

RESOLUTION NO. _____

APPROVAL OF 7/1/2024-6/30/2025 CONSOLIDATED BUDGET

Item No. 5A

WHEREAS, the Louisville Metro Housing Authority's Consolidated Budget for fiscal year 2024 - 2025 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, the proposed Consolidated Budget provides for a \$10,423,000 net operating deficit to be funded from the Authority's MTW Section 8 Reserves; and

WHEREAS, all HUD requirements have been met; and

WHEREAS, the 2024 – 2025 consolidated budget has been reviewed by the Audit/Finance Committee and approved for submission to the LMHA Board of Commissioners for approval.

NOW, THEREFORE, BE IT RESOLVED BY THE LOUISVILLE METRO HOUSING AUTHORITY'S BOARD OF COMMISSIONERS, that the proposed expenditures in the Consolidated Budget for 2024 - 2025 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 required.

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I. **STATEMENT OF FACTS:**

The 2024 - 2025 Consolidated Budget contains projected income and expense estimates for LMHA's Public Housing (PH) and Section 8 Programs, as well as for the Central Office Cost Center. The 2024 Capital Fund Program's estimated budget is also included. The PH Operating subsidy has been calculated 92% of eligibility based upon direction provided by HUD, and the Section 8 Voucher Program assumes 99% of subsidy eligibility will be appropriated. Although the total Congressional appropriation to HUD has now been released, the actual LMHA allocation from that total for all LMHA programs has not yet been received by LMHA.

The 2024-2025 Section 8 Budget also includes the revised Department of Housing and Urban Development's Fair Market Rent (FMR) schedule which was required for implementation on October 1, 2023. The revised FMR schedule provided for an overall 22.87% increase in the Louisville area rent values (subject to rent reasonableness testing) in which Staff computed an overall maximum absorption rate of 17.4% and an estimated federal subsidy inflation factor of 14.5%. However, in the event the actual Section 8 subsidy amount is less than the estimated 14.5%, Staff has also prepared a back-up plan that attempts to align the increased FMR values with the actual federal subsidy to be received.

The 2024-2025 Consolidated Budget provides for an overall operating deficit of \$10,423,000 to be funded from the Authority's MTW Section 8 Reserves. The Operating Deficit of this magnitude has been determined to be a necessity in order to establish operating stabilization and sustainability within the Authority's Public Housing and Section 8 programs and also to employ additional Staff that is necessary to commence the repositioning efforts for LMHA's Public Housing Legacy Developments. Consequently, the 2024-2025 Consolidated Budget includes funding for six (6) new/additional positions to accomplish this goal in addition to increased maintenance expenditures and critical Capital Improvements in target developments.

The Authority's operating reserves are well positioned to absorb the 2024-2025 \$10MM operating deficit and the Authority will remain financially sound at 6/30/2025 with the net remaining Reserves balance of \$41,018,000, based upon the current budget assumptions.

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I. STATEMENT OF FACTS (cont'd):

Additionally, the estimated 2024 Capital Fund Appropriation is “estimated” at \$11MM in which \$3MM has been reserved for Dosker Manor critical capital improvements/resident support services and another \$2MM reserved for Avenue Plaza critical capital improvements/resident support services. The Authority will also include in its MTW Annual Plan a provision for funding from the HUD Held MTW Section 8 Reserves for an additional \$4MM for Dosker Manor and \$3MM for Avenue Plaza critical capital improvements/resident support services as well.

The 2023 – 2024 consolidated budget has been reviewed by members of the Audit/Finance Committee and approved for submission to the LMHA Board of Commissioners for their consideration. The Authority’s Finance Staff will be available at the March 19, 2024 Board meeting to address any questions.

II. ALTERNATIVES:

- A. Approve the 2024 - 2025 Consolidated Budget as submitted.
- B. Revise the 2024-2025 Consolidated Budget to include an adjustment to the proposed operating deficit.

III. RECOMMENDATION:

Staff recommends Alternative “A.”

IV. JUSTIFICATION:

- The proposed 2024-2025 Budget provides for the continued delivery of the required services to LMHA’s Public Housing and Section 8 residents that are considered to be both necessary and reasonable.

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IV. **JUSTIFICATION (cont'd):**

- Income levels and funding factors are based upon the latest data available and are considered by Staff to be a reasonable projection of LMHA's revenues for 2024 - 2025.
- The 2024-2025 Consolidated Budget provides for the utilization of LMHA's MTW Section 8 Reserves in the amount of \$10,423,000 which has been determined to both necessary and critical in LMHA's efforts to achieve operating stabilization and sustainability and to also commence the Public Housing portfolio repositioning efforts.

Prior years' budget Surplus/(Deficits) amounts:

FY 2024: (\$773,000)

FY 2023: (\$914,000)

FY 2022: \$1,867,000

FY 2021: \$3,161,000

FY 2020: \$2,861,000

Submitted By: Wavid Wray
Deputy Executive Director of Finance
March 19, 2024