Revised: December 21, 2022

10400 Detrick Avenue
Kensington, MD 20895-2484
(240) 627-9425

BUDGET, FINANCE AND AUDIT COMMITTEE

December 21, 2022
1:00 p.m.

Livestream: https://youtu.be/YD5VH-dI72U

Approval of Minutes:

Action/Discussion Items:

Date Posted: December 21, 2022

Minutes

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY

10400 Detrick Avenue

Kensington, Maryland 20895

(240) 627-9425

Budget, Finance and Audit Committee Minutes

October 21, 2022

For the official record of the Housing Opportunities Commission of Montgomery County, an open meeting of the Budget, Finance and Audit Committee was conducted via an online platform and teleconference on Friday, October 21, 2022, with moderator functions occurring 10400 Detrick Avenue, Kensington, Maryland beginning at 10:04 a.m. There was a livestream of the meeting held on YouTube, available for viewing here. Those in attendance were:

Present via Zoom

Richard Y. Nelson, Jr., Chair – Budget, Finance and Audit Committee
Frances Kelleher – Commissioner

Absent

Jeffrey Merkowitz - Commissioner

Also Attending

Chelsea Andrews, Executive Director
Aisha Memon, General Counsel
Terri Fowler, Budget Officer
Ellen Goff
Zachary Marks
Vivian Ikoro
Kayrine Brown, Deputy Executive Director
Timothy Goetzinger, Acting Chief Financial Officer
Claudia Wilson
Alex Torton
Matt Husman
Fozia Malik

IT Support

Aries "AJ" Cruz

Commission Support

Patrice Birdsong, Special Assistant

Committee Chair Nelson opened the meeting with a welcome and introduction of Commissioners participating via Zoom, and the Executive Director as well as key staff presenters. Commissioners Nelson began the meeting with the approval of the minutes.

APPROVAL OF MINUTES

The minutes of September 27, 2022, open session were approved as submitted with a motion by Commissioner Kelleher and seconded by Commissioner Nelson. Affirmative votes were cast by

Commissioners Nelson and Kelleher. Commissioner Merkowitz was necessarily absent and did not participate in the vote.

ACTION/DISCUSSION ITEMS

1. **Calendar Year 2023 (CY'23) Portfolio Budgets: Presentation of CY'23 Portfolio Budgets**

Chelsea Andrews, Executive Director, provided an overview of the presentation and introduced Timothy Goetzinger, Chief Development Funds Officer/Acting Chief Financial Officer, who provided the presentation. Staff addressed questions. A motion was made by Commissioner Kelleher to recommend to the full Board approval of the CY'23 Portfolio Budgets. It was seconded by Commissioner Nelson. Affirmative votes were cast by Commissioners Nelson and Kelleher. Commissioner Merkowitz was necessarily absent and did not participate in the vote.

2. **Fiscal Year 2024 (FY'24) County Operating Budget Presentation Fourth Quarter Unaudited Financial Statements: Presentation of the FY'24 County Operating Budget**

Chelsea Andrews, Executive Director, provided an overview of the presentation and introduced Timothy Goetzinger, Chief Development Funds Officer/Acting Chief Financial Officer, and Terri Fowler, Budget Officer, who provided the presentation. Staff addressed questions. A motion was made by Commissioner Kelleher to recommend to the full Board authorization to submit the proposed FY'24 County Operating Budget. It was seconded by Commissioner Nelson. Affirmative votes were cast by Commissioners Nelson and Kelleher. Commissioner Merkowitz was necessarily absent and did not participate in the vote.

3. **Procurement of Property Management Services: Renewal of Property Management Contracts for Battery Lane, Bradley Crossing, The Lindley and The Willow Manor Properties (Willow Manor at Clopper's Mill, Willow Manor at Colesville and Willow Manor at Fair Hill Farm)**

Chelsea Andrews, Executive Director, provided an overview of the presentation, introducing Ellen Goff, Acting Director of Property Management, and Alex Torton, Asset Manager, as presenters. A motion was made by Commissioner Kelleher and seconded by Commissioner Nelson to recommend to the full Commission approval of the renewal of the property management services contracts with the respective management companies. Affirmative votes were cast by Commissioners Nelson and Kelleher. Commissioner Merkowitz was necessarily absent and did not participate in the vote.

Based upon this report and there being no further business to come before this session of the Budget, Finance and Audit Committee, the meeting adjourned at 10:30 a.m.

Respectfully submitted,

Chelsea Andrews
Secretary-Treasurer

/pmb

Discussion Items

M E M O R A N D U M

TO: Housing Opportunities Commission of Montgomery County
Budget, Finance and Audit Committee

VIA: Chelsea Andrews, Executive Director

FROM: Staff: Timothy Goetzinger, Acting Chief Financial Officer
Terri Fowler, Budget Officer

RE: **Fiscal Year 2023 (FY'23) First Quarter Budget to Actual Statements:** Presentation of First Quarter FY'23 Budget to Actual Statements

DATE: December 21, 2022

BACKGROUND:
The Executive Director is presenting the First Quarter FY'23 Budget to Actual statements and amendments to the Budget, Finance and Audit Committee for review. Staff will present any proposed budget amendments and recommendations to the full Commission for formal action.

ISSUES FOR CONSIDERATION:
To assess the financial performance of the Housing Opportunities Commission of Montgomery County ("Agency") for the first quarter of FY'23 against the budget for the same period.

TIME FRAME:
For informal discussion at the December 21, 2022, Budget, Finance and Audit Committee meeting. For formal Commission action at the January 11, 2023 meeting.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:
Staff recommends that the Budget, Finance and Audit Committee join its recommendation to the Commission to accept the First Quarter FY'23 Budget to Actual Statements.

DISCUSSION – FIRST QUARTER BUDGET TO ACTUAL STATEMENTS

This review of the Budget to Actual Statements for the Agency through the first quarter of FY'23 consists of an overall summary and additional detail on the Opportunity Housing properties, the Development Corporation properties, the Housing Choice Voucher ("HCV") Programs and all Capital Improvements Budgets.

HOC Overall (see Attachment A)

The Agency's Audited Financial Statements are presented on the accrual basis, which reflects non-cash items such as depreciation and the mark-to-market adjustment for investments.

The Commission approves the Operating Budget at the fund level based on a modified accrual basis, which is similar to the presentation of budgets by governmental organizations. The purpose is to ensure that there is sufficient cash income and short-term receivables available to pay for current operating expenditures.

The Commission approves the revenues, expenses, and unrestricted net cash flow from operations for each fund. Unrestricted net cash flow in each fund is what is available to the Commission to use for other purposes. The FY'23 First Quarter Operating Budget to Actual Comparison (Attachment A) shows unrestricted net cash flow or deficit for each of the funds. Attachment A also highlights the FY'23 First Quarter Budget to Actual Comparison for Capital Expenses.

The Agency ended the quarter with a net cash flow deficit of ($1,783,019). This deficit resulted in a first quarter budget to actual negative variance of $243,433 when compared to the anticipated first quarter net cash flow deficit of ($1,539,586). The primary causes were lower unrestricted cash flow in some of the unrestricted Opportunity Housing properties as a result of property performance (see Opportunity Housing Fund) coupled with lower income in the General Fund partially offset by savings in various expense categories in the fund (see General Fund).

Explanations of Major Variances by Fund

The **General Fund** consists of the basic overhead costs for the Agency. This fund ended the quarter with a deficit of ($3,332,261), which resulted in a positive variance of $903,023, when compared to the projected deficit of ($4,235,284).

As of September 30, 2022, income in the General Fund was $1,002,980 lower than budgeted and expenses were $1,906,03 lower than budgeted. The negative income variance was primarily the result of delay in the receipt of the Development Fee for Residences on the Lane due to delays in the lease-up that is now anticipated to be received in mid-2023 based upon achieving stabilized operations and lower draws from the Opportunity Housing Reserve Fund ("OHRF") for Real Estate personnel and predevelopment costs.

The positive expense variance was primarily the result of lapse in salary and benefits coupled with savings in professional services, computer software, maintenance contracts, COVID-19 expense and savings in capital projects, which resulted in lower transfers from the operating budget to cover the cost of the projects.

The **Multifamily Bond Fund** and **Single Family Bond Fund** are budgeted to balance each year.

Income (the bond drawdowns that finance the administrative costs for these funds) is in line with the budget. The positive expense variance in both Bond Funds is a result of lapse in salary and benefits.

The Opportunity Housing Fund

Attachment B is a chart of the Net Cash Flow for the Development Corporation properties. This chart divides the properties into two groups.

The first group includes properties that were budgeted to provide unrestricted net cash flow toward the Agency's FY'23 Operating Budget. This group ended the quarter with cash flow of $1,282,691 or $485,936 lower than projected.

- **Alexander House Dev Corp** ended the quarter with a deficit of ($248,776), which resulted in a negative cash flow variance of $253,332 primarily as a result of greater than anticipated bad debt and maintenance expense. Cash flow at **The Barclay Dev Corp** was $27,715 lower than anticipated due to overages in maintenance and administrative expenses that were partially offset by slightly higher gross rents and lower concessions. The **Metropolitan Dev Corp** ended the quarter with a positive cash flow variance of $127,382 resulting from lower vacancy loss and the receipt of a settlement payment from a previous retail tenant for vacating early. Cash flow at **Montgomery Arms Dev Corp** was $54,510 lower than anticipated primarily due to higher maintenance, utility and bad debt expenses coupled with a delay in the receipt of grant income for the McKinney units at the property that were partially offset by lower vacancy loss. **MPDU 59 Dev Corp** experienced a negative cash flow variance of $39,202 as a result of greater than anticipated bad debt and maintenance expense coupled with higher vacancy loss. **Paddington Square Dev Corp** reported a negative variance of $96,443 due to higher bad debt, maintenance and administrative expenses coupled with slightly lower gross tenant rents that were partially offset by lower vacancy loss. Cash flow for **Pooks Hill High-Rise** was $308,448 more than budget primarily due to the receipt of an insurance claim from FY'21 that was partially offset by overages in maintenance and bad debt expenses. Cash flow at **Scattered Site One Dev Corp** was $95,446 lower than anticipated due to higher bad debt and maintenance costs coupled with lower gross rents that were partially offset by lower vacancy loss. **Scattered Site Two Dev Corp** ended the quarter with a larger shortfall than was anticipated resulting in a negative cash flow variance of $38,695 as a result of higher than anticipated Housing Association ("HOA") Fees, due to payments for prior periods, bad debt and utility expense coupled with lower gross rents that were partially offset by savings in maintenance costs. **VPC One Dev Corp** experienced a negative cash flow variance of $233,445 due to greater than anticipated bad debt, maintenance, HOA and tax expenses that were partially offset by slightly higher gross rents and lower vacancy loss. **VPC Two Dev Corp** experienced a negative variance of $84,188 due to overages in bad debt expense that was partially offset by savings in maintenance, administrative and utility expenses coupled with lower vacancy loss and slightly higher gross rents

- The second group consists of properties whose cash flow will not be used for the Agency's FY'23 Operating Budget. Cash flow from this group of Development Corporation properties was $166,549 less than budgeted for the quarter. **MetroPointe** experienced a positive cash flow variance of $27,763 as a result of higher gross rents and lower vacancy loss coupled with savings in administrative and maintenance costs that were partially offset by overages in bad debt and security expenses. Cash flow at the **Oaks at Four Corners Dev Corp** was $58,308 higher than anticipated due to savings throughout most expense categories coupled with lower vacancy loss. The **RAD 6 Dev Corp** properties ended the quarter with a shortfall of ($370,188), which resulted in a negative cash flow variance of $252,620 when compared to the projected shortfall of ($117,568). Collectively, this resulted from overages in bad debt and maintenance expenses coupled with higher vacancy loss partially offset by savings in administrative expenses.

Attachment C is a chart of the Net Cash Flow for the Opportunity Housing Properties. This chart divides the properties into two groups.

- The first group includes properties that were budgeted to provide unrestricted net cash flow toward the Agency's FY'23 Operating Budget. This group ended the quarter with cash flow of $266,551 or $660,520 less than projected. Cash flow at **MPDU I (64)** was $86,824 lower than anticipated as a result of overages in bad debt and maintenance expenses coupled with higher vacancy loss. **Avondale Apartments** reported a negative cash flow variance of $22,438 primarily due to higher vacancy loss coupled with higher maintenance and bad debt expenses that were partially offset by higher gross tenant rents and administrative savings. **Barclay Affordable** experienced a negative cash flow variance of $44,026 as a result of overages in maintenance and administrative costs that were partially offset by savings in utilities and slightly higher gross rents. **Bradley Crossing** ended the quarter with a negative variance of $126,532 as a result of lower gross rents and higher vacancy loss coupled with overages in utility, maintenance and debt expenses, due to increased rates on the PNC Real Estate Line of Credit ("RELOC"), that were partially offset by savings in administrative and bad debt expenses. **Camp Hill Square** experienced a negative cash flow variance of $31,768 as a result of higher vacancy loss coupled with higher maintenance and bad debt expenses that were partially offset by slightly higher gross rents and lower administrative and utility costs. **Elizabeth House Interim RAD** ended the quarter with a positive cash flow variance of $138,248 as a result of higher tenant income that was partially countered by overages in most expenses categories. **Fairfax Court** ended the quarter with negative cash flow variances of $36,098 as a result of higher than anticipated maintenance, bad debt and administrative expenses. **Georgian Court Affordable** and **Shady Grove Apartments,** which were resyndicated as Low Income Housing Tax Credit ("LIHTC") properties in December 2021, incurred audit expense related to the CY'21 audit. **Manchester Manor** reported a negative cash flow variance of $72,851 due to overages in most expense categories. **McKendree** experienced a negative cash flow variance of $14,569 as a result of overages in bad debt and maintenance expenses. Cash flow for **MHLP VII** was $43,264 lower than projected as a result of higher vacancy loss coupled with overages in bad debt and administrative expenses partially offset by savings in maintenance cost. Cash flow for **MHLP IX Pond Ridge** was $30,020 lower than budget as a result of overages in bad debt, tax and utility expenses that was partially offset by savings in maintenance cost. **MHLP IX Scattered Sites** experienced a negative cash flow variance of $101,712 mainly due to overages throughout most expense categories coupled with higher vacancy loss. **Pooks Hill Mid-Rise** experienced a negative cash flow variance of $16,931 primarily as a result of higher security expense resulting from a fire watch at the property due to a faulty fire panel that has since been replaced. **Strathmore Court** experienced a negative cash flow variance of $44,186 as a result of overages in most expense categories coupled with higher concessions partially offset by higher gross rents and lower vacancy loss. **Westwood Towers** experienced a negative cash flow variance of $66,027 as a result of higher administrative, maintenance, security and bad debt expenses coupled with higher concessions that were partially offset by lower vacancy loss and higher parking income coupled with savings in utility costs. Cash flow at **The Willows** was $20,087 lower than anticipated due to overages in maintenance, bad debt and utility expenses that were partially offset by higher gross rents and lower vacancy loss coupled with savings in administrative and tenant service expenses.

- The second group consists of properties whose cash flow will not be used for the Agency's FY'23 Operating Budget. Some of these properties have legal restrictions on the use of cash flow; others may have needs for the cash flow. Cash flow for this group of properties was $452,231 less than budgeted. The demolition of **The Ambassador** was completed in April of 2020. The property experienced expenses of $9,373 mainly driven by interest paid on the outstanding debt on the PNC RELOC and taxes. There are sufficient reserves at the property to cover the costs. **Battery Lane**, which was acquired on May 25, 2022 ended the quarter with a negative cash flow variance of $32,275 largely due to lower gross rents coupled with overages in utility, maintenance and debt service that were partially offset by savings in administrative and tenant services expenses. **Brooke Park** experienced a negative cash flow variance of $43,014, mainly resulting from a delay in occupying the units post renovation coupled with overages in maintenance expenses. Cash flow at **Brookside Glen** was $41,309 lower than anticipated due to higher maintenance, utility, and security expenses coupled with lower gross rents that were partially offset by savings in administrative costs and lower vacancy loss. **Cider Mill** reported a negative cash flow variance of $138,562 due to higher vacancy loss coupled with higher bad debt, utility and security expenses that were partially offset by savings in maintenance and administrative expenses. **Dale Drive** ended the quarter with a shortfall of ($11,197) resulting in a negative cash flow variance of $14,863 as a result of overages in utility costs based on bill corrections. **Diamond Square** ended the quarter with a negative cash flow variance of $104,069 primarily as a result of overages in maintenance and utility costs coupled with slightly lower gross rents and higher vacancy loss that were partially offset by savings in administrative and bad debt expenses. **Paint Branch** experienced a negative cash flow variance of $17,317 due to lower gross tenant rents coupled slightly higher vacancy loss and bad debt expense partially offset by small saving in maintenance, administrative and utility costs. **State Rental Combined** experienced a negative cash flow variance of $56,012 as a result of higher vacancy loss coupled with overages in bad debt expense that were countered by savings in maintenance and administrative expenses.

<u>The Public Fund</u> (Attachment D)

- The Housing Choice Voucher Program ("HCVP") ended the quarter with a shortfall of $382,875. The shortfall was comprised of Housing Assistance Payments ("HAP") that exceeded HAP revenue by $469,665 countered by an administrative surplus of $86,790. The HAP shortfall will be covered by a draw from the HCVP reserve known as the Net Restricted Position ("NRP"), which includes funds received in prior years that were recognized but not used. The administrative surplus was the result of higher than anticipated administrative fee income coupled with savings in administrative expenses due largely to staff turnover. The higher administrative fee income was primarily the result of a higher proration factor that was changed from 88% to 89.2% coupled with the increased utilization rate.

<u>Tax Credit Partnerships</u>

The Tax Credit Partnerships have a calendar year end.

<u>The Capital Budget</u> (Attachment E)

Attachment E is a chart of the Capital Improvements Budget for FY'23. The chart is grouped in two sections – General Fund and Opportunity Housing properties. This report is being presented for information only. Most of the variances in the capital budgets reflect timing issues. Capital projects are long-term; therefore, it is very difficult to analyze each project on a quarterly basis. We will keep the Commission informed of any major issues or deviations from the planned Capital Improvements Budget.

- **Manchester Manor** has exceeded its FY'23 capital budget due to work required for the Real Estate Assessment Center ("REAC") inspection. **Paddington Square** overspent as a result of unanticipated pipe replacements and turnover costs for Friendly Gardens (site of the 2021 building explosion). There were also nominal overages at **Brooke Park**, **Metropolitan Affordable**, **617 Olney Sandy Spring Road**, the **NCI** units and **Sandy Spring Meadow**.

FY 2023 First Quarter Operating Budget to Actual Comparison

	Unrestricted Net Cash Flow		
	(3 Months) Budget	(3 Months) Actual	Variance
General Fund			
General Fund	($4,235,284)	($3,332,261)	$903,023
Administration of Multifamily and Single Family Fund			
Multifamily Fund	$671,331	$705,889	$34,558
Draw from / (Restrict to) Multifamily Bond Fund	($671,331)	($705,889)	($34,558)
Single Family Fund	$417,749	$473,014	$55,265
Draw from / (Restrict to) Single Family Bond Fund	($417,749)	($473,014)	($55,265)
Opportunity Housing Fund			
Opportunity Housing Properties	$927,071	$266,551	($660,520)
Development Corporation Property Income	$1,768,627	$1,282,691	($485,936)
OHRF			
OHRF Balance	$949,513	($186,041)	($1,135,554)
Excess Cash Flow Restricted	($949,513)	$0	$949,513
Draw from existing funds	$0	$186,041	$186,041
Net -OHRF	**$0**	**$0**	**$0**
SUBTOTAL - General Fund, Multifamily, Single Family, Opportunity Housing	**($1,539,586)**	**($1,783,019)**	**($243,433)**
Housing Choice Voucher Program HAP (2)	($986,910)	($469,665)	$517,245
Housing Choice Voucher Program Admin (3)	($298,099)	$86,790	$384,889
Total -Public Fund	**($1,285,009)**	**($382,875)**	**$902,134**
Public Fund - Reserves			
(1) Draw from / Restrict to HCV Program Cash Reserves	$986,910	$469,665	($517,245)
(2) Draw from / Restrict to HCV Program Excess Admin Fee	$298,099	($86,790)	($384,889)
SUBTOTAL - Public Funds	**$0**	**$0**	**$0**
TOTAL - All Funds	**($1,539,586)**	**($1,783,019)**	**($243,433)**

FY 2023 First Quarter Operating Budget to Actual Comparison

	Capital Expenses		
	(12 Months) Budget	(3 Months) Actual	Variance
General Fund			
880 Bonifant	$50,000	$4,483	$45,517
East Deer Park	$112,000	$0	$112,000
Kensington Office	$100,000	$9,395	$90,605
Information Technology	$825,000	$122,975	$702,025
Opportunity Housing Fund	$6,328,008	$2,258,059	$4,069,949
TOTAL - All Funds	**$7,415,008**	**$2,394,912**	**$4,974,579**

FY 2023 First Quarter Operating Budget to Actual Comparison

Development Corp Properties - Net Cash Flow

	(3 Months) Net Cash Flow	Variance		(3 Months) Net Cash Flow	
	Budget	Income	Expense	Actual	Variance
Properties with unrestricted cash flow for FY21 operating budget					
Alexander House Dev Corp	$4,556	($8,854)	($244,477)	($248,776)	($253,332)
The Barclay Dev Corp	($13,601)	$20,182	($47,897)	($41,316)	($27,715)
Glenmont Crossing Dev Corp	$127,821	($22,601)	$15,282	$120,502	($7,319)
Glenmont Westerly Dev Corp	$87,221	($3,853)	($4,934)	$78,434	($8,787)
Magruder's Discovery Dev Corp	$197,247	($2,828)	$11,848	$206,267	$9,020
The Metropolitan Dev Corp	$438,659	$127,505	($122)	$566,041	$127,382
Metropolitan Affordable	($95,588)	$4,833	$1,263	($89,493)	$6,095
Montgomery Arms Dev Corp	$144,081	($11,842)	($42,668)	$89,571	($54,510)
MPDU II (59) Dev Corp	$85,409	($16,153)	($23,049)	$46,207	($39,202)
Paddington Square Dev Corp	$169,517	($2,882)	($93,561)	$73,074	($96,443)
Pooks Hill High-Rise Dev Corp	$189,850	$329,913	($21,465)	$498,298	$308,448
Scattered Site One Dev Corp	($3,741)	($15,482)	($79,964)	($99,187)	($95,446)
Scattered Site Two Dev Corp	($29,980)	($6,453)	($32,242)	($68,675)	($38,695)
Sligo MPDU III Dev Corp	($12,889)	$3,351	($1,149)	($10,688)	$2,201
VPC One Dev Corp	$300,932	$50,502	($283,946)	$67,487	($233,445)
VPC Two Dev Corp	$179,133	$47,442	($131,630)	$94,945	($84,188)
Subtotal	**$1,768,627**	**$492,780**	**($978,711)**	**$1,282,691**	**($485,936)**
MetroPointe Dev Corp	($63,850)	$31,066	($3,303)	($36,087)	$27,763
Oaks at Four Corners Dev Corp	$44,795	$8,760	$49,548	$103,103	$58,308
RAD 6 Dev Corp Total	**($117,568)**	**($73,796)**	**($178,824)**	**($370,188)**	**($252,620)**
Ken Gar Dev Corp	($314)	$1,344	($3,852)	($2,822)	($2,508)
Parkway Woods Dev Corp	$9,487	$60	($17,802)	($8,255)	($17,742)
Sandy Spring Meadow Dev Corp	($15,151)	($2,443)	($30,170)	($47,764)	($32,613)
Seneca Ridge Dev Corp	($75,324)	($59,392)	($40,882)	($175,598)	($100,274)
Towne Centre Place Dev Corp	($19,944)	$20,527	($44,416)	($43,833)	($23,889)
Washington Square Dev Corp	($16,322)	($33,892)	($41,702)	($91,916)	($75,594)
Subtotal	**($136,623)**	**($33,970)**	**($132,579)**	**($303,172)**	**($166,549)**
TOTAL ALL PROPERTIES	**$1,632,004**	**$458,810**	**($1,111,290)**	**$979,519**	**($652,485)**

FY 2023 First Quarter Operating Budget to Actual Comparison

For Opportunity Housing Properties - Net Cash Flow

	(3 Months) Net Cash Flow Budget	Variance Income	Variance Expense	(3 Months) Net Cash Flow Actual	Variance
Properties with unrestricted cash flow for FY22 operating budget					
MPDU I (64)	$48,059	($20,498)	($66,326)	($38,765)	($86,824)
Avondale Apartments	$42,680	($14,301)	($8,137)	$20,242	($22,438)
Barclay Affordable	$14,037	$5,559	($49,585)	($29,989)	($44,026)
Bradley Crossing	$348,668	($93,224)	($33,308)	$222,136	($126,532)
Camp Hill Square	$15,418	($12,645)	($19,123)	($16,350)	($31,768)
Chelsea Towers	$28,801	($84)	$2,701	$31,418	$2,617
Day Care at Lost Knife Road	($26,027)	$240	($5,363)	($31,150)	($5,123)
Elizabeth House Interim RAD	$141,224	$208,306	($70,058)	$279,472	$138,248
Fairfax Court	$30,021	($863)	($35,235)	($6,077)	($36,098)
Georgian Court Affordable	$0	$0	($7,500)	($7,500)	($7,500)
Holiday Park	($83,163)	($5,476)	($2,867)	($91,506)	($8,343)
Jubilee Falling Creek	($1,286)	($2,166)	$1,747	($1,705)	($419)
Jubilee Hermitage	($4,570)	($2,046)	($2,378)	($8,994)	($4,424)
Jubilee Horizon Court	($476)	($117)	$1,443	$850	$1,326
Jubilee Woodedge	($4,310)	$261	$481	($3,568)	$742
Manchester Manor	$6,802	($1,768)	($71,083)	($66,049)	($72,851)
McHome	$10,175	($9,184)	$2,197	$3,188	($6,987)
McKendree	$9,638	($507)	($14,062)	($4,931)	($14,569)
MHLP VIII	($53,657)	$9,414	($9,892)	($54,135)	($478)
MHLP IX Pond Ridge	($48,061)	$11,493	($41,513)	($78,081)	($30,020)
MHLP IX Scattered Sites	($63,354)	($5,504)	($96,208)	($165,066)	($101,712)
MHLP X	($34,009)	($6,173)	($2,700)	($42,882)	($8,873)
MPDU 2007 Phase II	$3,222	($411)	$518	$3,329	$107
Olney Sandy Spring Road	($2,032)	$0	($280)	($2,312)	($280)
Pooks Hill Mid-Rise	$59,035	$7,233	($24,164)	$42,104	($16,931)
Shady Grove Apts	($1)	$0	($8,189)	($8,190)	($8,189)
Strathmore Court	$45,198	$13,884	($58,070)	$1,012	($44,186)
TPP LLC Pomander Court	($7,180)	($21)	($3,496)	($10,697)	($3,517)
TPP LLC Timberlawn	$170,402	$5,612	$2,294	$178,308	$7,906
Westwood Tower	$202,221	($18,702)	($47,325)	$136,194	($66,027)
The Willows	$118,488	$19,648	($39,735)	$98,401	($20,087)
Subtotal	**$927,071**	**$80,357**	**($740,877)**	**$266,551**	**($660,520)**
Properties with restricted cash flow (external and internal)					
The Ambassador	$0	$0	($9,373)	($9,373)	($9,373)
Battery Lane	$144,222	($20,969)	($11,306)	$111,947	($32,275)
Brooke Park	$42,843	($32,406)	($10,608)	($171)	($43,014)
Brookside Glen (The Glen)	$47,444	($4,488)	($36,821)	$6,135	($41,309)
CDBG Units	($251)	($252)	$1,274	$771	$1,022
Cider Mill Apartments	$57,716	($73,540)	($65,022)	($80,846)	($138,562)
Dale Drive	$3,666	$31	($14,894)	($11,197)	($14,863)
Diamond Square	$106,295	($13,913)	($90,155)	$2,226	($104,069)
Holly Hall Interim RAD	$0	$0	($17)	($17)	($17)
NCI Units	$5,554	($7,572)	($9,699)	($11,717)	($17,271)
NSP Units	$1,030	($282)	$2,428	$3,176	$2,146
King Farm Village	$661	$0	$1,326	$1,987	$1,326
Paint Branch	$10,172	($12,096)	($5,221)	($7,145)	($17,317)
Southbridge	$16,978	$3,017	$14,340	$34,335	$17,357
State Rental Combined	($95,712)	($31,290)	($24,722)	($151,724)	($56,012)
Subtotal	**$340,618**	**($193,760)**	**($258,470)**	**($111,613)**	**($452,231)**
TOTAL ALL PROPERTIES	**$1,267,689**	**($113,403)**	**($999,347)**	**$154,938**	**($1,112,751)**

FY 2023 First Quarter Operating Budget to Actual Comparison

For HUD Funded Programs

	(3 Months) Budget	(3 Months) Actual	Variance
Housing Choice Voucher Program			
HAP revenue	$27,483,438	$28,043,627	$560,189
HAP payments	$28,470,348	$28,513,292	$42,944
Net HAP	**($986,910)**	**($469,665)**	**$517,245**
Admin.fees & other inc.	$2,400,317	$2,596,955	$196,638
Admin. Expense	$2,698,416	$2,510,165	$188,251
Net Administrative	**($298,099)**	**$86,790**	**$384,889**
Net Income	**($1,285,009)**	**($382,875)**	**$902,134**

FY 2023 First Quarter Operating Budget to Actual Comparison

For Capital Improvements

	(12 Months) Budget	(3 Months) Actual	Variance
General Fund			
880 Bonifant	$50,000	$4,483	$45,517
East Deer Park	$112,000	$0	$112,000
Kensington Office	$100,000	$9,395	$90,605
Information Technology	$825,000	$122,975	$702,025
Subtotal	**$1,087,000**	**$136,853**	**$950,147**
Opportunity Housing			
Alexander House Dev Corp	$42,170	$25,664	$16,506
Avondale Apartments	$35,266	$22,220	$13,046
The Barclay Dev Corp	$128,184	$62,362	$65,822
Barclay Affordable	$89,368	$53,436	$35,932
Battery Lane	$56,000	($1,180)	$57,180
Bradley Crossing	$72,240	$45,274	$26,966
Brooke Park	$0	$478	($478)
Brookside Glen (The Glen)	$81,600	$25,564	$56,036
Camp Hill Square	$10,097	$875	$9,222
CDBG Units	$5,180	$217	$4,963
Chelsea Towers	$14,800	$1,211	$13,589
Cider Mill Apartments	$1,312,992	$653,073	$659,919
Dale Drive	$8,700	$0	$8,700
Diamond Square	$107,530	$18,835	$88,695
Fairfax Court	$40,196	$9,610	$30,586
Glenmont Crossing Dev Corp	$88,800	$28,224	$60,576
Glenmont Westerly Dev Corp	$134,040	$21,851	$112,189
Holiday Park	$22,140	$5,385	$16,755
Jubilee Falling Creek	$7,800	$72	$7,728
Jubilee Hermitage	$12,500	$996	$11,504
Jubilee Horizon Court	$10,080	$72	$10,008
Jubilee Woodedge	$6,480	$72	$6,408
Ken Gar Dev Corp	$20,770	$6,374	$14,396
King Farm Village	$240	$0	$240
Magruder's Discovery Dev Corp	$102,108	$8,038	$94,070
Manchester Manor	$40,368	$84,723	($44,355)
McHome	$44,640	$7,593	$37,047
McKendree	$25,584	$5,738	$19,846
MetroPointe Dev Corp	$99,913	$20,803	$79,110
The Metropolitan Dev Corp	$89,742	$23,831	$65,911
Metropolitan Affordable	$6,689	$7,775	($1,086)
Montgomery Arms Dev Corp	$82,832	$29,099	$53,733
MHLP VII	$47,730	$9,235	$38,495
MHLP VIII	$48,840	$28,345	$20,495
MHLP IX - Pond Ridge	$63,900	$23,614	$40,286
MHLP IX - Scattered Sites	$90,192	$15,363	$74,829
MHLP X	$98,160	$43,452	$54,708
MPDU 2007 Phase II	$7,155	$0	$7,155
617 Olney Sandy Spring Road	$0	$72	($72)
MPDU I (64)	$59,760	$18,173	$41,587
MPDU II (59) Dev Corp	$77,400	$16,198	$61,202
Oaks at Four Corners Dev Corp	$169,737	$10,307	$159,430
NCI Units	$600	$3,210	($2,610)
NSP Units	$15,388	$507	$14,881
Paddington Square Dev Corp	$115,500	$131,811	($16,311)
Paint Branch	$16,396	$5,973	$10,423
Parkway Woods Dev Corp	$4,000	$2,864	$1,136
Pooks Hill High-Rise Dev Corp	$363,436	$88,811	$274,625
Pooks Hill Mid-Rise	$47,020	$4,575	$42,445
Sandy Spring Meadow Dev Corp	$14,201	$15,103	($902)
Scattered Site One Dev Corp	$180,240	$103,042	$77,198
Scattered Site Two Dev Corp	$45,000	$18,256	$26,744
Seneca Ridge Dev Corp	$38,800	$11,406	$27,394
Sligo MPDU III Dev Corp	$28,176	$8,297	$19,879
Southbridge	$22,896	$0	$22,896
State Rental Combined	$236,640	$72,824	$163,816
Strathmore Court	$508,303	$96,860	$411,443
Towne Centre Place Dev Corp	$30,563	$3,758	$26,805
TPP LLC Pomander Court	$21,948	$2,674	$19,274
TPP LLC Timberlawn	$172,250	$25,016	$147,234
VPC One Dev Corp	$222,100	$32,040	$190,060
VPC Two Dev Corp	$184,152	$46,054	$138,098
Washington Square Dev Corp	$61,580	$5,766	$55,814
Westwood Tower	$296,000	$203,614	$92,386
The Willows	$240,896	$42,554	$198,342
Subtotal	**$6,328,008**	**$2,258,059**	**$4,069,949**
TOTAL	**$7,415,008**	**$2,394,912**	**$5,020,096**

M E M O R A N D U M

TO: Housing Opportunities Commission of Montgomery County
Budget, Finance and Audit Committee

VIA: Chelsea Andrews, Executive Director

FROM Staff: Timothy Goetzinger, Acting CFO
Eugenia Pascual, Controller
Francisco Vega, Assistant Controller
Claudia Wilson, Accounting Manager
Niketa Patel, Accounting Manager
Nilou Razeghi, Accounting Manager

RE: **Fiscal Year 2023 (FY'23) First Quarter Un-Audited Financial Statements:**
Presentation of the Un-Audited Financial Statements for the First Quarter Ended September 30, 2022

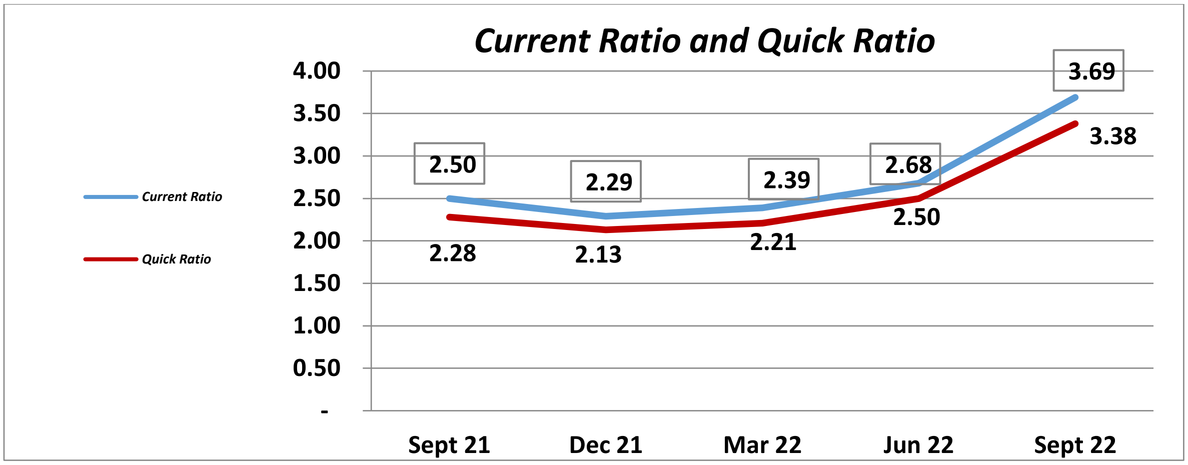
DATE: December 21, 2022

Attached please find the un-audited consolidated financial statements for the Housing Opportunities Commission of Montgomery County ("HOC" or "Commission") for the first quarter ended September 30, 2022.

Financial Highlights:

- The Commission's net position decreased $12.9 million or 4.3% attributed to the first quarter of FY'23 net operating loss.

- The Commission's current ratio (ratio of current assets to current liabilities) increased from 2.68 in June 2022 to 3.69 in September 2022. The quick ratio (the ratio is an indicator of liquidity, reflecting current assets that can be converted to cash within 90 days) also increased from 2.50 in June 2022 to 3.38 in September 2022. The increase is largely driven by a decrease in the Opportunity Housing Fund current liabilities due to the refinancing of the Westwood Towers short-term loan, a decrease in the Single Family Bond Fund current maturing bonds payable and a decrease in the Multifamily Bond Fund undrawn proceeds payable.



- The Commission's total assets excluding the deferred outflows of resources decreased by $46 million or 2.3% since June 30, 2022. This is largely due to a decrease in cash and cash equivalents and investments as well as net capital assets, partially offset by an increase in mortgage and construction loans receivable.

- The decrease in cash, cash equivalents and investments is mainly driven by an additional $20 million in bond draws for HOC at Westside Shady Grove, LLC, HOC at Willow Manor LLC, HOC at Shady Grove LLC and HOC at Georgian Court LLC, HOC at Stewartown Homes LLC and Bauer Park LP. The Single Family Bond Fund and the Multifamily Bond Fund restricted cash, cash equivalents and investments also decreased largely due to approximately $22 million of outstanding bonds retired in the first quarter of FY'23. The unrestricted cash decreased $6 million as well, mainly due to the General Fund annual payments of insurance, property taxes, on-line and computer license and services as well as timing of expense reimbursements from several component units.

- The decrease in net capital assets of $5 million is primarily attributed to the normal depreciation of fixed assets.

- The overall net increase of $7 million in total mortgage and construction loans receivable is mainly attributed to PNC Real Estate Line of Credit ("RELOC") draws for Elizabeth House III ("EH III/The Leggett"), HOC at Upton II ("Upton/Residences on the Lane") and the Wheaton Gateway development.

- The Multifamily Bond Fund redeemed and retired bonds for $4.5 million under the Multifamily Housing Development Bonds (1996 Indenture) and $0.6 million under the Stand Alone Bond 1998 Issue.

- The Single Family Bond Fund redeemed and retired bonds for $9.2 million under the 1979 Indenture, $4.6 million under the 2019 Indenture and $2.1 million under the 2009 Indenture

- The amount of U.S. Department of Housing and Urban Development ("HUD") Housing Choice Voucher Program Housing Assistance Revenue received by the Commission increased by 3.7% from $30.4 million in FY'22 to $31.5 million in FY'23.

Overall Agency Net Income (Loss)

The Commission had a net loss of $12.9 million for the first quarter ending September 30, 2022, compared to a net loss of $1.5 million for the same period last year. However, after adjusting the net income for the recording of unrealized loss on investments, HOC ended the fiscal year with a net loss of $5.6 million as compared to a net loss of $0.8 million for the same period last fiscal year.

		FY 2023		FY 2022
Net Income (Loss)	$	(12,867,395)	$	(1,456,819)
Less:				
Unrealized (Gain)/Loss on Investments		7,262,011		617,011
Adjusted Net Income (Loss)	$	(5,605,384)	$	(839,808)
Amount of Increase (Decrease)	$	(4,765,576)		

The unrealized (gains)/losses on investments in both bond funds reflect the hypothetical (gains)/losses on investments that would have been received or lost if those investments had been sold on the last day of the reporting period. HOC does not actively trade in securities; however, if planned properly or held to maturity, no recognized gain or loss should result from the investments.

Major contributors to HOC's adjusted net loss of $5.6 million as of fiscal year ending September 30, 2022 are as follows:

	FY 2023 (in millions)	FY 2022 (in millions)	Variance (in millions
Housing Assistance Payments (HAP) Income	$ 31.5	$ 30.4	$ 1.1
Other Federal/State & County Grants	3.8	4.2	(0.4)
Investment Income	2.7	1.9	0.8
Interest on Mortgage and Construction Loans Receivable Income	1.9	1.6	0.3
Dwelling Rental Income	24.9	26.2	(1.3)
HAP Expense	(32.5)	(30.4)	(2.1)
Administration Expense	(11.4)	(11.0)	(0.4)
Maintenance Expense	(8.2)	(7.3)	(0.9)
Utilities Expense	(1.9)	(2.1)	0.2
Fringe Benefits	(3.4)	(3.4)	-
Interest Expense	(10.4)	(7.7)	(2.7)
Depreciation and amortization	(5.3)	(5.5)	0.2
Other Income Net of Other Expenses	2.7	2.3	0.4
Adjusted Net Income (Loss)	$ (5.6)	$ (0.8)	$ (4.8)

Housing Assistance Payments ("HAP") revenue increased under the HCV Main Program, HCV Incoming Portables and Mainstream Program but was partly offset by a decrease in Emergency Housing Vouchers, HCV Elizabeth House III and earned HAP revenue under the COVID-19 HCV Main Program. The increase in HAP expense is mainly due to increased leasing and leasing costs within the HCV Main Program, HCV Incoming and Outgoing Portables, Non-Elderly Persons with disabilities and Emergency Housing Vouchers partly offset by a decrease in the COVID-19 HCV Main Program.

The decrease in the Other Federal/State/County grants is mainly due to the decrease in the Capital Improvement Program ("CIP") and County Main-Public Housing Program, partially offset by an increase in the County Main Programs.

The increase in investment income is attributed to income earned from the investments of bond proceeds not yet drawn within the Multifamily Bond Fund, mainly the Housing Production Fund ("HPF") 2021 and Multifamily Housing Development Bonds ("MHDB") 2021 Series ABCD. The investment income in the Single Family Mortgage Revenue Bonds ("MRB") 2021 and 2022 Series ABCD also contributed to the increase.

The increase in interest on mortgage and construction loans receivable income was mainly due to an increase in the MHDB 2021 Series CD mortgage loan receivable from HOC at willow Manor LLC, HOC at Shady Grove LLC and HOC at Georgian Court LLC.

The decrease in dwelling rental income is primarily driven by the three Manor properties (The Manor at Fair Hill Farms LLC, The Manor at Clopper's Mill LLC and The Manor at Colesville LLC), Shady Grove Apartments LP ("Shady Grove") and Georgian Court Silver Spring LP ("Georgian Ct"), which were sold to special owner entities in December 2021. The decrease in FY'23 rental income is partially offset by additional rent from Battery Lane and Avondale properties, which were acquired in June 2022 and March 2022, respectively. The rental revenue at Scattered Site One and Two, Magruders Discovery, Alexander House, Willows at Gaithersburg, and several other Opportunity Housing properties also increased. Bad Debt Expense for the three-month period July 2022 to September 2022 totaled approximately $1.9 million. As of September 30, 2022, the tenant receivable balance has increased by $1,888,294 from June 30, 2022, totaling $9,685,264. Staff does anticipate that a portion of this amount will result in additional allowances and the potential for additional allowances to be set up in subsequent months to reflect the continuation of non-payments during the COVID-19 pandemic.

The increase in administrative expense is mainly attributed to the increase in the General Fund expenses related to online information services, computer software, temp agency services and other operating professional services, partially offset by a decrease in administrative salaries. The Public Fund expenses increased as well, mainly due to administrative salaries, temp agency services and on-line information services, partly offset by a decrease in the Fatherhood Initiative Program tuition assistance. The increase in General fund and Public Fund expenses is partially offset by a decrease in Multifamily Bond Fund professional operating services and a decrease in the Opportunity Housing Fund due to the sale of the three Manor properties, Georgian Court and Shady Grove.

The increase in maintenance contracts and capital expenses at Cider Mill, Paddington Square, Pooks Hill, VPC One, Bradley Crossing, Battery Lane and Avondale mainly accounted for the increase in the total maintenance expense. This increase is partially offset by a decrease at MHLPIX-Pond Ridge and MPDU, State Rental Partnership, TPP LLC-Pomander, the sale of the three Manors properties, Georgian Court Apartments and Shady Grove Apartments.

The decrease in utilities is largely due to water expenses at Cider Mill Apartments, Glenmont Crossing Development Corp, Strathmore Court, Shady Grove Apts LP, and Georgian Court Silver Spring LP, partly reduced by an increase at HOC at Battery Lane LLC.

The increase in total interest expense is attributed primarily to the interest on the Battery Lane acquisition loan with Eagle Bank, accrued interest on MV Gateway II LLC mezzanine loan and Bradley Crossing's Eagle Bank loan, partly reduced by the sale of the three Manor properties, Georgian Court Apartments and Shady Grove Apartments. The Multifamily Bond Fund also contributed to the increase mainly due to new bonds issued for the Housing Production Fund in September 2021 and Willow Manor, HOC at Georgian Court LLC and HOC at Shady Grove LLC in December 2021. The increase is partially offset by a decrease in interest expense on redeemed and retired bonds under both the Multifamily and the Single Family Bond Fund.

The increase in other income is primarily due to an increase in non-operating investment income and HAP administrative fee income partly offset by a decrease in management fee income.

Adjusted Operating Revenue

The revenues from operations, when adjusted for HAP income and unrealized gains/(loss) on investments, decreased by $0.7 million for fiscal period ending September 30, 2022, when compared to fiscal period ending September 30, 2021.

		FY 2023		FY 2022
Total Operating Revenue	$	61,403,813	$	67,664,394
Less:				
Housing Assistance Revenue		(31,507,787)		(30,386,525)
Unrealized (Gain)/Loss on Investments		7,262,011		617,011
Adjusted Total Operating Revenue	$	37,158,037	$	37,894,880
Amount of Increase (Decrease)	$	(736,843)		

The decrease in the adjusted operating revenue is attributable to dwelling rent, County grants and management fee income partially offset by an increase in investment income, interest on mortgage and construction loan receivable and HAP administrative fee income.

Adjusted Operating Expenses

The operating expenses, when adjusted for HAP expense, increased by $3.6 million for the fiscal period ending September 30, 2022, when compared to the same period last fiscal year.

		FY 2023		FY 2022
Total Operating Expenses	$	74,792,430	$	69,050,482
Less:				
Housing Assistance Payments (HAP)		(32,529,182)		(30,423,590)
Adjusted Total Operating Expenses	$	42,263,248	$	38,626,892
Amount of Increase (Decrease)	$	3,636,356		

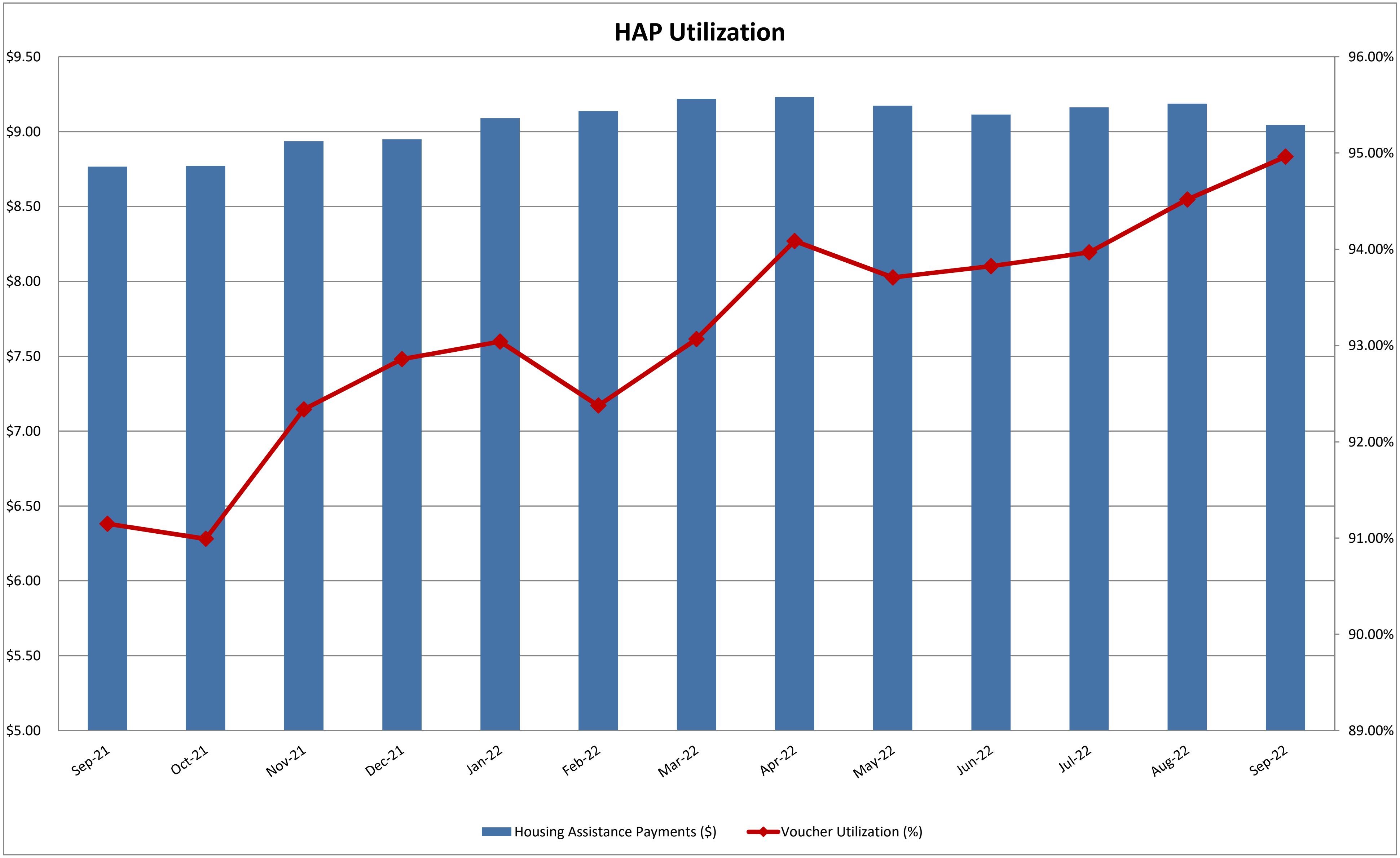
The increase in the adjusted operating expense is primarily driven by interest expense, maintenance and administrative expense partially offset by a decrease in depreciation, utilities and other expenses.

Non-operating Revenues (Expenses)

The non-operating net revenues totaled $521,222 for the fiscal period ending September 30, 2022, as compared to a net loss of $70,731 for the same period last year. This is attributed to an increase in non-operating investment income and interest on mortgage and construction loans receivable, partially offset by an increase in non-operating interest expense.

		FY 2023		FY 2022
Total Non-Operating Revenues (Expenses)	$	521,222	$	(70,731)
Adjusted Total Non-Operating Revenues (Expenses)	$	521,222	$	(70,731)
Amount of Increase (Decrease)	$	591,953		

	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22
Housing Assistance Payments ($)	$8,765,958	$8,769,803	$8,934,438	$8,948,332	$9,088,312	$9,136,820	$9,218,962	$9,230,182	$9,171,244	$9,113,356	$9,160,581	$9,185,224	$9,044,134
Voucher Utilization (%)	91.15%	90.99%	92.34%	92.86%	93.04%	92.37%	93.07%	94.09%	93.71%	93.82%	93.97%	94.52%	94.96%
UNITS under LEASE	6,981	6,969	7,072	7,112	7,126	7,075	7,128	7,206	7,177	7,186	7,197	7,239	7,273
HUD Authorized BASE LINE	7,659	7,659	7,659	7,659	7,659	7,659	7,659	7,659	7,659	7,659	7,659	7,659	7,659



Housing Opportunities Commission of Montgomery County, Maryland
Combined Statements of Net Position
As of September 30, 2022 and June 30, 2022

Assets and Deferred Outflows	Note Num.	9/30/2022	6/30/2022	Dollar Variance	Percentage Variance
Current Assets					
Unrestricted:					
Cash and cash equivalents	-1.a.-	$ 135,235,175	$ 141,338,502	$ (6,103,327)	(4.32%)
Advances to component units	-1.b.-	8,141,877	4,066,220	4,075,657	100.23%
Accounts receivable and other assets	-1.c.-	26,599,255	27,678,413	(1,079,158)	(3.90%)
Accrued interest receivable	-1.d.-	14,423,995	14,093,802	330,193	2.34%
Lease Receivable Current		1,305,017	1,305,017	-	0.00%
Mortgage and construction loans receivable - current	-1.e.-	12,545,399	13,157,945	(612,546)	(4.66%)
Total unrestricted current assets		**198,250,717**	**201,639,899**	**(3,389,182)**	(1.68%)
Restricted cash and cash equivalents and investments					
Restricted cash and cash equivalents	-1.f.-	204,053,215	225,725,994	(21,672,779)	(9.60%)
Restricted short-term investments	-1.g.-	1,742,162	3,596,993	(1,854,831)	(51.57%)
Cash for current bonds payable	-1.h.-	22,620,574	40,703,219	(18,082,645)	(44.43%)
Customer deposits		5,782,367	5,608,621	173,746	3.10%
Total restricted cash and cash equivalents and investments		**234,198,319**	**275,634,827**	**(41,436,508)**	(15.03%)
Total current assets		**432,449,036**	**477,274,726**	**(44,825,690)**	(9.39%)
Noncurrent Assets					
Restricted long-term investments	-1.i.-	161,652,429	169,381,806	(7,729,377)	(4.56%)
Lease Receivable, Net of Current		8,296,033	8,296,033	0	0.00%
Mortgage and construction loans receivable	-1.e.-	659,285,118	651,531,537	7,753,581	1.19%
Capital assets, Being Depreciated, Net	-1.j.-	520,206,496	525,490,625	(5,284,129)	(1.01%)
Capital assets, Not Being Depreciated, Net		156,428,039	155,654,459	773,580	0.50%
Right-to-Use Asset		536,556	536,556	(0)	(0.00%)
Derivative Asset		5,116,470	2,193,576	2,922,894	133.25%
Investment in Component Units	-1.k.-	36,276,501	35,860,438	416,063	1.16%
Total noncurrent assets		**1,547,797,642**	**1,548,945,030**	**(1,147,388)**	(0.07%)
Total Assets		**1,980,246,678**	**2,026,219,756**	**(45,973,078)**	(2.27%)
Deferred Outflows of Resources					
Derivative Instrument	-1.l.-	20,637,912	21,270,199	(632,287)	(2.97%)
Fair value of hedging derivatives	-1.l.-	-	1,727,682	(1,727,682)	(100.00%)
Employer -Related Pension Activities	-1.l.-	30,990,438	30,990,437	1	0.00%
Employer -Related OPEB Activities	-1.l.-	6,401,277	6,401,277	(0)	(0.00%)
		58,029,627	**60,389,595**	**(2,359,968)**	(3.91%)
Total Assets and Deferred Outflows		**$ 2,038,276,305**	**$ 2,086,609,351**	**$ (48,333,046)**	(2.32%)
Liabilities and Net Position					
Current Liabilities					
Accounts payable and accrued liabilities	-1.m.-	$ 26,855,707	$ 28,684,325	$ (1,828,618)	(6.37%)
Undrawn Mortgage Proceeds Payable	-1.n.-	47,750,434	68,050,006	(20,299,572)	(29.83%)
Accrued interest payable		9,468,492	9,389,990	78,502	0.84%
Loans payable to Montgomery County - current	-1.o.-	241,750	241,243	507	0.21%
Lease Payable Current		318,242	318,242	0	0.00%
Mortgage notes and loans payable - current	-1.p.-	6,119,448	26,091,520	(19,972,072)	(76.55%)
Total current unrestricted liabilities		**90,754,074**	**132,775,326**	**(42,021,252)**	(31.65%)
Current Liabilities payable from restricted assets:					
Customer deposit payable		4,819,201	4,575,032	244,169	5.34%
Accrued interest payable	-1.q.-	5,217,546	8,595,765	(3,378,219)	(39.30%)
Bonds payable - current	-1.r.-	16,509,165	31,988,733	(15,479,569)	(48.39%)
Total current liabilities payable from restricted assets		**26,545,911**	**45,159,530**	**(18,613,619)**	(41.22%)
Total current liabilities		**117,299,985**	**177,934,856**	**(60,634,871)**	(34.08%)
Noncurrent Liabilities					
Bonds payable	-1.r.-	736,060,894	741,557,113	(5,496,219)	(0.74%)
Mortgage notes and loans payable	-1.p.-	653,679,788	626,827,946	26,851,842	4.28%
Loans payable to Montgomery County	-1.o.-	88,778,230	87,549,922	1,228,308	1.40%
Lease Payable Net of Current		221,748	221,748	(0)	(0.00%)
Unearned Revenue	-1.s.-	35,779,249	34,702,518	1,076,731	3.10%
Escrow and other deposits		19,420,067	19,106,708	313,359	1.64%
Net Pension liability		32,216,643	32,216,643	0	0.00%
Net OPEB liability		16,573,820	16,573,819	1	0.00%
Derivative investment - hedging		-	1,727,682	(1,727,682)	(100.00%)
Total noncurrent liabilities		**1,582,730,439**	**1,560,484,099**	**22,246,340**	1.43%
Total Liabilities		**1,700,030,425**	**1,738,418,955**	**(38,388,530)**	(2.21%)
Deferred Inflows of Resources					
Derivative Instrument	-1.l.-	5,116,470	2,193,576	2,922,894	133.25%
Unamortized Lease Receivable	-1.l.-	9,582,722	9,582,722	(0)	(0.00%)
Unamortized Pension Net Difference	-1.l.-	23,992,290	23,992,290	0	0.00%
Unamortized OPEB Net Difference	-1.l.-	15,320,514	15,320,515	(1)	(0.00%)
Total Deferred Inflows of Resources		54,011,996	51,089,103	2,922,893	5.72%
Net Position					
Net investment in capital assets		(135,805,918)	(135,707,939)	(97,979)	0.07%
Restricted		99,893,557	107,507,873	(7,614,316)	(7.08%)
Unrestricted		320,146,245	325,301,359	(5,155,114)	(1.58%)
Total Net Position		**284,233,884**	**297,101,293**	**(12,867,409)**	(4.33%)
Total Liabilities and Net Position		**$ 2,038,276,305**	**$ 2,086,609,351**	**$ (48,333,046)**	(2.32%)

Housing Opportunities Commission of Montgomery County, Maryland
Combined Statements of Revenues and Expenses
As of September 30, 2022 and September 30, 2021

	Note Num.	1st Qtr FY2023 9/30/2022	1st Qtr FY2022 9/30/2021	Dollar Variance	Percentage Variance
Operating Revenues					
Dwelling rental	-1.aa.-	$ 24,861,622	$ 26,167,150	$ (1,305,528)	(4.99%)
Investment income	-1.bb.-	2,700,486	1,853,684	846,801	45.68%
Unrealized gains (losses) on investment		(7,262,011)	(617,011)	(6,645,000)	1076.97%
Interest on mortgage and construction loans receivable	-1.cc.-	1,935,847	1,586,957	348,891	21.98%
Management fees and other income	-1.dd.-	1,239,228	1,733,345	(494,116)	(28.51%)
U.S. Department of Housing and Urban Development grants:					
Housing Assistance Payments (HAP)	-1.ee.-	31,507,787	30,386,525	1,121,262	3.69%
HAP administrative fees	-1.ff.-	2,587,546	2,380,919	206,627	8.68%
Other grants	-1.gg.-	1,389,336	1,371,001	18,335	1.34%
State and County grants	-1.hh.-	2,443,972	2,801,823	(357,852)	(12.77%)
Total operating revenues		**61,403,813**	**67,664,394**	**(6,260,581)**	(9.25%)
Operating Expenses					
Housing Assistance Payments (HAP)	-1.ee.-	32,529,182	30,423,590	(2,105,592)	(6.92%)
Administration	-1.ii.-	11,456,617	11,003,926	(452,692)	(4.11%)
Maintenance	-1.jj.-	8,166,739	7,324,739	(842,000)	(11.50%)
Depreciation and amortization	-1.kk.-	5,285,716	5,481,141	195,424	3.57%
Utilities	-1.ll.-	1,899,977	2,063,805	163,828	7.94%
Fringe benefits	-1.ll.-	3,441,419	3,387,549	(53,870)	(1.59%)
Interest expense	-1.mm.-	10,445,410	7,705,221	(2,740,189)	(35.56%)
Other expense	-1.nn.-	1,567,369	1,660,512	93,143	5.61%
Total operating expenses		**74,792,430**	**69,050,482**	**(5,741,948)**	(8.32%)
Operating income (loss)		**(13,388,616)**	**(1,386,088)**	**(12,002,529)**	865.93%
Nonoperating Revenues (Expenses)					
Investment Income	-1.oo.-	862,963	307,810	555,153	180.36%
Interest on mortgage and construction loans receivable		984,718	680,698	304,020	44.66%
Interest expense	-1.mm.-	(1,354,470)	(1,125,991)	(228,479)	20.29%
Other grants		28,010	66,751	(38,741)	(58.04%)
Total nonoperating revenues (expense)		**521,222**	**(70,731)**	**591,953**	(836.91%)
Income (loss) before capital contributions		**(12,867,395)**	**(1,456,819)**	(11,410,576)	783.25%
Income (Loss) before contributions and transfers		**(12,867,395)**	**(1,456,819)**	(11,410,576)	783.25%
Transfer from Discrete Component Units		-	-	-	
Capital contributions		-	-	-	
Net income (loss)		**(12,867,395)**	**(1,456,819)**	**(11,410,576)**	783.25%

Housing Opportunities Commission of Montgomery County

Combined Statement of Net Position
As of September 30, 2022

Assets	General Fund	Opportunity Housing Fund	Public Fund	Single Family Fund	Multi Family Fund	Elimination	9/30/2022 Total Funds with Elimination	6/30/2022 Total Funds with Elimination
Current Assets								
Unrestricted:								
Cash and Cash Equivalents	$ 48,161,541	$ 76,710,979	$ 7,520,551	$ 522,602	$ 2,319,502	$ -	$ 135,235,175	$ 141,338,502
Interfund Receivable	-	16,286,722	3,081,747	345,377	643,888	(20,357,735)	-	-
Advances to Component Units	7,659,893	481,984	-	-	-	-	8,141,877	4,066,220
Accounts Receivable and Other Assets,Net	4,990,509	13,301,204	9,170,205	464,649	3,833	(1,331,146)	26,599,255	27,678,413
Accrued Interest Receivable	7,247,558	6,134,205	-	623,511	1,321,434	(902,713)	14,423,995	14,093,802
Lease Receivable - Current	-	1,305,017					1,305,017	1,305,017
Mortgage & Construction Loans Receivable, Current	5,444,652	1,423,792	-	7,709,119	9,705,681	(11,737,846)	12,545,399	13,157,945
Total Unrestricted Current Assets	**73,504,153**	**115,643,904**	**19,772,504**	**9,665,258**	**13,994,338**	**(34,329,440)**	**198,250,717**	**201,639,899**
Restricted Cash and Cash Equivalents nd Investments:								
Restricted Cash and Cash Equivalents	6,784,977	45,034,551	1,050,835	58,256,150	92,926,702	-	204,053,215	225,725,994
Restricted Short-Term Investments	-	-	-	1,742,162	-	-	1,742,162	3,596,993
Restricted for Current Bonds Payable	-	-	-	6,662,527	15,958,048	-	22,620,574	40,703,219
Restricted for Customer Deposits	-	3,452,410	2,329,958	-	-	-	5,782,367	5,608,621
Total Restricted Cash and Cash Equivalents for Investments	**6,784,977**	**48,486,961**	**3,380,793**	**66,660,839**	**108,884,750**	**-**	**234,198,319**	**275,634,827**
Total Current Assets	**80,289,130**	**164,130,864**	**23,153,296**	**76,326,097**	**122,879,087**	**(34,329,440)**	**432,449,036**	**477,274,726**
Noncurrent assets:								
Restricted Long - Term Investments	-	-	-	95,654,918	65,997,511	-	161,652,429	169,381,806
Lease Receivable - Net of Current		8,296,033	-				8,296,033	8,296,033
Mortgage & Construction Loans Receivable, Net of Current	492,042,734	177,155,381	2,005,615	29,612,066	468,455,355	(509,986,033)	659,285,118	651,531,537
Capital Assets, Being Depreciated, Net	3,563,500	513,049,192	3,593,803	-	-	-	520,206,496	525,490,625
Capital Assets, Not Being Depreciated	7,766,185	146,304,500	2,357,354				156,428,039	155,654,459
Right-to-Use Asset	536,556	-	-				536,556	536,556
Derivative Asset	-	3,354,318	-	1,010,705	751,447		5,116,470	2,193,576
Investment in Component Units	2,073,221	34,203,281	-	-	-	-	36,276,501	35,860,438
Total Noncurrent Assets	**505,982,196**	**882,362,705**	**7,956,772**	**126,277,689**	**535,204,313**	**(509,986,033)**	**1,547,797,642**	**1,548,945,030**
Deferred Outflows of Resources								
Derivative Instrument	-	20,637,912	-	-	-	-	20,637,912	21,270,199
Fair Value of Hedging Derivatives	-	-	-	-	-	-	-	1,727,682
Employer -Related Pension Activities	16,928,071	3,358,708	10,703,659	-	-	-	30,990,438	30,990,437
Employer -Related OPEB Activities	4,620,667	323,673	1,456,937	-	-	-	6,401,277	6,401,277
	21,548,737	**24,320,293**	**12,160,596**	**-**	**-**	**-**	**58,029,627**	**60,389,595**
Total Assets and Deferred Outflows	**607,820,063**	**1,070,813,863**	**43,270,665**	**202,603,786**	**658,083,401**	**(544,315,473)**	**2,038,276,305**	**2,086,609,351**

Housing Opportunities Commission of Montgomery County

Combined Statement of Net Position
As of September 30, 2022

Liabilities and Net Position	General Fund	Opportunity Housing Fund	Public Fund	Single Family Fund	Multi Family Fund	Elimination	9/30/2022 Total Funds with Elimination	6/30/2022 Total Funds with Elimination
Liabilities								
Current Liabilities								
Accounts Payable and Accrued Liabilities	9,616,158	14,550,738	3,409,634	514,973	95,351	(1,331,146)	26,855,707	28,684,325
Undrawn Mortgage Proceeds Payable	-	-	-	-	47,750,434	-	47,750,434	68,050,006
Interfund Payable	20,357,733	-	-	-	-	(20,357,734)	-	-
Accrued Interest Payable	-	10,371,205	-	-	-	(902,713)	9,468,492	9,389,990
Loans Payable to Montgomery County - Current	-	241,750	-	-	-		241,750	241,243
Lease Payable - Current	318,242						318,242	318,242
Mortgage Notes and Loans Payable-Current	4,246,627	13,610,667	-	-	-	(11,737,846)	6,119,448	26,091,520
Total Current Unrestricted Liabilities	**34,538,760**	**38,774,360**	**3,409,634**	**514,973**	**47,845,786**	**(34,329,439)**	**90,754,074**	**132,775,326**
Current Liabilities Payable from Restricted Assets:								
Customer Deposits Payable	-	2,889,441	1,929,760	-	-	-	4,819,201	4,575,032
.Accrued Interest Payable	-	-	-	1,618,663	3,598,883	-	5,217,546	8,595,765
Bonds Payable-Current	-	-	-	4,150,000	12,359,165	-	16,509,165	31,988,733
Total Current Liabilities Payable from Restricted Assets	-	**2,889,441**	**1,929,760**	**5,768,663**	**15,958,048**	-	**26,545,911**	**45,159,530**
Total Current Liabilities	**34,538,760**	**41,663,802**	**5,339,394**	**6,283,636**	**63,803,833**	**(34,329,439)**	**117,299,985**	**177,934,856**
Non-Current Liabilities								
Bonds Payable	-	-	-	179,049,700	557,011,195	-	736,060,894	741,557,113
Mortgage Notes and Loans payable	424,780,791	738,885,030	-	-	-	(509,986,033)	653,679,788	626,827,946
Loans payable to Montgomery County	29,075,224	59,703,006	-	-	-	-	88,778,230	87,549,922
Lease Payable Net of Current	221,748						221,748	221,748
Unearned Revenue	19,453,306	12,302,548	4,023,395	-	-	-	35,779,249	34,702,518
Escrow and Other Deposits	16,950,370	-	-	-	2,469,697	-	19,420,067	19,106,708
Net Pension liability	19,150,477	2,885,951	10,180,215	-	-	-	32,216,643	32,216,643
Net OPEB liability	7,254,792	931,303	8,387,724	-	-	-	16,573,820	16,573,819
Derivative Investment - Hedging	-	-	-	-	-	-	-	1,727,682
Total Noncurrent Liabilities	**516,886,708**	**814,707,838**	**22,591,335**	**179,049,700**	**559,480,892**	**(509,986,033)**	**1,582,730,439**	**1,560,484,099**
Total Liabilities	**551,425,468**	**856,371,640**	**27,930,728**	**185,333,336**	**623,284,725**	**(544,315,472)**	**1,700,030,425**	**1,738,418,955**
Deferred Inflows of Resources								
Derivative Instrument		3,354,318		1,010,705	751,447		5,116,470	2,193,576
Unamortized Lease Receivable		9,582,722					9,582,722	9,582,722
Unamortized Pension Net Difference	15,888,812	1,993,837	6,109,641	-	-	-	23,992,290	23,992,290
Unamortized OPEB Net Difference	8,736,288	1,168,662	5,415,565	-	-	-	15,320,514	15,320,515
Total Deferred Inflows of Resources	24,625,100	16,099,539	11,525,206	1,010,705	751,447	-	54,011,996	51,089,103
Net Position								
Net investment in Capital assets	11,329,685	(153,086,760)	5,951,157	-	-	-	(135,805,918)	(135,707,939)
Amounts Restricted for:								
Debt Service	-	45,034,551	-	15,737,144	31,727,727	-	92,499,421	99,157,634
Customer deposits and other	-	562,968	1,451,033	-	-	-	2,014,001	2,385,144
Closing cost assistance program and other	5,380,134	-	-	-	-	-	5,380,134	5,965,095
Unrestricted (deficit)	15,059,677	305,831,925	(3,587,460)	522,602	2,319,502	-	320,146,245	325,301,359
Total net position	**31,769,496**	**198,342,684**	**3,814,730**	**16,259,746**	**34,047,229**	-	**284,233,884**	**297,101,293**
Total Liabilities, Deferred Inflows and Net Position	**607,820,063**	**1,070,813,862**	**43,270,665**	**202,603,786**	**658,083,401**	**(544,315,472)**	**2,038,276,305**	**2,086,609,351**

Housing Opportunities Commission of Montgomery County, Maryland

Combining Statement of Revenue and Expenses

For the Quarter Ended September 30, 2022 (with comparative totals for the Quarter Ended September 30, 2021)

	General Fund	Opportunity Housing Fund	Public Fund	Single Family Fund	Multi Family Fund	Elimination	9/30/2022 Total Funds with Elimination	9/30/2021 Total Funds with Elimination
Operating Revenues								
Dwelling Rental	$ -	$ 24,622,794	$ 238,828	$ -	$ -	$ -	$ 24,861,622	$ 26,167,150
Investment Income	-	-	-	1,191,047	1,509,438	-	2,700,486	1,853,684
Unrealized Gains (Losses) on Investments	-	-	-	(6,592,400)	(669,610)	-	(7,262,011)	(617,011)
Interest on Mortgage & Construction Loans Receivable	-	-	-	388,261	3,379,823	(1,832,236)	1,935,847	1,586,957
Management Fees and Other Income	3,221,776	191,413	14,818	-	-	(2,188,779)	1,239,228	1,733,345
U.S. Department of Housing and Urban Developement Grants:								
Housing Assistance Payments (HAP)	-	-	31,507,787	-	-	-	31,507,787	30,386,525
HAP Administrative Fees	-	-	2,587,546	-	-	-	2,587,546	2,380,919
Other Grants	-	-	1,389,336	-	-	-	1,389,336	1,371,001
State and County Grants	-	-	2,443,972	-	-	-	2,443,972	2,801,823
Total Operating Revenues	**3,221,776**	**24,814,207**	**38,182,287**	**(5,013,093)**	**4,219,651**	**(4,021,015)**	**61,403,813**	**67,664,394**
Operating Expenses								
Housing Assistance Payments	-	-	32,529,182	-	-	-	32,529,182	30,423,590
Administration	4,257,693	3,573,476	4,661,763	351,888	640,457	(2,028,659)	11,456,617	11,003,926
Maintenance	472,919	7,674,830	18,990	-	-	-	8,166,739	7,324,739
Depreciation and amortization	89,738	5,184,190	11,788	-	-	-	5,285,716	5,481,141
Utilities	42,833	1,774,394	82,750	-	-	-	1,899,977	2,063,805
Fringe Benefits	1,856,290	644,937	827,981	43,446	68,764	-	3,441,419	3,387,549
Interest expense	-	6,585,066	-	1,619,515	4,073,065	(1,832,236)	10,445,410	7,705,221
Other Expense	317,359	1,303,525	49,979	56,627	-	(160,120)	1,567,369	1,660,512
Total operating expenses	**7,036,831**	**26,740,419**	**38,182,433**	**2,071,475**	**4,782,286**	**(4,021,015)**	**74,792,430**	**69,050,482**
Operating Income (loss)	**(3,815,055)**	**(1,926,212)**	**(147)**	**(7,084,568)**	**(562,635)**	**-**	**(13,388,616)**	**(1,386,088)**
Nonoperating Revenues (Expenses)								
.Investment Income	360,246	497,245	5,473	-	-	-	862,963	307,810
.Interest on Mortgage and Construction Loans Receivable	2,789,010	200,073	-	-	-	(2,004,365)	984,718	680,698
.Interest Expense	(2,726,548)	(632,287)	-	-	-	2,004,365	(1,354,470)	(1,125,991)
Other Grants	-	28,010	-	-	-	-	28,010	66,751
Gain/(Loss) on Sale of Assets	-	-	-	-	-	-	-	-
Total nonoperating revenues (expenses)	**422,708**	**93,041**	**5,473**	**-**	**-**	**-**	**521,222**	**(70,731)**
Income (loss) before capital contributions and transfers	**(3,392,347)**	**(1,833,171)**	**5,326**	**(7,084,568)**	**(562,635)**	**-**	**(12,867,395)**	**(1,456,819)**
Transfer To/(From) Discrete Component Units	-	-	-	-	-	-	-	-
Capital contributions/(distributions)	-	-	-	-	-	-	-	-
Operating transfers in (out)	-	-	-	-	-	-	-	-
Change in Net Position	**$ (3,392,347)**	**(1,833,171)**	**$ 5,326**	**$ (7,084,568)**	**$ (562,635)**	**$ -**	**$ (12,867,395)**	**$ (1,456,819)**
Total Net Position, Beginning of Year	**35,161,847**	**200,175,858**	**3,809,408**	**23,344,315**	**34,609,865**	**-**	**297,101,293**	**235,861,887**
Total Net Position, End of Year	**$ 31,769,500**	**$ 198,342,687**	**$ 3,814,734**	**$ 16,259,747**	**$ 34,047,230**	**$ -**	**$ 284,233,898**	**$ 234,405,068**
	-	-	-	-	-	-	-	

Note 1 – Discussion of specific lines of the Combined Statements of Net Position and the Combined Statements of Revenue and Expenses

		FY'23	FY'22	Dollar Variance	Percentage Variance
1.a	**Cash and Cash Equivalents**	**135,235,175**	**141,338,502**	**(6,103,327)**	**(4.32%)**

The decrease in cash and cash equivalents is mainly attributed to the decrease in the General Fund due to the payment of the FY2023 commercial liability insurance, property taxes and Yardi annual license and maintenance for Yardi Saas private cloud system as well as an increase in advances to several component units due to timing (note 1.b). The decrease is partly reduced by an increase in the Opportunity Housing properties primarily The Metropolitan, HOC at Battery Lane LLC (“Battery Lane”), Pooks Hill Dev. Corp. (“Pooks Hill”), Paddington Square Dev. Corp. (“Paddington”) and Bradley Crossing LLC (“Bradley Crossing”), partially offset by a decrease in the OHRF.

1.b	**Advances to Component Units**	**8,141,877**	**4,066,220**	**4,075,657**	**100.23%**

The increase in the advances to component units is largely due to the timing of the payment and reimbursement of capital expenses to the General Fund Central Disbursement from South County Regional Recreation and Aquatic Center (“SCRRAC”), HOC at Willow Manor LLC (“Willow Manor”), Bauer Park Apartment LLC (“Bauer Park”) and Elizabeth House III LP (“EH III/The Leggett”), as well as operational expenses at Arcola Towers RAD LP (“Arcola”) and Waverly House RAD LP (“Waverly”). These advances were reimbursed in the subsequent months.

1.c	**Accounts Receivable and Other Assets**	**26,599,255**	**27,678,413**	**(1,079,158)**	**(3.90%)**

The decrease in accounts receivable and other assets is mainly due to the receipt of the CDBG Rental Assistance from the County that was accrued in FY’22 partly offset by an increase in receivables from the County Main Grant and HCV Incoming Portables. General Fund also decreased due to the receipt of accrued FY22 excess cash flow from several properties.

1.d	**Accrued Interest Receivable**	**14,423,995**	**14,093,802**	**330,193**	**2.34%**

The increase in the accrued interest receivable is mainly driven by interests on Seller Notes from Alexander House LP, HOC at Stewartown Homes LLC, HOC at Georgian Court LLC and Shady Grove LLC, Arcola and Waverly.

1.e	**Mort. & Const. Loans Receivable-Current**	**12,545,399**	**13,157,945**	**(612,546)**	**(4.66%)**
1.e	**Mort. & Const. Loans Receivable-Non-Current**	**659,285,118**	**651,531,537**	**7,753,581**	**1.19%**
	Total	**671,830,517**	**664,689,482**	**7,141,035**	**1.07%**

The increase in total mortgage and construction loans receivable is attributable to additional PNC Real Estate Line of Credit (“RELOC”) draws for EH III/The Leggett, HOC at Upton II (“Upton/The Residence Lane”) and the Wheaton Gateway project.

1.f	**Restricted Cash & Cash Equivalents**	**204,053,215**	**225,725,994**	**(21,672,779)**	**(9.60%)**

The decrease in the restricted cash and cash equivalents is mainly due to a decrease in the undrawn bond proceeds within the Multifamily Bond Fund.

1.g	**Restricted Short-term Investments**	**1,742,162**	**3,596,993**	**(1,854,831)**	**(51.57%)**

The decrease in the Single Family Bond Fund mainly accounted for the decrease in the restricted short-term investments.

1.h	Cash for Current Bonds Payable	22,620,574	40,703,219	(18,082,645)	(44.43%)

The decrease in the cash restricted for current bonds payable is largely attributed to both the Single Family Bond Fund and the Multifamily Bond Fund.

1.i	Restricted Long-term Investments	161,652,429	169,381,806	(7,729,377)	(4.56%)

Both the Single Family Bond and the Multifamily Bond Fund contributed to the decrease in the restricted long-term investments.

1.j	Capital Assets, Being Depreciated, Net	520,206,496	525,490,625	(5,284,129)	(1.01%)
1.j	Capital Assets, Not Being Depreciated, Net	156,428,039	155,654,459	773,580	0.50%
	Total	676,634,535	681,145,084	(4,510,549)	(0.66%)

The decrease in the net capital assets is mainly due to the normal depreciation of assets.

1.k	Investment in Component Units	36,276,501	35,860,438	416,063	1.16%

The increase in investment in component units is largely attributed to HOC's additional equity contributions to CCL Multifamily LLC ("CCL MF/The Lindley") as a result of the exit and replacement of the previous investor.

1.l	Deferred Outflows-Derivative Instrument	20,637,912	21,270,199	(632,287)	(2.97%)
1.l	Deferred Outflows-Fair Value of Hedging Derivati	-	1,727,682	(1,727,682)	(100.00%)
1.l	Deferred Outflows-Pension Activities	30,990,438	30,990,438	(0)	0.00%
1.l	Deferred Outflows-OPEB Activities	6,401,277	6,401,277	(0)	(0.00%)
	Total	58,029,627	60,389,596	(2,359,969)	(3.91%)

As of September 30, 2022, all of HOC's interest rate swaps were deemed effective hedges. Therefore, under GASB No. 53, *Accounting and Financial Reporting for Derivative Instruments,* the changes in fair values of hedging derivative instruments are reported as either deferred inflows or outflows in the Statements of Net Position. HOC's interest rate swaps consists of ($1,010,705) in the Single Family Bond Fund, ($751,447) in the Multifamily Bond Fund and ($3,354,318) in the Opportunity Housing Fund which is made up of ($1,060,512) Upton II construction Loan and ($2,293,806) Elizabeth House III.

The interest swaps on CCL Multifamily and Alexander House were terminated on September 8, 2019, which required HOC to make a swap termination payment of $12,701,474 and $12,590,000, respectively. These payments are included in the deferred outflows, hedging derivatives and are being amortized to interest expense on a straight-line basis over the 40-year term of the first mortgage loans with the Federal Financing Bank. The unamortized balance of the swap termination payment is $20,637,912 reported as deferred outflows of resources as of September 30, 2022.

In accordance with GASB No. 68, *Accounting and Financial Reporting for Pensions,* and GASB No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other than Pension Plans,* HOC is required to report deferred outflows of resources and deferred inflows of resources related to pensions and other post-employment benefits (OPEB).

1.m	Accounts Payable and Accrued Liabilities	26,855,707	28,684,325	(1,828,618)	(6.37%)

The decrease in accounts payable and accrued liabilities is primarily driven by the payment of arbitrage rebate liability under the SF Mortgage Revenue Bonds 2013 Series AB, a decrease in accrued salaries payable and accrued MIP/FHA share due to HUD as well as payment of various accrued invoices.

1.n	Undrawn Mortgage Proceeds payable	47,750,434	68,050,006	(20,299,572)	(29.83%)

The decrease is mainly driven by bond draws for HOC at Westside Shady Grove LLC ("WSSG"), HOC at Stewartown LLC, Bauer Park, HOC at Georgian Court LLC, HOC at Shady Grove LLC and Willow Manor.

1.o	Loans Payable to Montgomery Co-Current	241,750	241,243	507	0.21%
1.o	Loans Payable to Montgomery Co-Non-Current	88,778,230	87,549,922	1,228,308	1.40%
	Total	89,019,980	87,791,165	1,228,815	1.40%

The increase in the loans payable to Montgomery County is largely due additional funding for the Montgomery County Homeownership Assistance Fund ("McHAF"), partially offset by partial repayments of loans related to 8800 Bonifant, Holiday Park Townhomes and Chelsea Towers.

1.p	Mortgage Notes & Loans Payable-Current	6,119,448	26,091,520	(19,972,072)	(76.55%)
1.p	Mortgage Notes & Loans Payable-Non-Current	653,679,788	626,827,946	26,851,842	4.28%
	Total	659,799,236	652,919,466	6,879,770	1.05%

The increase in total mortgage notes and loans payable is attributed primarily to additional RELOC draws for EH III/The Leggett, Upton/The Residence Lane and Wheaton Gateway.

1.q	Accrued Interest Payable - Restricted	5,217,546	8,595,765	(3,378,219)	(39.30%)

The decrease in restricted accrued interest payable is mainly driven by a decrease in the Multifamily Bond Fund due to a decrease in outstanding bonds payable.

1.r	Bonds Payable - Current	16,509,165	31,988,733	(15,479,569)	(48.39%)
1.r	Bonds Payable - Non-Current	736,060,894	741,557,113	(5,496,219)	(0.74%)
	Total	752,570,059	773,545,846	(20,975,787)	(2.71%)

The decrease in the total outstanding bonds payable is largely due to a decrease in the Single Family Bond Fund as well as the Multifamily Bond Fund. The Single Family Bond Fund redeemed and retired bonds for $9.2 million under the 1979 Indenture, $4.6 million under the 2019 Indenture and 2.1 million under the 2009 Indenture. The Multifamily Bond Fund redeemed and retired bonds for $4.5 million under the Multifamily Housing Development Bonds (1996 Indenture) and $0.6 million under the Stand Alone 1998 Issue.

1.s	Unearned Revenue	35,779,249	34,702,518	1,076,731	3.10%

The increase in the deferred revenue is attributable to excess monthly remittance to the trustee from properties with Federal Financing Bank loans to pay for the Loan Management Fees, Mortgage Insurance Premium and Trustee fees. The advance funding for the County Main Grant contributed to the increase as well.

1.aa	Dwelling Rental	24,861,622	26,167,150	(1,305,528)	(4.99%)

The decrease in dwelling rental income is primarily driven by the three Manor properties (The Manor at Fair Hill Farms LLC, The Manor at Cloppers Mill LLC & The Manor at Colesville LLC), Shady Grove Apartments LP ("Shady Grove") and Georgian Court Silver Spring LP ("Georgian Ct") which were sold to special owner entities in December 2021. The decrease in FY'23 rental income is partially offset by additional rent from Battery Lane and Avondale properties which were acquired in June 2022 and March 2022 respectively. The rent revenue at Scattered Site One and Two, Magruders Discovery, Alexander House, Willows at Gaithersburg and several other Opportunity Housing properties went up as well. Bad debt expense for the three-month period July 2022 to September 2022 amounts to about $1.9 million. As of September 30, 2022, the tenant receivable balance has increased by $1,888,294 from June 30, 2022, totaling $9,685,264. Staff does anticipate that a portion of this amount will result in additional allowances and the potential for additional allowances to be set up in subsequent months to reflect the continuation of non-payments during the COVID-19 pandemic.

1.bb	Investment Income	2,700,486	1,853,684	846,801	45.68%

The increase in the investment income from the remaining undrawn bond proceeds under the HPF Series 2021 Limited Obligation Bonds and MHDB 2021 Series ABCD bonds within the Multifamily Bond Fund, as well as the MRB 2021 Series ABCD and 2022 Series ABCD within the Single Family Bond Fund accounted for the increase in the investment income.

1.cc	Unrealized Gains (Losses) on Investments	(7,262,011)	(617,011)	(6,645,000)	1076.97%

Unrealized gains (losses) on investment reflect the hypothetical gains and/or losses on investments HOC would have received if those investments had sold on the last day of the reporting period. If planned properly and held to maturity, no recognized gain or loss should result from the investments.

1.dd	**Interest on Mortg. & Const. Loans Receivable**	**1,935,847**	**1,586,957**	**348,891**	**21.98%**

The increase in interest on mortgage and construction loans receivable is mainly due to an increase in the MHDB 2021 Series CD mortgage loan receivable balance in the Multifamily Bond Fund.

1.ee	**Management Fees & Other Income**	**1,239,228**	**1,733,345**	**(494,116)**	**(28.51%)**

The decrease in management fees and other income is mainly due to a decrease in development fee income and other miscellaneous income.

1.ff	**Housing Assistance Payments-Revenue**	**31,507,787**	**30,386,525**	**1,121,262**	**3.69%**
1.ff	**Housing Assistance Payments-Expense**	**32,529,182**	**30,423,590**	**2,105,592**	**6.92%**

The Housing Assistance Payments (HAP) – revenue increased under the HCV Main Program, HCV Incoming Portables and Mainstream Program, partly offset by a decrease in Emergency Housing Vouchers, HCV Elizabeth House III and earned HAP revenue under the COVID-19 HCV Main Program. The increase in HAP expense is mainly due to increased leasing and leasing costs within the HCV Main Program, HCV Incoming & Outgoing Portables, Non-Elderly Persons with disabilities and Emergency Housing Vouchers partly offset by a decrease in the COVID-19 HCV Main Program.

1.gg	**HAP Administrative Fees-Income**	**2,587,546**	**2,380,919**	**206,627**	**8.68%**

The increase in HAP administrative fees income is mainly due to an increase in the proration factor and an additional HUD funding from the FY'23 first quarter reconciliation, partially offset by a decrease in the COVID-19 Main Program.

1.ii	**State and County Grants**	**2,443,972**	**2,801,823**	**(357,852)**	**(12.77%)**

The decrease in state and county grants is mainly due to the decrease in the Capital Improvement Program ("CIP") and County Main-Public Housing Program, partially offset by an increase in the County Main Programs.

1.jj	**Administration**	**11,456,617**	**11,003,926**	**452,692**	**4.11%**

The increase in administrative expense is primarily driven by the General Fund expenses mainly due to the online information services, computer software, temp agency services and other operating professional services, partially offset by a decrease in administrative salaries. The Public Fund expenses increased as well mainly due to administrative salaries, temp agency services and on-line information services, partly offset by a decrease in the Fatherhood Initiative Program tuition assistance. The increase in General fund and Public Fund expenses is partially offset by a decrease in Multi Family Bond Fund professional operating services and a decrease in the Opportunity Housing Fund due to the sale of the three Manor properties, Georgian Court and Shady Grove.

1.kk	**Maintenance**	**8,166,739**	**7,324,739**	**842,000**	**11.50%**

The increase in maintenance is mainly driven by an increase in maintenance contracts and capital expenses at Cider Mill, Paddington, Pooks Hill, VPC One and Bradley Crossing, as well as Battery Lane and Avondale. This increase is partially offset by a decrease at MHLPIX-Pond Ridge & MPDU, State Rental Partnership, TPP LLC-Pomander and the sale of the three Manors, Georgian Court and Shady Grove.

1.ll	**Utilities**	**1,899,977**	**2,063,805**	**(163,828)**	**(7.94%)**

The decrease in utilities is mainly due to a decrease in water expense at Cider Mill Apartments, Glenmont Crossing, Strathmore Court, Shady Grove and Georgian Court, partly offset by an increase at Battery Lane.

1.mm	**Interest Expense - Operating**	**10,445,410**	**7,705,221**	**2,740,189**	**35.56%**
1.mm	**Interest Expense - Non-Operating**	**1,354,470**	**1,125,991**	**228,479**	**20.29%**
	Total	**11,799,880**	**8,831,212**	**2,968,668**	**33.62%**

The increase in total interest expense is attributed primarily to the interest on the Battery Lane acquisition loan with Eagle Bank, accrued interest on MV Gateway II LLC mezzanine loan and Bradley Crossing's Eagle Bank loan, partly reduced by the sale of the three Manor properties, Georgian Court and Shady Grove. The Multifamily Bond Fund also contributed to the increase mainly due to new bond issued for Willow Manor, HOC at Georgian Court LLC and HOC at Shady Grove LLC, and Housing Production Fund in December 2021 and September 2021 respectively. The increase is partially offset by a decrease in interest expense on redeemed and retired bonds under both the Multifamily and the Single Family Bond Fund.

1.nn	**Other Expense**	**1,567,369**	**1,660,512**	**(93,143)**	**(5.61%)**

The decrease in other expense is primarily due to a decrease in the Opportunity Housing properties' liability and mortgage insurance as well as COVID-19 expenses, partially offset by an increase in security contracts.

M E M O R A N D U M

TO: Housing Opportunities Commission of Montgomery County
Budget, Finance and Audit Committee

VIA: Chelsea Andrews, Executive Director

FROM: Staff: Tim Goetzinger, Acting Chief Financial Officer
Eugenia Pascual, Controller
Nilou Razeghi, Accounting Manager
Ellen Goff, Acting Director of Property Management

RE: **Uncollectible Tenant Accounts Receivable**: Presentation of Request to Write-off Uncollectible Tenant Accounts Receivable (July 1, 2022 – September 30, 2022)

DATE: December 21, 2022

BACKGROUND:

HOC's current policy is to provide for an allowance for any tenant accounts receivable balance, which are older than 90 days. HOC records all proposed write-offs of former tenant accounts receivable balances in HOC's Uncollectible Accounts Receivable Database as well as in the various individuals' Equifax Credit Bureau files. This process updates the financial records to reflect the receivables and provides greater potential for outstanding receivable collection.

The last approved write-off of former tenant accounts receivable balances on September 27, 2022 was for $127,482, which covered the three-month period from April 1, 2022 through June 30, 2022.

The proposed write-off of former tenant accounts receivable balances for the first quarter July 1, 2022 through September 30, 2022 is $12,654.

The $12,654 first quarter write-off is attributable to former tenants within HOC's Opportunity Housing properties. The primary reasons for the write-offs across the properties include tenants who failed to complete their annual recertification, had a job transfer, no longer qualify for their respective housing program, purchased a home, or transferred to a different program.

The following table shows the write-offs by fund/program.

Property Type	Current Write-offs 07/01/22 - 09/30/22	Prior Write-offs 04/01/22 - 06/30/22	$ Change 06/30/22 - 09/30/22	% Change 06/30/22 - 09/30/22	Fiscal Year 2023 Year-to-Date 07/01/22 - 09/30/22	Fiscal Year 2022 Year-to-Date 07/01/21 - 09/30/21
Opportunity Housing	12,654	101,847	(89,193)	-87.58%	12,654	13,684
Supportive Housing	-	23,773	(23,773)	-100.00%	-	-
LIHTC/RAD Properties	-	1,862	(1,862)	-100.00%	-	230
236 Properties	-	-	-	0.00%	-	2,762
	$ 12,654	$ 127,482	$ (114,828)	-90.07%	$ 12,654	$ 16,676

The following tables show the write-offs by fund and property.

Opportunity Housing Fund

	Current Write-offs 07/01/22 - 09/30/22	Prior Write-offs 04/01/22 - 06/30/22	$ Change 06/30/22 - 09/30/22	$ Change 06/30/22 - 09/30/22	Fiscal Year 2023 Year-to-Date 07/01/22 - 09/30/22	Fiscal Year 2022 Year-to-Date 07/01/21 - 09/30/21
Opportunity Housing (OH) Fund						
617 Olney Sandy Spring Rd	$ -	$ 879	$ (879)	-100.00%	$ -	$ -
Avondale	-	4,675	(4,675)	-100.00%	-	-
McHome	-	15,670	(15,670)	-100.00%	-	8,392
MHLP IX - MPDU	-	-	-	0.00%	-	2,356
MHLP IX - Pondridge	-	2,069	(2,069)	-100.00%	-	-
MHLP VII	-	3,394	(3,394)	-100.00%	-	-
MHLP X	-	-	-	0.00%	-	556
MPDU I/64	800	-	800	0.00%	800	-
Paintbranch	153	-	153	0.00%	153	-
Scattered Site One Dev Corp	10,840	-	10,840	0.00%	10,840	-
State Rental Partnership	634	-	634	0.00%	634	2,157
VPC One Corp	-	68,515	(68,515)	-100.00%	-	223
VPC Two Corp	227	6,645	(6,418)	-96.58%	227	-
Total OH Fund	**$ 12,654**	**$ 101,847**	**$ (89,193)**	**-87.58%**	**$ 12,654**	**$ 13,684**

Within the Opportunity Housing portfolio, the $12,654 write-off amount was primarily attributable to the Scattered Site One Dev Corporation. The write-offs were mainly due to one tenant who failed to complete their annual recertification, one tenant who had a job transfer, one tenant who no longer qualifies for their respective housing program, two tenants who purchased a home, and one tenant who transferred to a different program.

Supportive Housing

	Current Write-offs 07/01/22 - 09/30/22	Prior Write-offs 04/01/22 - 06/30/22	$ Change 06/30/22 - 09/30/22	% Change 06/30/22 - 09/30/22	Fiscal Year 2023 Year-to-Date 07/01/22 - 09/30/22	Fiscal Year 2022 Year-to-Date 07/01/21 - 09/30/21
Supportive Housing						
McKinney X - HUD	$ -	$ 23,773	$ (23,773)	-100.00%	$ -	$ -
Total Supportive Housing	**$ -**	**$ 23,773**	**$ (23,773)**	**-100.00%**	**$ -**	**$ -**

Within the Supportive Housing Program, there were no write-offs to report in the first quarter of FY ’23.

LIHTC/RAD Properties

	Current Write-offs 07/01/22 - 09/30/22	Prior Write-offs 04/01/22 - 06/30/22	$ Change 06/30/22 - 09/30/22	% Change 06/30/22 - 09/30/22	Fiscal Year 2023 Year-to-Date 07/01/22 - 09/30/22	Fiscal Year 2022 Year-to-Date 07/01/21 - 09/30/21
LIHTC/RAD Properites						
Holly Hall RAD	$ -	$ 1,862	$ (1,862)	-100.00%	$ -	$ -
RAD 6 - Sandy Spring	-	-	-	0.00%	-	46
Waverly House LP	-	-	-	0.00%	-	184
Total LIHTC/RAD Properties	**$ -**	**$ 1,862**	**$ (1,862)**	**-100.00%**	**$ -**	**$ 230**

Within the LITHC/RAD properties, there were no write-offs to report in the first quarter of FY ’23.

Section 236 Properties

	Current Write-offs 07/01/22 - 09/30/22	Prior Write-offs 04/01/22 - 06/30/22	$ Change 06/30/22 - 09/30/22	$ Change 06/30/22 - 09/30/22	Fiscal Year 2023 Year-to-Date 07/01/22 - 09/30/22	Fiscal Year 2022 Year-to-Date 07/01/21 - 09/30/21
236 Properties						
Town Center Apts	$ -	$ -	$ -	0.00%	$ -	$ 2,762
Total 236 Properties	**$ -**	**$ -**	**$ -**	**0.00%**	**$ -**	**$ 2,762**

Within the 236 properties, there were no write-offs to report in the first quarter of FY ’23.

HOC is currently working to procure a new collections vendor. Once finalized, HOC will revert to its collections procedures in which all delinquent balances of $200 or more are to be submitted to the collections vendor for further pursuit. Please note that the Statute of Limitations on rent collection in Maryland is three years, so the delay in procuring a firm should not impact the Agency. Additionally, HOC offers a Surety Bond Program in which residents are provided the option to purchase a surety bond, at a low rate, from the firm Sure Deposit, Inc., in lieu of paying a traditional security deposit to HOC. Furthermore, the full value of the surety bond is available to HOC for recovery of any damage or other loss, just like a traditional security deposit. Through HOC’s collection effort and the services the new collections vendor and Sure Deposit, HOC makes every effort to pursue all tenant outstanding receivables. The write-off recovery process is outlined below for your reference.

Finance Write-Off and Recovery Procedures

1. After a tenant vacates, Resident Accounting (“RA”) receives clearance from HOC Property Management (“PM”) to post the deposit accounting in Yardi.
2. If a balance is owed, RA prepares a letter to the resident with the balance owed. PM signs and mails the letter to the resident.
3. If a resident purchased a surety bond, PM submits a claim to the bond company to collect

the balance owed up to the amount of the bond. Payments made by the bond company are posted to the resident's ledger.

4. If a balance is still owed (at the time of write-off review), it is submitted for consideration to be written-off. Once approved, the write-off is posted in Yardi.
5. PM informs Compliance of the write-off and reports outstanding balances to a collection company.

The next anticipated write-off will be for the second quarter of FY'23 covering October 1, 2022 through December 30, 2022. Upon approval, the write-offs will be processed through Yardi's write-off function with the tenant detail placed into the uncollectible accounts receivable database.

ISSUES FOR CONSIDERATION:

Will the Budget, Finance and Audit Committee join staff's recommendation to the Commission to authorize the write-off of uncollectible tenant accounts receivable for the first quarter of fiscal year 2023, totaling $12,654?

BUDGET IMPACT:

The recommended write-off of the tenant accounts receivable balances does not affect the net income or cash flow of the individual properties or the Agency as a whole. The write-off expense was recorded when the initial allowance was established because of the receivable balance being 90 days past due. The recommended write-off is to adjust the balance sheet and remove the aged receivable balances.

TIME FRAME:

For discussion at the December 21, 2022 Budget, Finance and Audit Committee meeting. For formal Commission action at the January 11, 2023 meeting.

STAFF RECOMMENDATION:

Staff requests that the Budget, Finance and Audit Committee join its recommendation to the Commission authorizing the write-off of uncollectible tenant accounts receivable of $12,654.

M E M O R A N D U M

TO: Housing Opportunities Commission of Montgomery County
Budget, Finance and Audit Committee

VIA: Chelsea Andrews, Executive Director

FROM: Staff: Alex Torton, Asset Manager — Division: Property Management
Ellen Goff, Acting Director — Division: Property Management

RE: **Procurement of Property Management Services:** Renewal of Property Management Contract for Elizabeth House

DATE: December 21, 2022

STATUS: Consent ______ Deliberation __X____ Status Report_________Future Action____

BACKGROUND:
In accordance with Appendix IV of the Housing Opportunity Commission of Montgomery County's ("HOC") Procurement Policy of June 7, 2017, staff is submitting management contracts to the Budget, Finance and Audit Committee in support of staff's recommendation to the Commission for renewal.

On January 1, 2021, the Housing Opportunities Commission of Montgomery County (as owner of Elizabeth House) entered into an Agreement for Property Management Services with Edgewood Management Corporation ("Edgewood") for the management of Elizabeth House. The initial contract term expired on December 31, 2021, and the contract was renewed for one year effective January 1, 2022. The current contract will expire on January 31, 2023. Staff did not anticipate that a renewal would be necessary as the Elizabeth House property was planned to be vacated upon delivery of, and relocation of the current residents to the newly constructed Leggett development.

With the delays in the delivery of The Leggett and vacating the Elizabeth House building, staff now anticipates that Edgewood will need to continue to manage the property through the end of June 2023, which mainly involves closing out work orders and purchase orders and completing the reconciliation and clearing of tenant accounts.

The following table provides property information, including the current Property Management Company, annual contract cost, current contract end date, proposed extension start and end date and contract terms remaining:

Count	Property	Type	Current Vendor	Contract Start Date	5 Month Renewal Contract Cost	Current Contract End Date	Proposed Renewal Period
1	Elizabeth House	Senior	Edgewood	1/1/2022	$7,840.00	1/31/2023	2/1/2023-6/30/2023

The history with HOC is as follows:

<u>Edgewood Management</u> – Edgewood is a well-known property management company that has been providing property management services in the Metropolitan area since 1971. Edgewood has a long history with HOC and manages several properties in our portfolio, including senior and multifamily sites.

Property Summary:

Elizabeth House – Located in downtown Silver Spring, Elizabeth House has 160 total units and the current occupancy is at 32%, as the property stopped leasing with the anticipated closure and relocation of residents to The Leggett. This former Public Housing property for seniors converted from Public Housing under the Rental Assistance Demonstration ("RAD") program in April 2020, with the transfer of assistance to The Leggett.

Staff is requesting a five-month renewal so that Edgewood can continue to manage the property until all residents have relocated to The Leggett and the building is vacant and though it is not expected to be needed, up to an additional six monthly renewals as needed, to ensure that the closure process is completed.

ISSUES FOR CONSIDERATION:

Will the Budget, Finance and Audit Committee join staffs' recommendation to the Commission to approve the renewal of the property management contract with Edgewood Management for Elizabeth House?

BUDGET IMPACT:

The extension of the property management contract will not have an adverse budget impact for the 2023 operating budget. The costs associated with the services will be covered by rental income for occupied units. The contract is based on occupancy, which will continue to decrease as residents relocate to The Leggett.

TIME FRAME:

For informal discussion at the Budget, Finance and Audit Committee meeting on December 21, 2022 and for formal Commission action at the January 11, 2023 meeting.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:

Staff recommends that the Budget, Finance and Audit Committee join staffs' recommendation to the Commission to approve the renewal of the property management services contract with Edgewood Management for Elizabeth House for five (5) months through June 30, 2023, with up to an additional six (6) months of renewals on a monthly basis.

M E M O R A N D U M

TO: Housing Opportunities Commission of Montgomery County
Budget, Finance and Audit Committee

VIA: Chelsea Andrews, Executive Director

FROM: Staff: Timothy Goetzinger, Acting Chief Financial Officer
Terri Fowler, Budget Officer

RE: **Revised Fiscal Year 2022 (FY'22) Fourth Quarter Budget to Actual Statements:** Presentation of Revised FY'22 Fourth Quarter Budget to Actual Statements

DATE: December 21, 2022

BACKGROUND:

The Executive Director is presenting the revised FY'22 Fourth quarter budget to actual statements and amendments to the Budget, Finance and Audit Committee for review. Staff will present any proposed budget amendments and recommendations to the full Commission for formal action.

ISSUES FOR CONSIDERATION:

Subsequent to the Commission's acceptance of the FY'22 Fourth Quarter Budget to Actual Statements on October 5, 2022, it was determined that $727,195 of Housing Choice Voucher Program ("HCVP") Housing Assistance Payment ("HAP") funding for the Emergency vouchers was booked as HCVP administrative fees. This resulted in a reported shortfall in HAP funding and an overstatement of the HCVP administrative surplus at year end. The funding has been credited to the correct account resulting in total HAP revenue that exceeded total HAP payments by $327,376 and an administrative surplus of $1,861,159. The HAP surplus will be restricted to the HCVP reserve known as the Net Restricted Position ("NRP"), which includes funds received in prior years that were recognized but not used. The administrative surplus will be restricted for future administrative use in the program.

The tables on the following page reflect the original position reported and the revised position, shaded in green, based on the correction.

	(12 Months) Budget	(12 Months) Actual	Variance
Housing Choice Voucher Program			
HAP revenue	$109,505,004	$109,865,394	$360,390
HAP payments	$106,615,332	$110,265,213	$3,649,881
Net HAP	**$2,889,672**	**($399,819)**	**($3,289,491)**
Restrict to HAP Reserves	($2,889,672)		
Admin.fees & other inc.	$8,799,136	$11,481,718	$2,682,582
Admin. Expense	$8,554,208	$8,893,364	($339,156)
Net Administrative	**$244,928**	**$2,588,354**	**$2,343,426**
Restric to Admin Reserves	($244,928)		
Net Income	**$244,928**	**$2,188,535**	**($946,065)**

	(12 Months) Budget	(12 Months) Revised Actual	Variance
Housing Choice Voucher Program			
HAP revenue	$109,505,004	$110,592,589	$1,087,585
HAP payments	$106,615,332	$110,265,213	$3,649,881
Net HAP	**$2,889,672**	**$327,376**	**($2,562,296)**
Restrict to HAP Reserves	($2,889,672)		
Admin.fees & other inc.	$8,799,136	$10,754,523	$1,955,387
Admin. Expense	$8,554,208	$8,893,364	($339,156)
Net Administrative	**$244,928**	**$1,861,159**	**$1,616,231**
Restrict to Admin Reserves	($244,928)		
Net Income	**$244,928**	**$2,188,535**	**($946,065)**

There is no impact to the Agency surplus supported at year-end, as the HCV program is fully restricted.

TIME FRAME:

For informal discussion at the December 21, 2022, Budget, Finance and Audit Committee meeting. For formal Commission action at the January 11, 2023 meeting.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:

Staff recommends that the Budget, Finance and Audit Committee join its recommendation to the Commission to accept the Revised Fourth Quarter FY’22 Budget to Actual Statements.