

Richmond Redevelopment & Housing Authority

Comprehensive Annual Budget

Fiscal Year 2013



*Building Vibrant
Communities*

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The Richmond Redevelopment & Housing Authority (the Authority) is proud to present its comprehensive annual budget for fiscal year 2013. Our fiscal year is the twelve-month period beginning October 1, 2012 through September 30, 2013.

Highlights

Significant differences in our FY2013 budget are as follows:

1. The budget is guided by the strategic goals of the Authority (not the other way around).
2. The budget is balanced; our uses do not exceed our funding sources, but instead we have developed a fiscally responsible budget that agrees to the penny!
3. The budget is presented in a clear and concise format that balances narrative with numbers so the reader is not lost in the numbers.
4. A glossary has been incorporated in the rear of this document to assist the reader with industry terminology.
5. Separated personnel costs from other costs for clarity.
6. We have eliminated all duplication associated with inter-company transfers (between the Central Office Cost Center and other Departments of the Authority).
7. We have eliminated uncertain and non-cash activities that may skew the message. These activities include home sales, depreciation, and amortizations.

Strategic Goals

The Authority's new Chief Executive Officer (CEO) has developed the following goals/priorities:

Personnel

- Fill key positions
- Improve staff performance

Property Management

- Improve property efficiency (by modifying the AMPs)
- Improve operations to achieve "Standard" then "High Performer" designated
- Review outsourcing model
- Update policies and procedures Authority-wide

Real Estate and Community Redevelopment

- Complete or initiate the following projects:
 - HOPE VI
 - Dove Redevelopment
 - Creighton and Whitcomb Redevelopment
 - NHI Scattered Sites
 - Jackson Place

Budget Overview

The FY2013 comprehensive annual budget reflects the strategic goal of the Authority “*to respond to the community’s need for quality affordable housing for families*”. The Authority plans to meet this goal through the efficient use of its resources. We evaluated the Authority’s current environment, made certain assumptions, and considered risks and opportunities that may affect the Authority funding.

Environment:

We operate in an environment that is heavily regulated by the U. S. Department of Housing and Urban Development (HUD). HUD provides 82% of our funding. This funding has significantly decreased over the years. The Authority is, therefore, forced to seek other funding sources.

HUD only allows the Authority to charge \$73.20 per unit per month for each **occupied** unit of low income public housing for management fees and \$19.50 for the housing choice voucher program. If the central office’s budget is more than HUD allows, the central office must make up the shortfall using other revenue sources.

Assumptions:

In preparing the FY2013 budget we made the following assumptions:

- We assumed a breakeven budget, meaning funding sources will equal funding uses.
- We assumed the HUD operating subsidy is funded at 93 percent. This assumption was made because the 2013 funding rate by HUD has not been determined. We analyzed HUD’s operating subsidy funding over the last thirty years and strongly believe this is a reasonable funding assumption. (Appendix 2)
- We assumed personnel costs for FY2013 is based on 269 employees and benefits are 35 percent of their salary. There are no planned salary increases. Salaries are based on the revised organizational structure developed by the Authority’s new CEO. We assumed all vacant positions are filled on October 1, 2012.
- We assumed a rate increase for fuel consumption, and that electric costs will remain flat. We incorporated funding from excess utilities initiating in January 2013 based on anticipated contract services.
- We assumed the Housing Choice Voucher Program (HCVP) will be fully funded. The family self-sufficiency grant will be \$67,000. Administrative fees from the housing choice voucher program will be \$1.7 million.
- We assumed that we will significantly complete the City’s CDBG/Home item plan projects and construct quality affordable housing for families under the HOPE VI and Dove Redevelopment projects. (Appendix 3)
- We assumed the Real Estate and Community Development department is a cost center.

Risks:

Our funding is less than anticipated and we are not able to meet our goals. We operate in an uncertain funding environment and shortfalls in funding impact how we service our residents.

We are currently faced with a “Sub-standard Financial” designation by HUD, which could impact the availability of resources to the Authority.

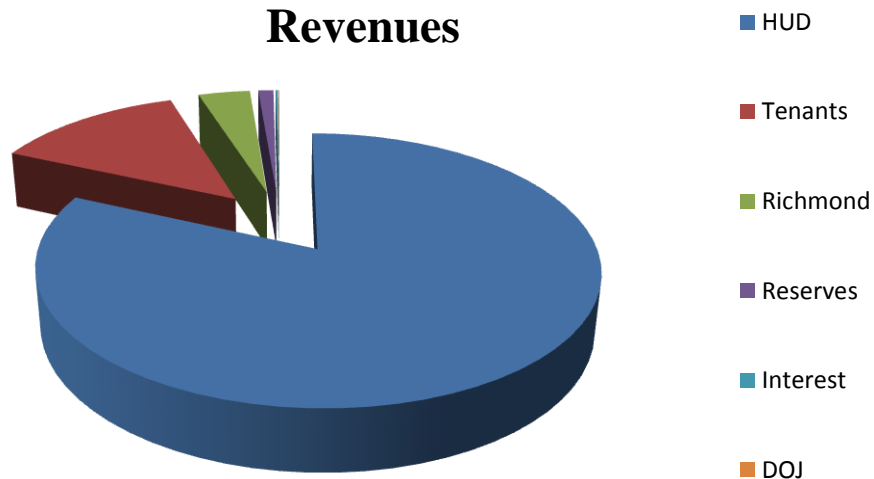
Opportunities:

We have the opportunity to improve the lives of our residents and citizens of the City of Richmond.

Funding Sources

The Authority estimates that it will have \$72 million available for expenditures during FY2013. This is \$2 million (3%) less than the 2012 budgets of \$74 million and \$6 million (8%) less than the 2011 budgets of \$78 million. The funding sources for this year are as follows:

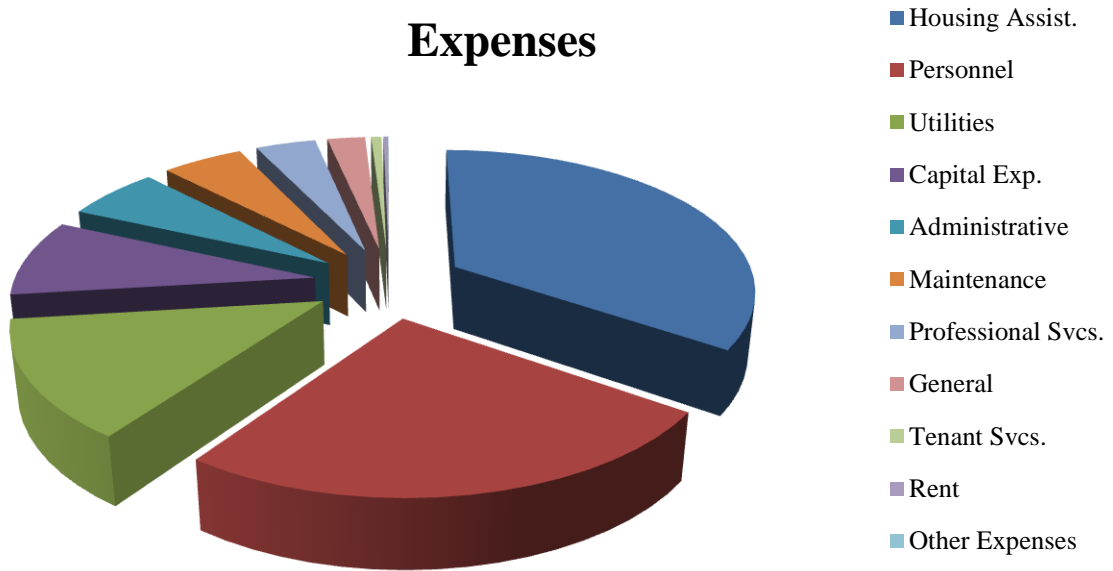
Revenue/Sources	Amount	Percent of Total
HUD	\$ 58,692,669	81.71%
Tenant Charges	9,593,129	13.35%
City of Richmond	2,615,667	3.64%
Use of Section 8 Reserves	768,435	1.07%
Interest Income	120,000	0.17%
Dept. of Justice	44,000	0.06%
Total Funding Sources	\$ 71,833,900	100.00%



Funded Uses

The Authority expects to spend its budgeted dollars in the following categories:

Expenses Line Items	Amount	Percent of Total
Housing Assistance	\$ 24,846,885	34.59%
Personnel	18,139,288	25.25%
Utilities	9,504,793	13.23%
Capital Expenses	6,230,119	8.67%
Administrative	4,274,276	5.95%
Maintenance	3,681,825	5.13%
Professional Services	2,733,067	3.80%
Insurance	1,718,776	2.39%
Tenant Services	475,584	0.66%
Rent	202,361	0.28%
Other Expenses	26,926	0.04%
Total Funded Uses	\$ 71,833,900	100.00%

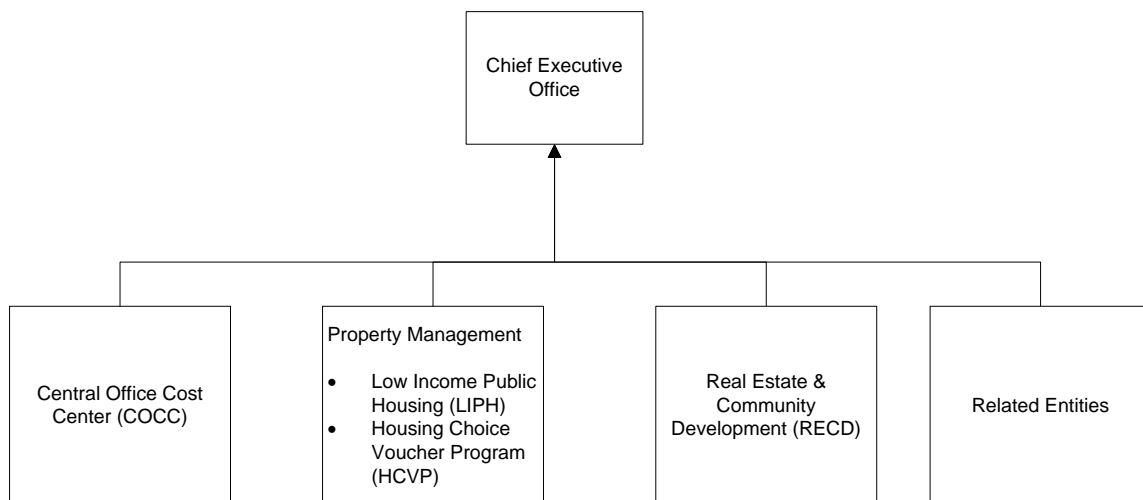


Approximately, 60 percent of these expenses are re-invested back into the Authority’s portfolio.

Core Business Functions

The Authority has three core business functions; property management, real estate and community development, and the central (administrative) office. Also, the Authority has created separate business entities to assist it in carrying out its strategic mission. Below is a description of the functions executed by each core business function:

- **Property Management** – Consist of Low Income Public Housing, the Capital Fund Programs, Public Safety, Resident Services, Tenant Selection, Central Maintenance and Housing Choice Voucher Program.
- **Real Estate and Community Development (RECD)** - Consist of the Hope VI grant, the Fulton and Blackwell Homes, Neighborhood Housing Initiative, Dove Street Redevelopment, Jackson Place Development; City of Richmond community development projects and programs, and Creighton/Whitcomb Redevelopment.
- **Central Office Cost Center (COCC)** – Consist of the Executive and Financial functions necessary to support Property Management and RECD. The Executive Office consists of the Board of Commissioners, Chief Executive Office, Chief Operating Office, Human Resources and Legal, while the Financial Offices consist of Finance, Risk Management, Information Technology, and Procurement.
- Component Units and Related Entities include the Richmond Development Corporation (RDC), Jernigan Hall LLC, Synergy, and Richmond Opportunities Inc. (ROI).



The Authority estimates that its budget of \$72 million will be apportioned as follows:

Area	Amount
Low Income Public Housing	31,921,301
Housing Choice Voucher	26,532,175
Real Estate And Community Development	7,345,885
Central Office	\$ 5,913,681
Related Entities	120,858
Total	\$ <u>71,833,900</u>

Property Management

Property management consists of Low Income Public Housing, Capital Fund Programs and Housing Choice Vouchers Program. These departments oversee the daily operations of the Authority's affordable housing portfolio. Also included are departments which directly support residents, such as Resident Services, Public Safety, Tenant Selection, and Central Maintenance.

Low Income Public Housing (LIPH) & Capital Fund Program (CFP)

Low Income Public Housing consists of costs directly related to the management and operation of the Authority's public housing portfolio, and also includes capital improvements. The LIPH portfolio consists of twelve Asset Management Projects (AMPs) which make up the Authority's largest source of revenue (HUD subsidies and tenant rents) at \$38.7 million. The CFP will be used for the portfolio's capital needs (redevelop, rehabilitate, or modernization) and to support operating cost and management improvements. Below is a table that reflects the budget for the AMPS, central administrative AMP staff, and the CFP.

	LIPH/AMPS	LIPH Admin	LIPH Services	CFP	Total LIPH
Personnel	\$ 5,434,038	\$ 484,853	\$ 4,607,766	\$ 570,650	\$ 11,097,307
Utilities	9,504,793				9,504,793
Maintenance	3,671,533		10,292		3,681,825
Administrative	2,032,968	65,389	728,587		2,826,944
Capital Expenses - Soft				2,785,340	2,785,340
Insurance	1,189,577	22,000	270,770		1,482,347
Tenant Services	104,314		371,270		475,584
Rent			39,985		39,985
Misc. Expenses	22,830				22,830
Financing	4,096				4,096
Consultants			250		250
Total	\$ <u>21,964,149</u>	\$ <u>572,242</u>	\$ <u>6,028,920</u>	\$ <u>3,355,990</u>	\$ <u>31,921,301</u>

As previously mentioned, a portion of the LIPH services are paid out of the management improvement costs of the operating category of the CFP. These services include the Public Safety, Resident Services and Tenant Selection. The Authority's portion of the Department of Justice grant (totaling \$44,000) subsidizes the cost of Public Safety. While, HCVP covers a portion of the Tenant Selection costs.

	Public Safety	Resident Services	Tenant Selection	Central Maintenance	Total LIPH Services
Personnel	\$ 662,870	\$ 1,257,394	\$ 427,525	\$ 2,259,976	\$ 4,607,765
Administrative	151,046	247,852	147,197	182,492	728,587
Rent		18,813	21,172		39,985
Consultants		250			250
Tenant Services		371,270			371,270
Maintenance		2,000		8,292	10,292
Insurance	41,244	140,605	14,281	74,640	270,770
Total	\$ 855,160	\$ 2,038,184	\$ 610,175	\$ 2,525,400	\$ 6,028,919

Housing Choice Voucher Program (HCVP)

The Housing Choice Voucher Program categories include the cost of subsidizing lease payments and the cost of administration. The different types of HCV Programs run by the Authority are the traditional HCVP, Section 8 New Construction, Section 8 Modernization Rehabilitation, and Veterans Affairs Supportive Housing (VASH). Each HCV program receives funding from HUD for Housing Assistance Payments (HAP) and Administrative Fees totaling \$26 million. The majority of the funding is restricted for HAP payments.

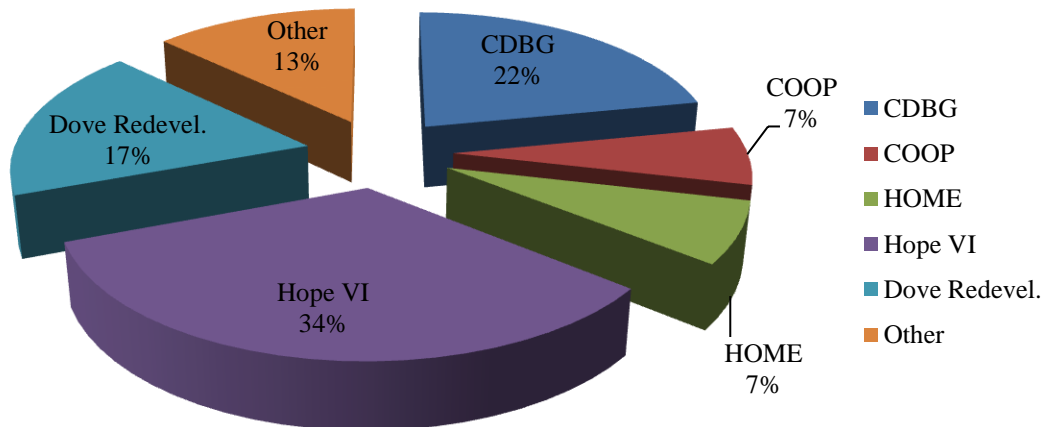
	HCVP Admin	HCVP HAP	Total HCVP
Personnel	\$ 1,177,380	\$	\$ 1,177,380
Administrative	459,891		459,891
Insurance	48,019		48,019
Housing Payments		24,846,885	24,846,885
Total	\$ 1,685,290	\$ 24,846,885	\$ 26,532,175

Real Estate and Community Development (RECD)

The Real Estate and Community Development Office budget consists of the costs of managing and developing other housing programs. The programs included in the RECD are the Community Development Block Grant (CDBG), Housing Opportunities Made Easy (HOME), HOPE VI Revitalization Grant and City of Richmond grants including Cooperative Agreements (COOP), Capital Improvement Projects (CIP) and other various City of Richmond grants. These projects are budgeted to bring in \$6,392,104.

	CDBG	COOP	HOME	Hope VI	Dove Redevel	Other	Total RECD
Capital Expense				\$ 2,000,000	\$ 1,296,437		\$ 3,296,437
Consultants	1,493,741	319,757	514,639	75,000			2,403,137
Personnel	88,215	155,412		160,000		743,089	1,146,716
Administrative				75,000		130,241	205,241
Marketing				100,000			100,000
Insurance	4,002	13,401	1,500			80,451	99,354
Professional Svcs	25,000			70,000			95,000
Total	\$ 1,610,958	\$ 488,570	\$ 516,139	\$ 2,480,000	\$ 1,296,437	\$ 953,781	\$ 7,345,885

RECD PROGRAMS



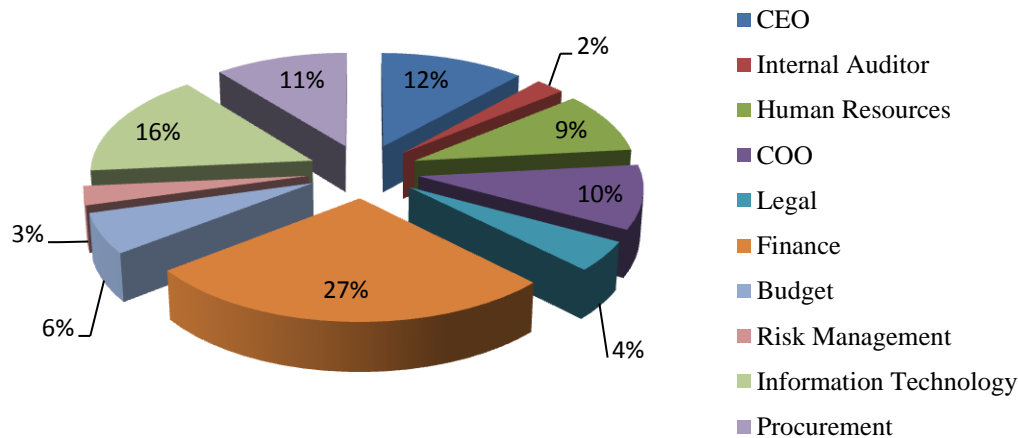
Central Office Cost Center (COCC)

The COCC consists of the operating and administrative functions of the Authority. Included in the COCC are the executive and administrative offices as shown below.

	Executive	Administrative	COCC
Personnel	\$ 1,800,649	\$ 2,854,406	\$ 4,655,055
Administrative	293,912	457,064	750,976
Rent		162,376	162,376
Capital Expenses - Soft		148,342	148,342
Consultants	75,500		75,500
Insurance	32,659	62,255	62,252
Professional Services	22,000	37,180	59,180
Total	\$ 2,224,720	\$ 3,721,623	\$ 5,913,681

The budget for the COCC is supported by the management fees it charges property management. The fees allowed by HUD are estimated to be \$4.7 million for low income public housing, \$311 thousand for HCVP and \$221 thousand in other revenue (i.e. interest income, insurance dividend, etc.).

CENTRAL OFFICE COST CENTER



Executive Offices

The Executive Office provides overall direction for the Authority. The departments included are the offices of the Chief Executive Officer, Chief Operating Officer, Internal Auditor, Human Resources, and the Legal Department. Total costs for these departments were \$2,224,720 as follows,

	CEO	Internal Auditor	Human Resources	COO	Legal	Total Executive
Personnel	\$ 503,497	\$ 120,300	\$ 394,396	\$ 522,920	\$ 259,536	\$ 1,800,649
Administrative	119,196	20,000	115,065	30,891	8,760	293,912
Professional Services	40,000		30,500	5,000		75,500
Consultants	17,288	2,730	5,141	7,500		32,659
Insurance	17,000			5,000		22,000
Total	\$696,981	\$ 143,030	\$ 545,102	\$ 571,311	\$ 268,296	\$ 2,224,720

Administrative Offices

The Administrative Offices support the operations of the Authority. These offices include the Chief Financial Officer, Finance/Budget Department, Risk Management Department, Information Technology, and Procurement Department. Total costs of the operation of these departments are \$3,721,623 as follows. Included in the Information Technology is \$148,342, in software costs that are paid for in the Capital Funds Grants.

	Finance	Budget	Risk Management	Information Technology	Procurement	Total Finance
Personnel	\$ 1,280,004	\$ 358,717	\$ 114,697	\$ 529,313	\$ 571,675	\$ 2,854,406
Administrative	106,828	2,826	53,705	247,538	46,167	457,064
Rent	162,376					162,376
Capital Expenses - Soft				148,342		148,342
Insurance	29,955		700	9,072	22,528	62,255
Professional Services	37,180					37,180
Consultants						-
Total	\$ 1,616,343	\$ 361,543	\$ 169,102	\$ 934,265	\$ 640,370	\$ 3,721,623

Component Units & Related Parties

The component unit and related parties budgets consist of the cost of operating separate entities created by the Authority to assist it in achieving its strategic goals. The entities included in these budgets are Richmond Opportunities Inc. (ROI); Randolph Place Associates, LP; Richmond Development Corporation (RDC); Synergy Realty LLC; Jernigan Hall LLC; and Blackwell Communities LP. It is estimated that these entities will generate income totaling \$102,710 (Jernigan Hall \$21,776; Synergy \$54,000; and ROI \$26,934).

	RDC	Jernigan Hall LLC	Synergy	ROI	Blackwell	Total Related Parties
Personnel	\$ 22,830	\$	\$ 40,000	\$	\$	\$ 62,830
Administrative	2,692		11,597	16,935		31,224
Insurance	5,100		2,358	19,346		26,804
Total	\$ 30,622	\$ -	\$ 53,955	\$ 36,281	\$ -	\$ 120,858

Financial Statements

The financial statements of the Authority present its finances in accordance with Generally Accepted Accounting Principles. Our basis of budgeting is the same as the basis of accounting with the following exceptions:

- Capital outlays are recorded as assets on a GAAP basis and expenditures for budgetary purposes.
- Depreciation is only recorded on a GAAP basis and is not recognized for budgetary purposes.
- Allowances for obsolete inventory and tenant receivables are only recorded on a GAAP basis and are not recognized for budgetary purposes.
- Prepayment of certain insurances and leases are recorded on a GAAP basis and are not recognized for budgetary purposes.

Richmond Redevelopment and Housing Authority
Detail of Revenue Sources
Fiscal Year 2013 Budget

Appendix 1

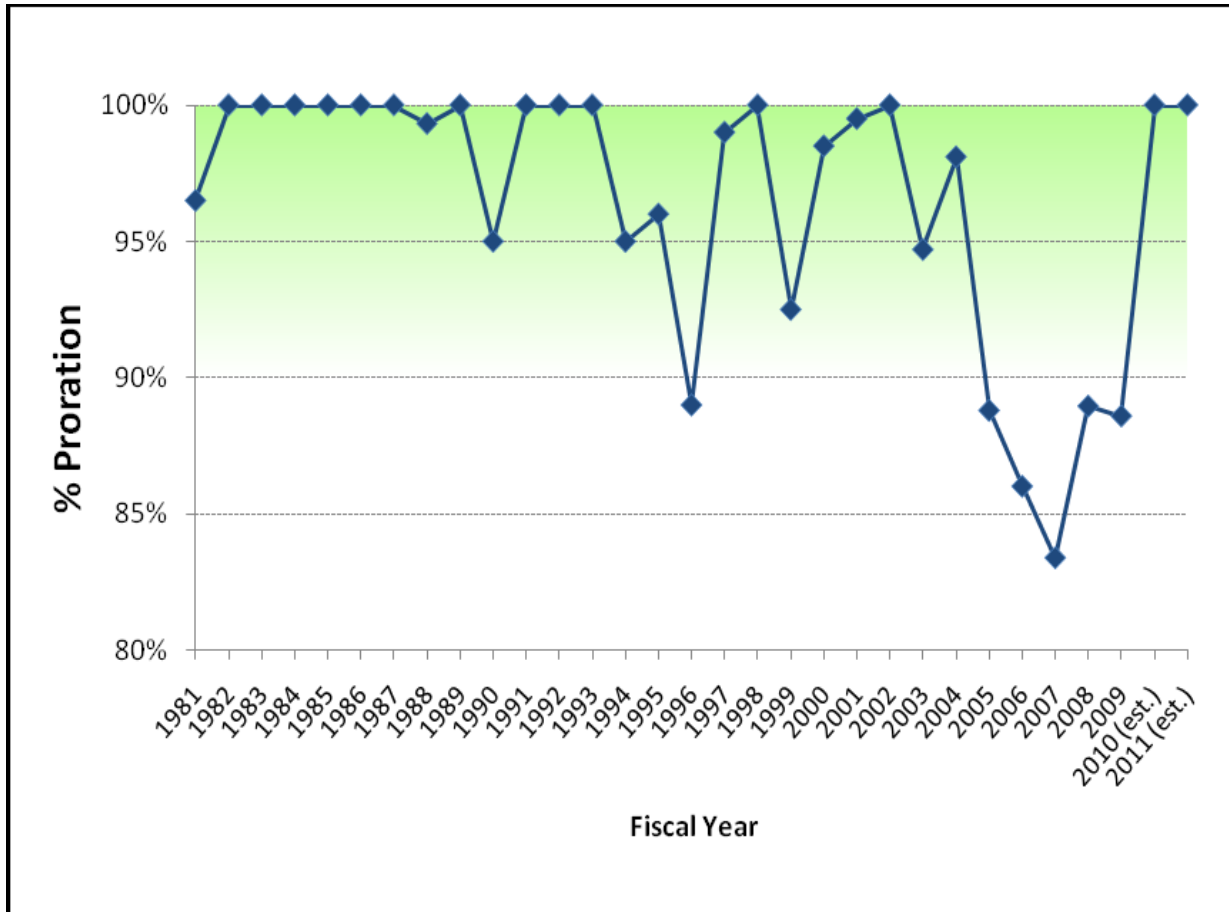
Revenue / Sources	Amount	Percent of Total
HUD Operating Subsidy	\$ 21,321,722	29.68%
HUD Capital Grant	7,757,342	10.80%
RHF Grant (Dove)	1,296,437	1.80%
HCVP (Section 8)/FSS	25,837,168	35.97%
HUD Hope VI Grant	2,480,000	3.45%
Total HUD	58,692,669	81.71%
Tenant Rents/Other	9,593,129	13.35%
CDBG - Richmond	1,610,958	2.24%
COOP - Richmond	488,570	0.68%
HOME - Richmond	516,139	0.72%
Total City	2,615,667	3.64%
Interest Income LIPH	15,941	0.02%
Interest Income HCVP	11,760	0.02%
Other Income	92,299	0.13%
Total Other Income	120,000	0.17%
Dept. of Justice	44,000	0.06%
Total New Revenue	71,065,465	98.93%
Use of Section 8 Reserves	768,435	1.07%
Total Available	\$ 71,833,900	100.00%

Notes:

1. *Definitions for most of the funding sources can be found in the glossary in the rear of this document.*
2. *Other Income of \$92,299 includes HCVP Fraud Recovery \$11,378, HCVP Misc. Revenue \$19,920, COCC Interest Income (unrestricted) \$23,006, COCC Interest Income (restricted) \$181, LIPH Misc. Income \$14,532, RECD Interest Income (restricted) \$1,000, and Component Unit Income \$22,282.*

**Richmond Redevelopment and Housing Authority
 HUD Operating Subsidy from 1981 through 2011
 Fiscal Year 2013 Budget**

Appendix 2



This trend analysis illustrates the volatile nature of HUD’s Operating Subsidy funding. However, over the last 30 years HUD’s Subsidy has averaged above 95% and only dropped below 85% once. We feel that budgeting at 93% is reasonably conservative.

Richmond Redevelopment and Housing Authority
City Income - Project Item Plans
Fiscal Year 2013 Budget

Appendix 3

Projects	Unexpended Balances	FY2013 New Item Plans	FY2013 Budget
CDBG Projects			
25 th /Nine Mile	294,269	165,771	460,040
Blackwell	264,352	25,000	289,352
Carver/Newtowne	160,014	40,000	200,014
Eastview	49,427	290,000	339,427
Highland Park	49,961	(49,500)	461
N. Jackson Ward	46,798	(9,199)	37,599
Rehabilitation Loans			
Spot Blight	74,053		74,053
Swansboro	115,013	95,000	210,013
Total CDBG Projects	\$1,053,886	\$557,072	\$1,610,958
CIP Projects			
Blackwell	11,898		11,898
Jackson Place	30,348		30,348
N. Jackson Ward	75,886		75,886
25 th /Nine Mile	66,386		66,386
Dove	256,323		256,323
Property Maintenance	47,728		47,728
Total CIP Projects	\$488,570		\$488,570
HOME Projects			
25 th /Nine Mile	253,319	(77,180)	176,139
Carver/Newtowne	5,000	250,000	255,000
Eastview	80,000	(80,000)	
S. Barton Heights	85,000		85,000
Total HOME Projects	\$423,319	\$92,820	\$516,139
Totals for all Projects	1,965,775	649,892	2,615,667

GLOSSARY OF TERMS

Appendix 4

ACC – Annual Contributions Contract; A contract between HUD and the authority whereby HUD agrees to provide financial assistance and the authority agrees to comply with HUD requirements for the development, operations and modernization of public housing units.

Accrual Basis of Accounting – A method of accounting that recognizes the financial effect of transactions, events, and inter-fund activities when they occur, regardless of the timing of related cash flows.

Administrative Expenses – This expense account includes costs associated with activities such as travel, training, telephone, legal, rent, and professional services.

AMP – Asset Management Project – Term used to report low income public housing properties.

Assets – Resources owned or held by the authority which has monetary value.

Balanced Budget – A budget in which total revenues are equal to total expenditures.

Budget – A statement which reflects the financial position of an organization, for a specific timeframe, disclosing assets, liabilities and fund balances.

Capital Fund Program – Funding provided by HUD to: improve the physical condition of existing housing developments; and, upgrade the management and operation of such developments.

Capital Expenditures – Costs that are incurred in the acquisition or improvement of property assets.

CDBG – Community Development Block Grant. Funds awarded by HUD to units of local government and to states, which may then award a grant to a non-profit or other entity for revitalization activities.

COOP – Cooperative agreements or Memo of Understanding between the City of Richmond and the authority to provide services and support for various redevelopment initiatives.

Cost/Profit Center – Term used to describe a business unit where income and expenses are maintained independently to account for its' activities.

Davis-Bacon – Statutory requirement that persons working on federally supported projects be paid at least a minimum of prevailing wage rates.

Depreciation – A non-cash expense that reduces the value of an asset as a result of wear and tear, age, or obsolescence.

Expenditure/Expense – Charges incurred, whether paid or unpaid, resulting from the delivery of goods or services.

Fee-For-Service Expenses - COCC front-line costs that are invoiced to the AMP for payment.

Fiscal Year – Time period designated for recording financial transactions. The authority has specified its fiscal year as October 1 to September 30.

Front-Line Expenses - Expenditures that are charged directly to the AMP or program that benefited from the occurrence of cost.

Fringe Benefits – An incidental benefit awarded with full time employment (life & health insurance, paid leave, retirement)

FTE – Full Time Equivalent (FTE) used to refer to the total number of employees

HCVP – Housing Choice Voucher Program, formerly known as Section 8. Rent subsidized housing program which allows families to choose any housing that meets the requirements of the program.

HOPE VI – A \$26.9 million HUD grant awarded to the authority in 1998 to revitalize the Blackwell community.

HOME – The Home Investment Partnership Program provides housing funds that are distributed from HUD to state and local governments for new construction, rehabilitation, acquisition or assistance to homebuyers.

Hourly Employee – Employee paid on an hourly basis for time actually worked. Hourly employees are not eligible for RRHA benefits except those mandated.

HR – Human Resources Department

Management Fee – An allowable charge to the AMP by the COCC that is calculated based on a per-unit-month amount earned for each occupied unit and HUD-approved vacancy.

Operating Subsidy – Payments authorized by the U.S. Housing Act of 1937 to subsidize the operating costs of low-rent public housing projects.

Project-Based Assistance – A rental assistance program where eligibility is attached to a multifamily housing project rather than an individual tenant.

Project Expense Level (PEL) – A formula used to calculate the amount of operating subsidies required by the authority to operate its public housing units.

Real Estate Assessment Center (REAC) – HUD entity responsible for providing accurate, credible and reliable assessments of HUD’s real estate portfolio.

Reallocation – Reallocation is the assignment of a position to a different classification, documented through data collection and analysis according to customary professional procedure and approved.

Reasonable Cost – Cost in its nature or amount does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made.

Reserves – A liquid asset or saving account used to set aside a portion of a fund’s assets to meet costs that may arise in the future.

RHF Grant, Replacement Housing Factor – Capital Fund Grant awarded to authorities that have removed units from inventory for the sole purpose of developing new public housing units.

Tenant-Based Assistance – Rental assistance program that is not project-based but rather it allows eligible families to select suitable housing.