



Community Development Committee

Meeting date: March 5, 2007

ADVISORY INFORMATION

Date:	February 28, 2007
Subject:	2006 Operating Budget Amendment – Family Affordable Housing Program
District(s), Member(s):	All
Policy/Legal Reference:	MN Statute 473.13 – Council budget requirements
Staff Prepared/Presented:	Guy Peterson, Director, Community Development Division (651-602-1418) Beth Reetz, Manager, Housing and Redevelopment Authority (651-602-1278)
Division/Department:	Community Development/Housing and Redevelopment Authority

Proposed Action/Motion

That the Metropolitan Council amends the 2006 Unified Operating Budget by increasing authorized expenditures in the Family Affordable Housing Program as follows:

Current Budget	\$ 981,795
Amendment	<u>400,000</u>
Amended Budget	<u>\$ 1,381,795</u>

Overview

In January 2000, the Metropolitan Council established the Family Affordable Housing Program (FAHP). The FAHP is federal public housing and is a rental housing program that serves families with low incomes. The FAHP operating revenue consists of resident rents and an operating subsidy from the U.S. Department of Housing and Urban Development (HUD). Due to insufficient budget appropriations, the HUD operating subsidy is being paid at 76% of the HUD calculated subsidy level.

For this reason, since its inception FAHP has had an operating deficit each year and is projected to operate with a deficit for the next ten years. Due to long term deficit projections the FAHP was identified as a program to be audited in 2006 by the Internal Audit staff. An audit was completed in June 2006 and it concluded the overall management of the program is providing adequate controls to ensure that FAHP funds are being received, expended and accounted for properly.

The Council Approved 2006 FAHP budget reflected a projected deficit of \$125,540.00. Because of the ongoing projected deficits, FAHP staff has continued to pursue additional funding sources. During 2006, staff successfully secured additional funding from the Minnesota Housing Finance Agency in the amount of \$100,000 and from Ramsey County in the amount of \$200,000 for capital improvements and non-routine maintenance to the FAHP properties. Due to funding restrictions the newly acquired funds needed to be expended during 2006. Staff identified the priority property improvements. Using proper procurement procedures, bids were taken and contracts were awarded to accomplish the work and expend the funds during 2006.

With the addition of newly secured funds and other cost containment in 2006, FAHP ended the year with a \$57,000 deficit In contrast to the expected reserve expenditure of \$125,540.

A budget amendment should have been prepared and presented previously to authorize the expenditure of the additional funds. Should staff be successful in again securing additional funds to further offset the deficit and reduce the use of program reserves, the necessary budget amendment process will be initiated.