

**C** Community Development Committee  
Meeting date: August 1, 2011

<b>ADVISORY INFORMATION</b>	
<b>Date:</b>	July 19, 2011
<b>Subject:</b>	2011 Unified Operating Budget Amendment
<b>District(s), Member(s):</b>	All
<b>Policy/Legal Reference:</b>	MN Statutes section 473.13, sub. 1 -- Council Budget Requirements
<b>Staff Prepared/Presented:</b>	Beth Reetz, Director, Housing and Livable Communities (651-602-1060) Terri Smith, HRA Manager (651-602-1187)
<b>Division/Department:</b>	Community Development

**Proposed Action**

That the Metropolitan Council amend the 2011 Unified Operating Budget in accordance with the table below:

<u>Description</u>	<u>Approved</u>	<u>Revised</u>
HRA Operating Revenue	\$ 7,008,479	\$ 6,585,725
HRA Operating Expenses	\$ 6,864,945	\$ 6,705,945
Projected Surplus/Deficit	\$ 143,534	(\$ 120,220)
LPA Expenses	\$ 1,215,360	\$ 1,196,360

**Background**

This amendment reduces previously anticipated and budgeted federal revenue within the Community Development Division's 2011 Operating Budget. Six months after the beginning of the Federal Fiscal Year 2012, and over three months into calendar year 2011, Congress enacted and the President signed into law, the appropriations bill for the Section 8 Housing Choice Voucher program. Funding to pay rent subsidies on behalf of participating families was not cut, but fees paid to housing authorities to administer the program were reduced by approximately 11% for calendar year 2011. The resulting reduction in fees for 2011 for the Metropolitan Council's Housing and Redevelopment Authority (Metro HRA) is approximately \$425,000 in operating revenue.

The majority of the work to administer the program is completed by staff of the Metropolitan Council. However, long standing administrative service contracts have been in place with the Cities of Anoka, Coon Rapids, and Fridley and the Carver County Community Development Agency to provide more locally based service to approximately 1200 participating households residing in these cities, county and surrounding areas. The contracts are ending effective

August 31, 2011, following a required 90 day notice. This will result in a cost savings for the remaining four months of 2011.

The administrative and programmatic work associated with the 1200 households previously provided for through the contracts is being brought back in-house to be completed by Council staff. The reduced revenue does not provide the ability to add internal staffing capacity. However, shifting one half of a full time equivalent (FTE) from Local Planning Assistance to the Metro HRA, along with a partial HRA existing vacancy, will enable the hiring of one additional staff person. Increased workloads and reduced service is anticipated.

Prior to this amendment, the Metro HRA's 2011 budget reflected a surplus of approximately \$144,000. Following this budget amendment, the HRA's budget will reflect the use of approximately \$120,000 in reserves to cover the anticipated deficit for 2011.

This reduction in the administrative fees for the Section 8 program is not likely a one-time reduction. The termination of the administrative service contracts provides for a structural balance in the HRA 2012 budget and the use of reserves is not anticipated for 2012.

### **Rationale**

Fees generated by the program no longer cover the expense of the administrative service contracts, and no other fixed operating expenses (salaries, benefits, rent, postage, supplies, property management and maintenance) can be reduced.

### **Funding**

The Metro HRA's Section 8 Administrative Fee Reserves are sufficient to fund the projected shortfall while remaining above the Council fund balance target.

### **Known Support / Opposition**

None.