

RESOLUTION NO. \_\_\_\_\_

**ADOPTION OF 2022 - 2023 CONSOLIDATED BUDGET**

**Item No. 5B**

WHEREAS, the Louisville Metro Housing Authority's Consolidated Budget for fiscal year 2022 - 2023 has been prepared in accordance with PHA 7475.1 Low-Income Housing Management Handbook; and

WHEREAS, the Consolidated Budget is a component of the annual Moving to Work Plan; and

WHEREAS, all certification requirements have been met; and

WHEREAS, the 2022 – 2023 consolidated budget has been reviewed and recommended for Board approval by members of the Audit/Finance Committee.

NOW, THEREFORE, BE IT RESOLVED BY THE LOUISVILLE METRO HOUSING AUTHORITY'S BOARD OF COMMISSIONERS, that the proposed expenditures in the Consolidated Budget for 2022 - 2023 are necessary for the appropriate delivery of resident services and efficient operation of the Louisville Metro Housing Authority. Additionally, the Executive Director is authorized to execute amendments to the Annual Contributions Contract (ACC) with HUD for the Capital Fund Program (CFP), Operating Fund, and Section 8 Housing Choice Voucher Program as needed.

**RESOLUTION BACKGROUND STATEMENT**  
**ADOPTION OF 2022 - 2023 CONSOLIDATED BUDGET**

**Item No. 5B**

**I. STATEMENT OF FACTS:**

The 2022 - 2023 consolidated budget contains planned income and expenses for LMHA's Public Housing and Section 8 Programs, as well as for the Central Office Cost Center. The Capital budget is also included. Operating subsidy has been calculated assuming that 95% of eligibility will be paid to LMHA. The Section 8 Voucher Program assumes 100% of eligibility will be paid. Additionally, the Public Housing operating budget contains a \$9.5 million inter-fund transfer from the Section 8 Voucher Program; the Central Office Cost Center (COCC) contains a \$3.7 million inter-fund transfer from the Section 8 Program. The transfers from the Section 8 Voucher Program are to help offset the estimated shortfall in operating subsidy in the Public Housing Program, to pay for public housing operations that exceed the HUD established project expense level (PEL), and to balance the COCC budget in a time of declining revenue.

The 2022 – 2023 consolidated budget has been reviewed by members of the Audit/Finance Committee.

Audit/Finance committee members and Finance staff will be available at the April board meeting to address any questions.

**II. ALTERNATIVES:**

- A. Approve the 2022 - 2023 consolidated budget as submitted.
- B. Revise the 2022-2023 consolidated budget to include an increase/decrease in the budgeted operating surpluses or deficits.

**III. RECOMMENDATION:**

Staff recommends Alternative A.

**RESOLUTION BACKGROUND STATEMENT**  
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**IV. JUSTIFICATION:**

- The proposed budget provides for a program of expenditures that is necessary and reasonable in the delivery of service to LMHA's residents.
- Income levels and funding factors are based upon the latest data supplied by the Department of Housing & Urban Development and are considered by staff to be a reasonable projection of LMHA's revenues for 2022 - 2023.
- The 2022 – 2023 consolidated budget will continue to maintain LMHA's solid financial condition.

**V. BUDGET APPROVAL:**

N/A

**VI. PROCUREMENT CERTIFICATION:**

N/A

Submitted By: Aaron Dean  
Assistant Director of Finance  
April 19, 2022

**LOUISVILLE METRO HOUSING AUTHORITY**  
**CONSOLIDATED BUDGET FYE 6/30/23**

4/4/2022 Draft Date

**DRAFT**

(1,000's)

**PRELIMINARY FOR INTERNAL DISCUSSION ONLY**

	2022- 2023	2022- 2023	2022- 2023	2022- 2023	2021 - 2022	FY2023B Vs. FY2022B
	PUBLIC HSNG (AMPS)  BUDGET	CENTRAL OFFICE COST CENTER BUDGET	SEC 8 VOUCHERS  BUDGET	CONSOL   BUDGET	P/Y CONSOL  BUDGET	VARIANCE
<b>SOURCES OF FUNDING</b>						
FEDERAL SUBSIDY	\$11,592	\$0	\$103,241	\$114,833	\$107,596	\$7,237 A
DWELLING RENTAL	\$5,477	\$0	\$0	5,477	5,849	(372) B
NON-DWELLING RENT	\$7	\$0	\$0	7	6	1
INTEREST INCOME	\$47	\$22	\$1	70	188	(118)
FEE INCOME	\$0	\$10,308	\$0	10,308	9,240	1,068 C
OTHER INCOME	\$110	\$49	\$0	159	599	(440)
TRANSFERS (from other funds):	\$9,666	\$3,695	\$0	13,361	10,173	3,188 D*
TRANSFERS-OPER SHORTFALL	\$0	\$0	\$0	-	-	-
<b>TOTAL SOURCES</b>	\$26,899	\$14,074	\$103,242	144,215	133,652	\$10,563
<b>USES OF FUNDING</b>						
ADMINISTRATION	\$2,667	\$5,735	\$5,267	13,669	12,401	\$1,268 E
FEE EXPENSE	\$2,396	\$0	\$2,481	4,877	4,673	204
RESIDENT SERVICES	\$127	\$89	\$315	531	366	165
UTILITIES	\$7,454	\$136	\$0	7,590	6,836	754 F
MAINTENANCE	\$10,016	\$4,400	\$12	14,428	12,322	2,106 G
PROTECTIVE SERVICES	\$96	\$41	\$59	196	147	49
INSURANCE - GL/PL-PROP-AUTO	\$826	\$251	\$24	1,101	1,207	(106)
GENERAL	\$3,267	\$3,422	\$717	7,406	7,444	(38)
EXTRAORDINARY MAINTENANCE	\$0	\$0	\$0	-	51	(51)
RENTAL ASSISTANCE PAYMENTS	\$0	\$0	\$81,969	81,969	76,163	5,806 H
TRANSFERS (to other funds)	\$143	\$0	\$13,219	13,362	10,173	3,189 D*
<b>TOTAL USES</b>	\$26,992	\$14,074	\$104,063	\$145,129	\$131,784	\$13,345
<b>SURPLUS (DEFICIT)</b>	<b>(\$93)</b>	<b>\$0</b>	<b>(\$821)</b>	<b>(\$914)</b>	<b>\$1,867</b>	<b>(\$2,781)</b>

## 2022 - 2023 Consolidated Budget - Variance Analysis

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- A) Federal Subsidy increase of \$7.2mm when compared to the 2022 Budget because of favorable proration and inflationary adjustment factors used by HUD in the 2022 subsidy calculations for the Section 8 Program. Primary driver of the increase is:
- i. Section 8 Program revenue PUC (Per Unit Cost) Inflationary Adjustment average of 3.73% coupled with a 100% proration factor. (Source - HUD Get Ready Letter from January 18, 2022).
- NOTE: Public Housing subsidy decreased budget year over budget year primarily because of the sunset of asset repositioning fee for the Beecher Terrace property. The proration factor is also expected to be reduced to a level of 95% (CY 2022) compared to the prior year (CY 2021) level of 96%.
- B) FY 2023 Dwelling rental revenue is budgeted to decrease by \$.372mm compared to the FY 2022 budgeted level because of a decrease in rent revenue per unit of \$14 per month. Budgeted unit occupancy is similar to the previous budget period at a level of 89.9% and is consistent with the December 2021 trailing 6 month actual average trend.
- C) FY 2023 COCC Fee Income is budgeted to increase by \$1.2mm compared to the FY 2022 budgeted level. This is primarily because of the high volume of unit turns and related vacancy prep and other skilled maintenance services utilized by the Public Housing properties. This increase in expense is associated with LMHA's "Substantially the Same" MTW corrective action plan and unit related turnover and efforts to address deferred work orders as a result of a backlog due to COVID-19 protocols. This trend is expected to continue into fiscal year 2023.
- D)\* Transfers increase from Section 8 Program to Public Housing and COCC of \$3.1mm (includes AMP to AMP transfers of \$0.2mm) because of increased operating expenses outpacing revenue/subsidy growth on aging assets. As well, when Public Housing units are taken out of service, it reduces the level of income derived from Asset Management activities at the COCC level. This creates the need of a more significant contribution from Section 8 operations to fund operating deficits. Our MTW status gives LMHA the authority to make transfers across different programs; without it, Public Housing and COCC operations would suffer from a service and plant maintenance perspective.
- E) Administration expense growth of \$1.3mm contained primarily in wages and salaries expense. This expense growth is contained primarily in the COCC and Section 8 Program. This is because of budgeted employee cost of living and proficiency step increases, actual FTE growth in FY 2022 to execute on "Substantially the Same" plan of correction. Also, retirement incentive expense is budgeted at \$.5mm for FY 2023 compared to the prior year budget of \$.275mm and the current 12.31.21 trailing 6 month annualized trend of \$.237mm.
- F) Utilities expense is budgeted to increase by \$0.8mm because of expected rate increases by utility service providers (LG&E, Lou. Water Co & MSD). The average budgeted inflationary factor for utilities is 11% which may be low compared to the January 2022 CPI report that indicates a substantially higher expense growth trend.
- G) Maintenance expense growth of \$2.1mm contained in wages and salaries expense, unit turnaround expense, extermination and HVAC expense. This is because of budgeted employee cost of living and proficiency step increases and an increase in productive hours. This increase in expense is associated with LMHA's "Substantially the Same" MTW corrective action plan and unit related turnover and efforts to address deferred work orders as a result of a backlog due to COVID-19 protocols. This trend is expected to continue into FY 2023. This expense growth is partially offset by the additional \$1.2mm in COCC Fee Income. Of note, when comparing 2023 budgeted maintenance expense to the December 2021 T6M-2021 actual annualized, the change in maintenance expenses is projected at an increase of only \$.1mm.
- H) Rental Assistance Payments – expense increase of \$9.1mm. Contained entirely in the Section 8 Voucher Program. LMHA is budgeting to increase by 100 HCV vouchers (to a annual level of 11,062) over the actual T6M December 2021 VMS reported level of 10,052. As well, the average per unit cost (PUC) is budgeted to increase by \$3.20 which is consistent with the PUC expense growth from FY 2021 to FY 2022. The budgeted increase in voucher utilization is needed for "Substantially the Same" status and is required in order for LMHA to keep its MTW designation allowing for fungibility of cash flow between programs.

**Louisville Metro Housing Authority**

**Capital Fund Program & Central Services Capital Items**

(Proposed) (1,000's)

**PRELIMINARY FOR INTERNAL DISCUSSION ONLY**

Capital Fund Work Items	2022 - 2023
<b>Beecher Terrace</b>	
<b>CHOICE - Beecher Phase IV</b>	✔ 1,455
<b>Parkway</b>	
<b>Site Total AMP 03</b>	<b>2,508</b>
<b>Dosker Manor</b>	
<b>Site Total AMP 12</b>	✔ 1,482
<b>St. Catherine Court</b>	
<b>Site Total AMP 13</b>	✔ 223
<b>Avenue Plaza/550 Apartments</b>	
<b>Site Total AMP 14</b>	✔ 1,592
<b>Scattered Sites</b>	
<b>Site Total AMP 17</b>	✔ 755
<b>Site Total Amp 34</b>	✔ 464
<b>Site Total Amp 61</b>	0
<b>Grand Total Scattered Sites</b>	<b>1,218</b>
<b>Lourdes Hall/Will E Seay Plaza</b>	
<b>Site Total Amp 18 - Lourdes Hall</b>	✔ 99
<b>Site Total Amp 18 - Will E Seay Plaza</b>	329
<b>Grand Total Lourdes Hall/Will E Seay Plaza</b>	<b>990</b>
<b>Park DuValle</b>	
<b>Total Mixed Finance Capital Contributions</b>	<b>0</b>
<b>Annual Capital Purchase/Services Contracts</b>	
<b>Grand Total Capital Purchase/Services Contracts</b>	✔ <b>688</b>
<b>Administrative Costs</b>	
Construction Administration 10% transfer	✔ 1,100
General Fund for Operations	✔ 100
Contingency	10
<b>Grand Total Admin Costs</b>	<b>1,210</b>
<b>Total 2022 - 2023 Capital Budget</b>	<b>11,500</b>
<b>Central Services - Detailed Budget Plan in Process</b>	
<b>Total 2022 - 2023 Central Services Capital Budget</b>	<b>1,210</b>