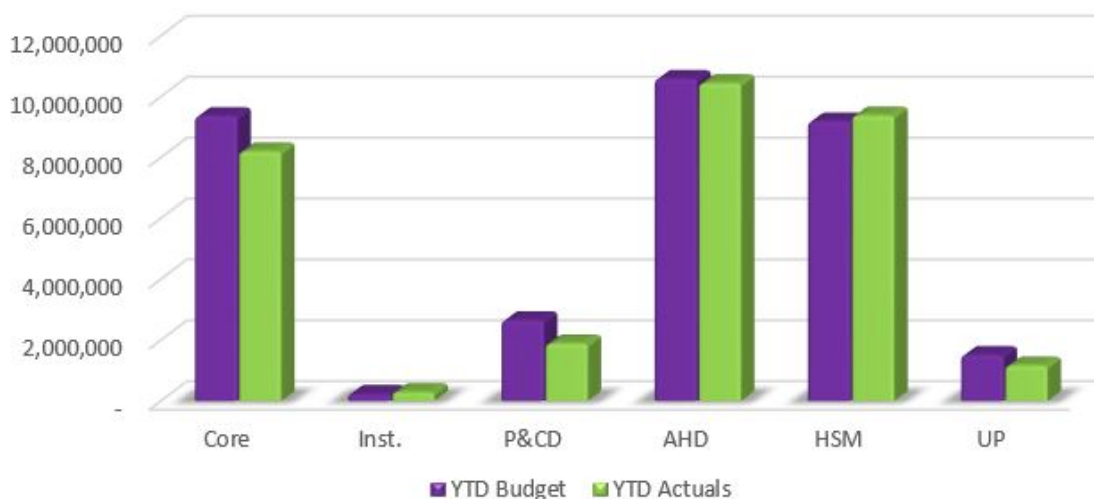
Inst. - Instrumentalities: Wholly-owned subsidiaries of the Agency, including HRFC, HSIC, and Silvercrest

Core: Administrative Services departments including Accounting, Executive, Human Resources and Asset Management

- Overall, year-to-date revenue is \$39.0 million, which is 10% higher than the year-to-date budget.
- **Core:** Admin & Management Fee Income in Core is less than budgeted due to a reduction in allocation revenue earned from Central Office charges, IT Services and Staff Development. Fees for these services are collected from Agency properties and programs and the revenue is booked in Core. As of October, expenses related to Central Office, IT Services and Staff Development have been less than budgeted therefore, less revenue has been collected and the net effect on the overall budget is neutral.
- **Inst.:** Other Income is higher than projected due to a \$1.3 million payment received from the lawsuit regarding the 2012 public housing reserves offset. In July, HRFC also received just over \$1.1 million dollars in sales proceed from Viking Village Rental Assistance Demonstration (RAD). This money was transferred from the Housing Authority and into HRFC to be used for affordable housing purposes. Both these payments are one-time only revenue sources and should not be expected again in future years.
- **P&CD:** P&CD is significantly ahead of budget for 2018 because the department has received all of the developer fee revenue it will get for 2018. No additional developer fee will be received during the year. P&CD has also earned additional fees for the prevailing wage monitoring of construction projects that are in progress, which is represented under Other Income.
- **AHD:** HUD Grant Income is higher than budgeted due to increased proration for Housing Choice Voucher Administrative Fees. The budget estimated 75% proration, and HCV is currently receiving an 80% proration, which represents an additional \$600 thousand to the HCV program in unbudgeted revenue.

## Agency Expenses

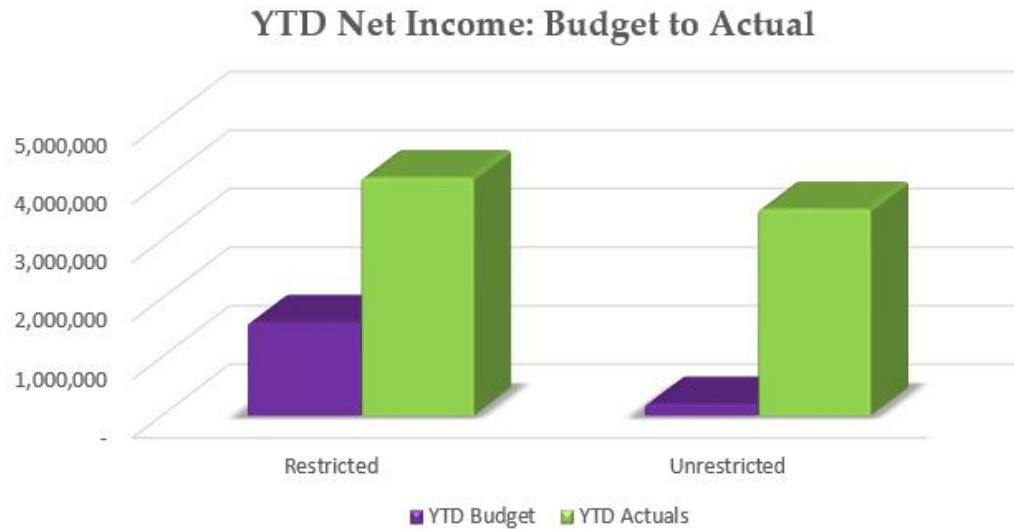
### YTD Expenses: Budget to Actual



UP - Unrestricted Properties: Agency-owned non-subsidized properties, for example Dayton, Woodside, and San Ramon (formerly known as Affordable Housing)  
HSM - Housing Management: Restricted, subsidized properties including all public housing, farm labor and migrant properties  
AHD - Assisted Housing Division: Housing Choice Voucher, Resident Services and Homeless programs  
P&CD - Planning & Community Development: Real Estate Development and Construction Management departments  
Inst. - Instrumentalities: Wholly-owned subsidiaries of the Agency, including HRFC, HSIC, and Silvercrest  
Core: Administrative Services departments including Accounting, Executive, Human Resources and Asset Management

- Overall, year-to-date operating expenses are \$29.2 million and non-operating expenses are \$2.2 million, which together are about 6% lower than budgeted.
- **Agency-wide:** Payroll Expenses are approximately \$2.4 million (16%) lower than anticipated, mainly due to unfilled positions and/or hiring delays. While staff is hoping to fill some of these positions before year-end, there will be some budgeting savings in this line item for 2018.
- **Agency-wide:** Administrative Expenses are approximately \$1 million lower than budgeted across the Agency. Core, P&CD and HSM shows the largest reductions in this line item as staff has strategically reduced contract costs. Staff expects that as the year progresses, Professional & Consulting Fees will increase slightly as planned projects begin and expenses are incurred. However, projections still show that there will be some savings in this line item at year-end.
- **AHD:** Tenant Services Expenses are higher than anticipated at this point in the year due to higher than projected leasing in our grant programs. Shelter Plus Care, CalWORKs and Home TBRA have all been utilizing additional funds in order to house more individuals.
- **HMD:** Maintenance Expenses are higher than projected primarily due to the preparation for HUD's Real Estate Assessment Center (REAC) inspections at our public housing and farm labor sites. The Agency has also shown an increase in maintenance costs related to emergency repairs and after-hour callbacks. Staff is working on a plan to address these issues and reduce the overall costs for emergency maintenance repairs.

## Agency Net Income



- Unrestricted net income is approximately \$3.3 million dollars higher than budgeted as of October 31, 2018. This will decrease during the last two months of the year, as operating expenses are incurred and no additional developer fees will be received. However, the Agency can expect to see an unbudgeted surplus in unrestricted net income at the end of the year.
- Restricted net income is higher than budgeted due to the receipt of unbudgeted lawsuit proceeds in HRFC. This will remain a net positive increase to the 2018 financials throughout the year.

Fresno Housing Authority  
Financial Results as of October 31, 2018

	Core			Inst.			P&CD			AHD			HSM			UP			Fresno Housing Authority			YTD \$ Variance	YTD % Variance
	Annual Budget	YTD Budget	YTD Actuals	Annual Budget	YTD Budget	YTD Actuals	Annual Budget	YTD Budget	YTD Actuals	Annual Budget	YTD Budget	YTD Actuals	Annual Budget	YTD Budget	YTD Actuals	Annual Budget	YTD Budget	YTD Actuals	Annual Budget	YTD Budget	YTD Actuals		
OPERATING BUDGET																							
INCOME																							
NET TENANT INCOME	-	-	-	-	-	-	-	-	-	-	-	21	5,935,766	4,946,472	4,974,425	2,300,350	1,916,958	1,779,869	8,236,116	6,863,430	6,754,315	(109,115)	-2%
INTEREST INCOME	7,000	5,833	8,741	866,667	722,223	960,696	-	-	-	-	-	73,485	17	14	397,311	-	-	-	873,684	728,070	1,440,233	712,163	98%
OTHER INCOME	808,000	673,333	472,089	177,299	147,749	2,668,071	20,000	16,667	544,017	710,822	592,352	652,820	14,014	11,678	147,342	43,000	35,833	20,790	1,773,135	1,477,613	4,505,130	3,027,517	205%
ADMIN & MANAGEMENT FEE INCOME	8,441,439	7,034,533	6,403,841	300,000	250,000	53,792	-	-	-	-	-	51,423	-	-	-	-	-	-	8,741,439	7,284,533	6,509,055	(775,477)	-11%
DEVELOPER FEE INCOME	-	-	-	-	-	-	4,979,660	4,979,660	5,758,199	-	-	-	-	-	-	-	-	-	4,979,660	4,979,660	5,758,199	778,539	16%
HUD GRANT INCOME	-	-	-	-	-	-	-	-	-	9,491,065	7,909,221	8,673,262	4,916,293	4,096,911	3,868,506	-	-	-	14,407,358	12,006,132	12,541,768	535,636	4%
OTHER GRANT INCOME	-	-	-	-	-	-	-	-	-	1,354,390	1,128,658	786,173	1,000,338	833,615	676,594	36,420	30,350	12,280	2,391,148	1,992,623	1,475,047	(517,577)	-26%
TOTAL INCOME	9,256,439	7,713,699	6,884,670	1,343,966	1,119,972	3,682,559	4,999,660	4,996,327	6,302,216	11,556,277	9,630,231	10,237,184	11,866,428	9,888,690	10,064,178	2,379,770	1,983,142	1,812,939	41,402,540	35,332,060	38,983,746	3,651,686	10%
EXPENSES																							
PAYROLL EXPENSES	7,135,977	5,946,648	5,092,471	-	-	-	1,285,953	1,071,628	973,710	6,891,221	5,742,684	4,971,381	3,026,970	2,522,475	1,934,711	330,528	275,440	174,856	18,670,648	15,558,874	13,147,129	(2,411,746)	-16%
ADMINISTRATIVE EXPENSES	3,445,759	2,871,466	2,563,057	237,825	198,188	261,542	1,583,998	1,583,998	898,381	4,741,805	3,951,504	4,031,772	2,169,865	1,808,221	1,582,166	213,403	177,836	180,730	12,392,655	10,591,212	9,517,648	(1,073,564)	-10%
TENANT SERVICES EXPENSES	50,000	41,667	68,273	-	-	-	-	-	-	899,843	749,869	1,117,475	335,581	279,651	249,817	5,250	4,375	5,139	1,290,674	1,075,562	1,440,704	365,142	34%
UTILITY EXPENSES	173,427	144,523	137,521	-	-	-	-	-	-	-	-	115,599	1,882,686	1,568,905	1,486,761	270,410	225,342	216,930	2,326,523	1,938,769	1,956,811	18,042	1%
MAINTENANCE EXPENSES	404,862	337,385	319,656	25,000	20,833	-	3,000	2,500	14,996	44,354	36,962	64,661	1,922,431	1,602,026	1,974,599	351,490	292,908	398,203	2,751,137	2,292,614	2,772,114	479,500	21%
TAXES & INSURANCE EXPENSES	23,720	19,767	21,831	8,900	7,417	5,024	1,000	833	5,130	7,900	6,583	6,210	460,962	384,135	283,813	40,101	33,418	8,909	542,583	452,152	330,917	(121,235)	-27%
TOTAL EXPENSES	11,233,745	9,361,454	8,202,808	271,725	226,438	266,566	2,873,951	2,658,959	1,892,217	12,585,122	10,487,603	10,307,098	9,798,495	8,165,413	7,511,867	1,211,182	1,009,318	984,767	37,974,220	31,909,184	29,165,323	(2,743,861)	-9%
NET OPERATING INCOME	(1,977,306)	(1,647,755)	(1,318,138)	1,072,241	893,534	3,415,993	2,125,709	2,337,368	4,409,999	(1,028,845)	(857,372)	(69,914)	2,067,933	1,723,278	2,552,311	1,168,588	973,823	828,172	3,428,320	3,422,876	9,818,423	6,395,547	187%
NON-OPERATING EXPENSES																							
TOTAL NON-OPERATING EXPENSES	-	-	-	500	417	22,073	-	-	-	120,000	100,000	135,719	624,771	520,643	1,109,138	279,850	233,208	221	1,025,121	854,268	1,267,151	412,883	48%
TOTAL FINANCING EXPENSES	-	-	-	-	-	5,327	-	-	-	-	-	-	602,183	501,819	468,050	329,784	274,820	183,993	931,967	776,639	657,370	(119,269)	-15%
TOTAL ADJUSTMENTS & OPERATING TRANSFERS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	294,901	-	-	-	-	-	294,901	294,901	0%
TOTAL NON-OPERATING EXPENSES	-	-	-	500	417	27,401	-	-	-	120,000	100,000	135,719	1,226,954	1,022,462	1,872,089	609,634	508,028	184,214	1,957,088	1,630,907	2,219,422	588,515	36%
NET INCOME	(1,977,306)	(1,647,755)	(1,318,138)	1,071,741	893,118	3,388,592	2,125,709	2,337,368	4,409,999	(1,148,845)	(957,372)	(205,632)	840,979	700,816	680,223	558,954	465,795	643,958	1,471,232	1,791,970	7,599,002	5,807,032	324%
UNRESTRICTED NET INCOME	(1,977,306)	(1,647,755)	(1,318,138)				2,125,709	2,337,368	4,409,999	(1,148,845)	(957,372)	(205,632)				558,954	465,795	643,958	(441,488)	198,036	3,530,187	3,332,151	-1683%



## BOARD UPDATE

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**TO:** Boards of Commissioners

Fresno Housing Authority

**DATE:** December 6, 2018

**AUTHOR:** Aurora Ibarra

**FROM:** Preston Prince, CEO/Executive Director

**SUBJECT:** Update on 2018 Leasing and Housing Assistance Payments for  
The Housing Choice Voucher Program

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### Executive Summary

The purpose of this memo is to update the Boards of Commissioners on the status of voucher leasing and Housing Assistance Payments (HAP) for the Housing Choice Voucher (HCV) program as of October 31, 2018. Overall, challenges continue to present themselves as the rental market in Fresno County tightens and demand for affordable housing units increase. Staff have continued their efforts to lease up in both programs, utilizing new and innovative approaches to house families in accordance with our mission. As in the past, we will continue to diligently monitor our HAP and voucher utilization rates and provide additional information to the Boards, as needed.

### City HCV

HAP expenditures for the months of January through October totaled \$36,432,371 with an overall projected HAP utilization rate of 98.5%. Current voucher utilization for the month of October is 97.7% with an overall projected voucher utilization for CY 2018 of 97%.

### County HCV

HAP expenditures for the months of January through October totaled \$28,129,945 with an overall projected HAP utilization rate of 97.6%. Current voucher utilization for the month of October is 97.2% with an overall projected voucher utilization rate for CY 2018 of 96%.

### Leasing Update

During the month of November, staff planned additional time and resources to conduct initial (move-in) inspections to meet the needs of families moving into their new units as the holiday season approaches. Staff continues to grant extensions on vouchers to increase search times for families struggling to find affordable housing in a tight rental market.



# HCV Leasing and Spending Projection

## CA006 Two-Year Voucher Forecasting Summary

12/7/2018

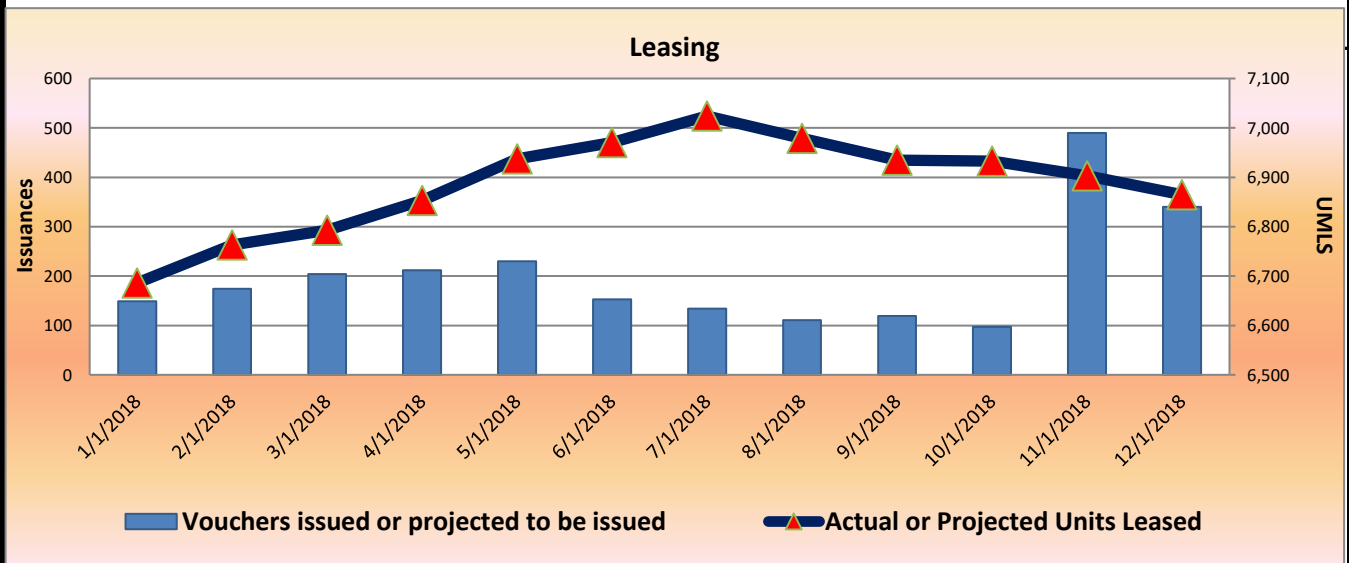
Prepared for: City Board of Commissioners

Prepared by: Housing Choice Department

Using the Housing Choice Voucher (HCV) Two-Year Tool, which allows a user to examine a PHA's voucher program under a variety of leasing, per-unit cost (PUC), and other key program scenarios, the attached tool estimates the program to end the current year with \$4,808,317 HAP reserves or 11% of budget authority. This scenario relies upon the following key variables:

Success Rate	Attrition Rate	Time from Issuance to HAP Effective Date	
(How many issued vouchers will go to HAP)	(What percent of participants annually leave)	(How fast do successful issuances lease up)	
53%	10%	Leased in	Percent
		0-30 Days	16%
Year 1 PUC	Year 2 PUC	31-60 Days	29%
(Average monthly cost of a voucher - Year 1)	(Average monthly cost of a voucher - Year 2)	61-90 Days	22%
\$533	\$583	91-120 Days	19%
		121-150 Days	14%

After deciding upon the above variables, the largest driver of the program revolves around the decision to issue vouchers. Please see the below graph, which shows issued vouchers and associated leasing, as well as the total program UMLs, which takes into account attrition:



Under this scenario, the PHA has no offset for next year or the following year. Additionally, the higher of this year's leased units (96.9%) or dollars (98.5%) is 98.5%.

## Leasing Activity Update

HAP expenditures for the months of January through October totaled \$36,432,371 with a HAP utilization rate for the month of October of 100.8%. Current voucher utilization for the month of October is 97.7% with an overall projected voucher utilization rate for CY 2018 of 97%.

# HCV Leasing and Spending Projection

## CA028 Two-Year Voucher Forecasting Summary

12/7/2018

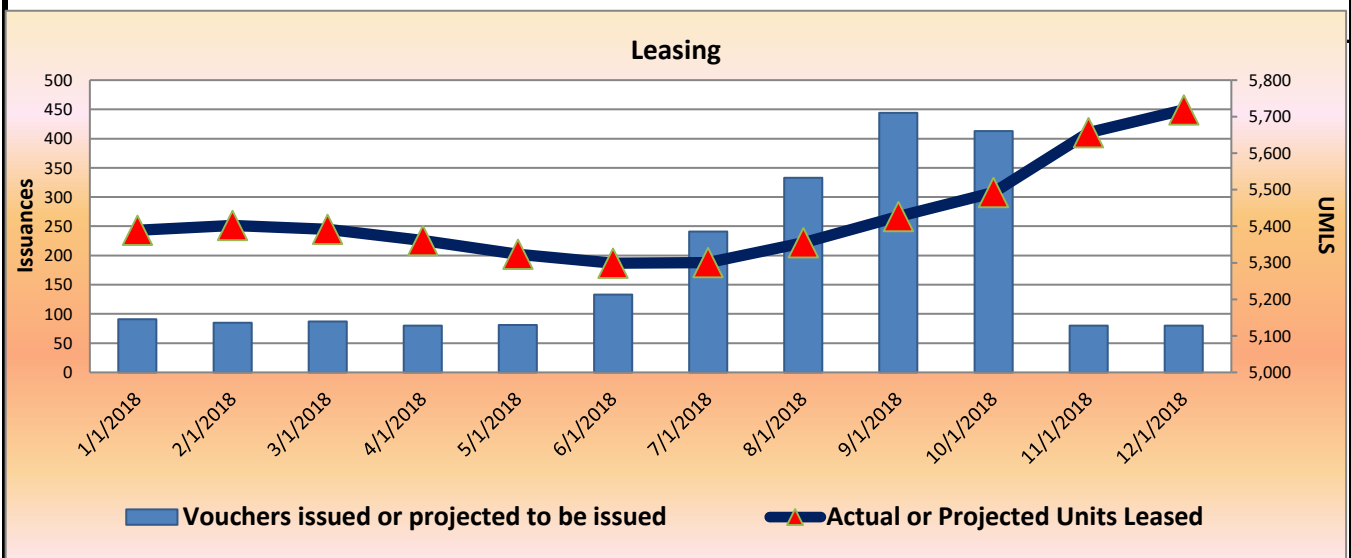
Prepared for: County Board of Commissioners

Prepared by: Housing Choice Department

Using the Housing Choice Voucher (HCV) Two-Year Tool, which allows a user to examine a PHA's voucher program under a variety of leasing, per-unit cost (PUC), and other key program scenarios, the attached tool estimates the program to end the current year with \$3,345,487 HAP reserves or 10% of budget authority. This scenario relies upon the following key variables:

Success Rate	Attrition Rate	Time from Issuance to HAP Effective Date	
(How many issued vouchers will go to HAP)	(What percent of participants annually leave)	(How fast do successful issuances lease up)	
53%	10%	Leased in	Percent
		0-30 Days	16%
Year 1 PUC	Year 2 PUC	31-60 Days	29%
(Average monthly cost of a voucher - Year 1)	(Average monthly cost of a voucher - Year 2)	61-90 Days	22%
\$529	\$564	91-120 Days	19%
		121-150 Days	14%

After deciding upon the above variables, the largest driver of the program revolves around the decision to issue vouchers. Please see the below graph, which shows issued vouchers and associated leasing, as well as the total program UMLs, which takes into account attrition:



Under this scenario, the PHA has no offset for next year or the following year. Additionally, the higher of this year's leased units (96.0%) or dollars (97.6%) is 97.6%, indicating partial leasing indicator points in SEMAP. This is an estimate.

## Leasing Activity Update

HAP expenditures for the months of January through October totaled \$28,129,945 with a HAP utilization rate for the month of October of 97.4%. Current voucher utilization for the month of October is 97.2% with an overall projected voucher utilization rate for CY 2018 of 96%.

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**TO:** Boards of Commissioners

Fresno Housing Authority

**DATE:** December 6, 2018

**AUTHOR:** Emily De La Guerra

**FROM:** Preston Prince, CEO/Executive Director

**SUBJECT:** 2019 Operating Budget Reconciliation

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### Executive Summary

The purpose of this update is to provide a requested reconciliation of the draft Agency operating budgets that were previously provided at the October 2018 and November 2018 board meetings. Those drafts showed baseline operating budgets, as well as augmentations to each respective budget draft.

The average baseline operating budget, as presented at the October 2018 meeting, showed a total unrestricted surplus of \$1.0 million. The 2019 projected baseline operating budget, as presented at the November 2018 meeting, showed a total unrestricted surplus of \$1.83 million. Both drafts represented a projection of ongoing costs of operating the Agency at current, or baseline, service levels. Between each presentation, staff analyzed and refined their projections to develop more accurate figures. The major changes to the baseline budgets included:

- **Core:** Refined projections in various fees charged to other departments. These fees are charged based on total operating expenses, so as certain staffing projections or augmentations are changed, the revenue changes, as well.
- **Assisted Housing:** Based on federal budget projections, staff updated the HCV Admin Fee proration from 75% to 78%, which is a \$260,000 increase in administrative fees earned by the Housing Choice Voucher (Section 8) program. Staff also refined revenue estimates in various grants and the Resident Services program. These grants are largely HUD-funded, on a reimbursement basis, and include: Shelter Plus Care, HOME Tenant-Based Rental Assistance (TBRA) and Homeless Management Information System (HMIS).
- **Unrestricted Properties:** Refined projections in rents and property operational costs.

The average baseline operating budget, as presented at the October 2018 meeting, showed total augmentations in the amount of \$2.4 million. The 2<sup>nd</sup> draft of the operating budget, as presented at the November 2018 meeting, showed total augmentations in the amount of \$2.93 million. Both totals of budget augmentations represented staff's estimated costs of initiatives and enhancements for 2019 that align with the Boards' goals. Between drafts, staff analyzed and refined their projections to develop more accurate figures. The major changes to the budget augmentations included:

- **Core:** Refined projections in staffing for data and program analysis, public relations and communications efforts, and asset management. Staff also estimated additional costs for updates to the Agency website and marketing materials.
- **P&CD:** Refined the staffing and timing of costs related to Neighborhood Programs and the Southwest Fresno Planning process.
- **Assisted Housing:** Refined projections in program-related costs for the Mobility Pilot, High Income Pilot and Landlord Outreach Program. These revised estimates in costs are mostly related to the timing of the programs and when then can realistically start. Staff removed a budgeted expense of \$150,000 from the Fresno Housing Education Corps (FHEC), as that level of investment will not be needed this year. Staff also added an additional \$250,000 in required grant match funds for Homeless Programs administered through the Continuum of Care (CoC). This investment allows the Agency to receive over \$1 million in grants to serve homeless individuals in Fresno County.

#### Original Budget Estimate

	2019 Base NOI	Budget Enhancements	2019 Projected Budget
<b>Administrative Services (Core)</b>	(1,000,000)		
Public Relations & Communication Efforts		(350,000)	
Board Room Refresh		(50,000)	
Data Analysis		(50,000)	
<b>Total Budget</b>			(1,450,000)
<b>Housing Choice Voucher (AHD)</b>	(750,000)		
Mobility Pilot		(300,000)	
Landlord Outreach Program		(250,000)	
<b>Total Budget</b>			(1,300,000)
<b>Resident Services (AHD)</b>	(150,000)		
Workforce Development Pilot		(350,000)	
FHEC Investment		(150,000)	
Program Analyst		(100,000)	
Resident Safety Program		(150,000)	
High Income Pilot		(100,000)	
<b>Total Budget</b>			(1,000,000)
<b>Homeless Programs (AHD)</b>	(100,000)		
Street 2 Home Initiative		(100,000)	
<b>Total Budget</b>			(200,000)
<b>Planning &amp; Development</b>	2,500,000		
Neighborhood Programs & Analysis		(225,000)	
Development Financing Analysis		(75,000)	
South West Fresno Planning		(150,000)	
<b>Total Budget</b>			2,050,000
<b>Unrestricted Properties</b>	500,000		500,000
<b>Unrestricted Programs Total</b>	<b>1,000,000</b>	<b>(2,400,000)</b>	<b>(1,400,000)</b>

## 2<sup>nd</sup> Budget Draft

	2019 Base NOI	Budget Enhancements	2019 Projected Budget
<b>Core</b>	(850,000)		
Communication & Community Outreach Efforts		(500,000)	
Board Tools & Board Room Refresh		(50,000)	
Asset Management		(150,000)	
Data & Program Analysis		(100,000)	
<b>Total Budget</b>			(1,650,000)
<b>Housing Choice Voucher (AHD)</b>	(500,000)		
Mobility Pilot		(400,000)	
Landlord Outreach Program		(300,000)	
<b>Total Budget</b>			(1,200,000)
<b>Resident Services (AHD)</b>	280,000		
Workforce Development Pilot		(260,000)	
FHEC Investment		-	
Program Analyst		(100,000)	
Resident Safety Program		(170,000)	
High Income Pilot		(150,000)	
<b>Total Budget</b>			(400,000)
<b>Homeless Programs (AHD)</b>	(120,000)		
Street 2 Home Initiative		(100,000)	
Agency Match for Homeless Programs		(250,000)	
<b>Total Budget</b>			(470,000)
<b>Planning &amp; Development</b>	2,500,000		
Neighborhood Programs & Analysis		(50,000)	
Development Financing Analysis		(75,000)	
South West Fresno Planning		(275,000)	
<b>Total Budget</b>			2,100,000
<b>Unrestricted Properties</b>	520,000		520,000
<b>Unrestricted Programs Total</b>	<b>1,830,000</b>	<b>(2,930,000)</b>	<b>(1,100,000)</b>