



Legislation Text

File #: 17-1089, **Version:** 1

DATE: November 9, 2017

TO: Members of the Housing & Redevelopment Authority

FROM: Janine Atchison, Housing Coordinator
Chris Heineman, Community Development Director

Housing & Redevelopment Authority (HRA) 2018 Budget

SUMMARY AND ACTION REQUESTED:

Staff recommends approval of a motion to approve the 2018 HRA budget.

ANALYSIS:

Synopsis of 2107 Year-to-Date Revenue & Expense Report

At the October meeting HRA Board members requested an explanation of significant variances in the amount budgeted and the actual year-to-date revenue & expenses. The following figures and explanations are year-to-date revenue & expenses as of October 31, 2017.

Revenues

295-31010 Ad Valorem Taxes

- Year-to-date revenues are currently at \$122,459.02 or 52% of the \$233,968 budgeted. Tax revenues are received by the City twice per year. Although second-half taxes for 2017 were due and payable in October, the HRA will not receive this until December.

295-36210 Interest on Investments, and

295-36211 Investment Market Value

- In 2017, Interest on Investments was budgeted for \$10,000, and Investment Market Value was budgeted for \$0. Per accounting practices, these two line items were combined and included on a single budget-line item as Interest & Investments. A change in accounting practices has resulted in reporting these on separate lines as two different revenue items. The year-to-date revenue for 2017 is \$9,864.66, which is on target for the budget.

295-36220 Rent

- The rental income for 2017 is slightly less than the budgeted revenue due to vacancies at 517 Washington and lower rates at 517 Washington and 2007 Hidden Valley Road.

295-36240 Refunds & Reimbursements

- This line item was not included in the 2017 budget. The HRA received unexpected revenue from the Cannon River Community Land Trust (CRCLT) account held by the Trust's former attorney. The amount was reimbursed to the HRA when the attorney received verification for the Minnesota Secretary of State of the legal dissolution of the CRCLT.

295-36250 Miscellaneous Revenues

- The account was budget for \$500 but had revenues of \$1036.25 year-to-date in 2017. The revenue

came from required reimbursement of HRA attorney fees incurred for land sales, Down Payment Assistance and Residential Rehabilitation loans.

Personal Services

295-5200-1122 FICA

- This line item is entered by the Finance Department. Staff has made Finance aware of the overage so that future budget adjustments can be made.

295-5200-1131 Medical/Dental/Life

- This budget line item is entered by the Finance Department. Changes to medical plans, family/single status affect the year-to-date expenses. The amount budgeted is based on maximum anticipated expenses.

295-5200-1132 Employer HAS Contribution

- This budget line item is entered by the Finance Department. It was entered incorrectly as \$175 instead of \$1750. Finance has been made aware of the discrepancy.

Charges for Services

295-5200-3300 Other Professional Services

- The HRA Board budgeted \$45,000 in this account based on expectations for Southbridge development. Any amount unspent in this account will revert to the HRA general fund.

295-5200-3331 Mileage/Meal/Lodging

295-5200-3333 Staff Training/Conferences

- The HRA anticipated additional costs associated with the National Development Council (NDC) Certified Housing Finance Professional Training for staff. Due to availability of NDC training locally, staff was unable to enroll in all training classes in 2017.

295-5210-3387 Water, Sewer, Gas & Electric

- The budget for utilities at the HRA owned rental properties was increased in 2016 when the Hidden Valley property was purchased. It was difficult to estimate utility costs for the Hidden Valley property because it had been vacant for several years. The budget also included additional funds in the event that one or both of the Elianna properties become vacant and the HRA would pay utilities for a few months. Because of the uncertainty of utility costs, the 2017 budget was not lowered. The 2018 budget has been adjusted to reflect lower utility costs.

295-5210-4464 Misc. Operating Expenses (Rental)

- Cost of repairs at the rental properties is significantly down due to the capital outlay improvements made in 2016 at Hidden Valley and 2017 at Washington St.

295-5220-5520 Capital Outlay

- \$40,000 budgeted for Street Assessment Assistance. The total amount utilized for the program is \$12,295 in 2017. Five families were assisted.
- \$23,401 budgeted for capital repairs/improvements at Hidden Valley and Washington Street properties. The repairs and improvements included window replacement, A/C installation, landscaping, interior repairs & improvements at Washington St. However, the HRA decided not to install A/C and the repairs and other improvements were under budget. The Hidden Valley property was scheduled for driveway overlay in 2017, but work was delayed to 2018 at the request of the owner of the attached unit in the twin home, with whom the HRA would share driveway expenses.

2018 Budget

The 2018 budget reflects a 4.4% increase in ad Valorem taxes from \$233,968 to 244,263. The total projected income for 2018 is \$305,015. Staff has also adjusted the rental revenue for HRA owned properties from

\$56,607 to \$49,752. This reduction of 9.47% reflects lower rents negotiated in 2017.

The total projected expenses for 2018 are \$305,015 representing a 14.9% increase from the 2017 budget. The overall expenses for 2018 would have decreased slightly; however, the remaining revenue of \$11,285 has been added to “Other Professional Services” in anticipation of further development costs at the Southbridge property and other HRA projects.

Synopsis of Proposed Budget Changes:

REVENUE

Taxes- Ad Valorum Taxes increase by 4.4%.

The percentage of Ad Valorum taxes received by the HRA has increased approximately 4.4%. The amount of the levy shall be an amount approved by the governing body of the city, but shall not exceed 0.0185 percent of estimated market value for the City of Northfield.

Other Revenues - Rental Revenue Decreased by 9.47%.

The HRA agreed to reduce rent for the Hidden Valley property from \$1289/month to \$1139/month in response to lower Fair Market Rent Rates reported by HUD in 2017.

The HRA agreed to lower rents at the Washington St duplex from \$1692/month to \$1200/month to allow a transitional housing program to be created within the Emergency Shelter Program.

EXPENDITURES

Personal Services - This line item includes salaries, PERA, FICA, HAS Contributions, Worker’s Comp, medical/dental/life. Personal services budget is \$105,089. This represents a decrease of .8% from the 2017 budget of \$105,963.

Supplies - This budget item remained unchanged for 2018.

Other Services & Charges - This budget item reflects an increase of 14.9% over the 2017 budget. All remaining revenue (\$11,285) in the 2018 budget was added to “Other Professional Services” in anticipation of additional consulting expenditures related to development at Southbridge.

RECOMMENDATION:

Staff recommend the HRA Board approve the proposed 2018 HRA budget. The HRA levy request will be included in the final City Council budget agenda on Tuesday, December 5, 2017.