



Community Development Committee

Business Item

Item: 2009-252

Meeting date: August 17, 2009

ADVISORY INFORMATION	
Date:	August 7, 2009
Subject:	2009 Unified Operating Budget Amendment
District(s), Member(s):	All
Policy/Legal Reference:	MN Statute 473.13 – Council Budget Requirements
Staff Prepared/Presented:	Beth Reetz, Director of Housing & Livable Communities (651) 602-1060, Guy Peterson, Director of Community Development Division (651) 602-1418
Division/Department:	Community Development

Proposed Action

That the Metropolitan Council amend the 2009 Unified Operating Budget by increasing authorized expenditures and revenues in the HRA and Family Affordable Housing Program as indicated below and that the Metropolitan Council authorize the fulltime equivalent (FTE) and associated salary and benefits of a currently vacant position be shifted from Livable Communities (Fund 100) to the Housing and Redevelopment Authority (Fund 234).

<u>Description</u>	<u>Approved</u>	<u>Revised</u>
HRA Pass through Revenue	\$52,834,927	\$45,971,529
HRA Pass through Expense	<u>\$52,834,927</u>	<u>\$48,187,554</u>
Use of Reserves-HRA Pass through	\$ 0	(\$ 2,216,025)
HRA Operating Revenue	\$ 4,537,711	\$ 5,077,711
HRA Operating Expenses	<u>\$ 4,566,968</u>	<u>\$ 5,153,632</u>
Use of Reserves-HRA Operations	(\$ 29,257)	(\$ 75,921)
FAHP Revenue	\$ 1,135,000	\$1,182,000
FAHP Expenses	<u>\$ 1,306,571</u>	<u>\$ 1,531,571</u>
Use of Reserves-FAHP	(\$ 171,571)	(\$ 349,571)
LC Expenses	\$ 685,863	\$ 600,089
Increase in Reserves-General Fund		\$ 85,774

Background

In May 2009 the HRA was notified by the U.S. Department of Housing and Urban Development (HUD) of the Section 8 Program renewal funding for calendar year 2009. The delay in notification of funding levels was due to a much delayed passing of the Appropriations Act. Council staff notified HUD immediately of an error in the calculation. To date, HUD has not been corrected the error. Staff remains marginally optimistic that a correction will occur to ensure funding levels for 2009 equal 2008 funding levels. Current projections indicate a shortfall of approximately \$2.2 million by year end. HUD has restricted the HRA's Section 8 Administrative Fee Reserves to cover subsidy costs to ensure no termination of assistance for currently participating households. All steps have been taken to reduce spending short of terminating assistance.

The HRA operating revenues have increased due to higher than projected earned administrative fees, portability fees and revenue recapture successes. The HRA operating expenses have increased due to an increase in allocated costs and a position shift from Livable Communities to the HRA to handle increased work related to the 150 new vouchers awarded for the FAHP conversion from public housing to Section 8.

FAHP revenues will increase slightly in 2009. This is due to improved revenue generated by the conversion process. The increases will occur in the three months of the year following conversion effective October 1, 2009. FAHP expenses will increase during the remainder of 2009 as one time only expenses are incurred directly related to the conversion. As part a condition of the conversion approval, the HRA is required to offer all FAHP households the opportunity to move with a tenant based Section 8 voucher. Approximately 50 of the 150 FAHP households have indicated some interest in taking this opportunity to move. Under federal regulations these families are eligible for actual relocation expenses. The estimated relocation expense is \$75,000. Maintenance costs associated with the move out unit turnover expense is \$3000 per unit. Approximately \$100,000 of storm repair costs on the FAHP units are planned during 2009. Insurance recoveries are expected to fully reimburse the cost. However, as with 2008, the potential exists for this not to occur before the Council closes the 2009 financials.

Rationale

There are no policy issues relating to this request.

Funding

The events causing the increases in projected deficits in the HRA and FAHP budgets are unique circumstances that are not anticipated to occur again. The Section 8 Administrative Fee and FAHP Reserve balances are sufficient to fund the projected shortfalls. The proposed 2010 FAHP and HRA budgets will result in additions to the reserve balances.

The shift of the salary and budget authority for the Livable Communities position to the HRA does not affect total Council funding.

Known Support / Opposition

There is no opposition to this request.

To be presented to the Management Committee on August 26, 2009

To be presented to the Council on September 9, 2009