

Housing Authority of the City of Milwaukee

2024 Operating Budget Summary

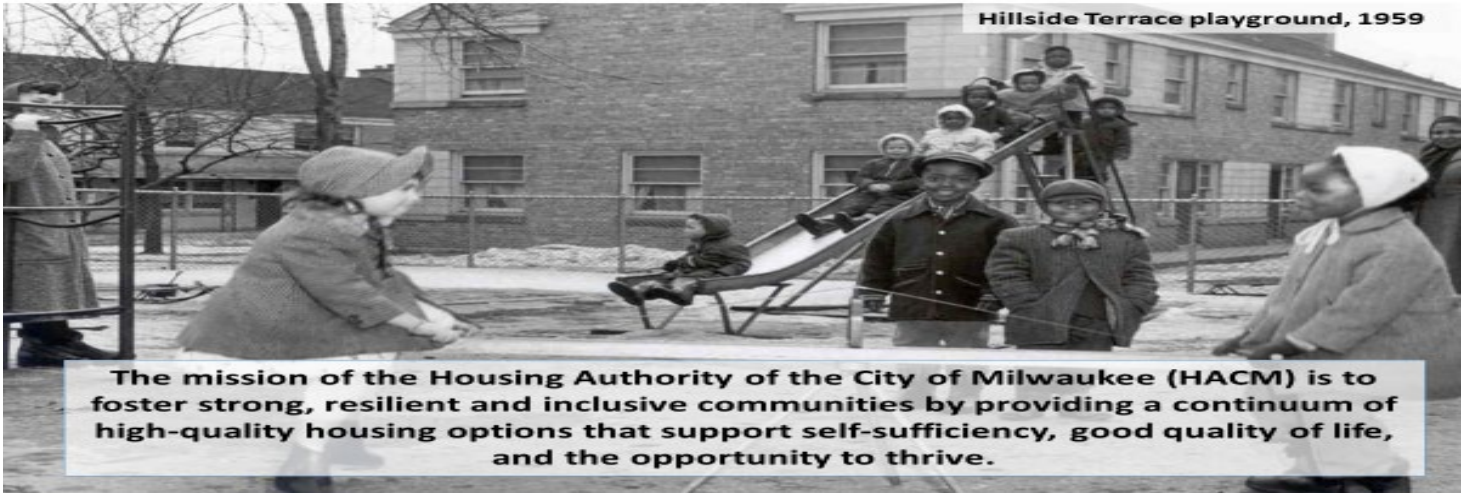
HACM December Board Meeting

December 13, 2023



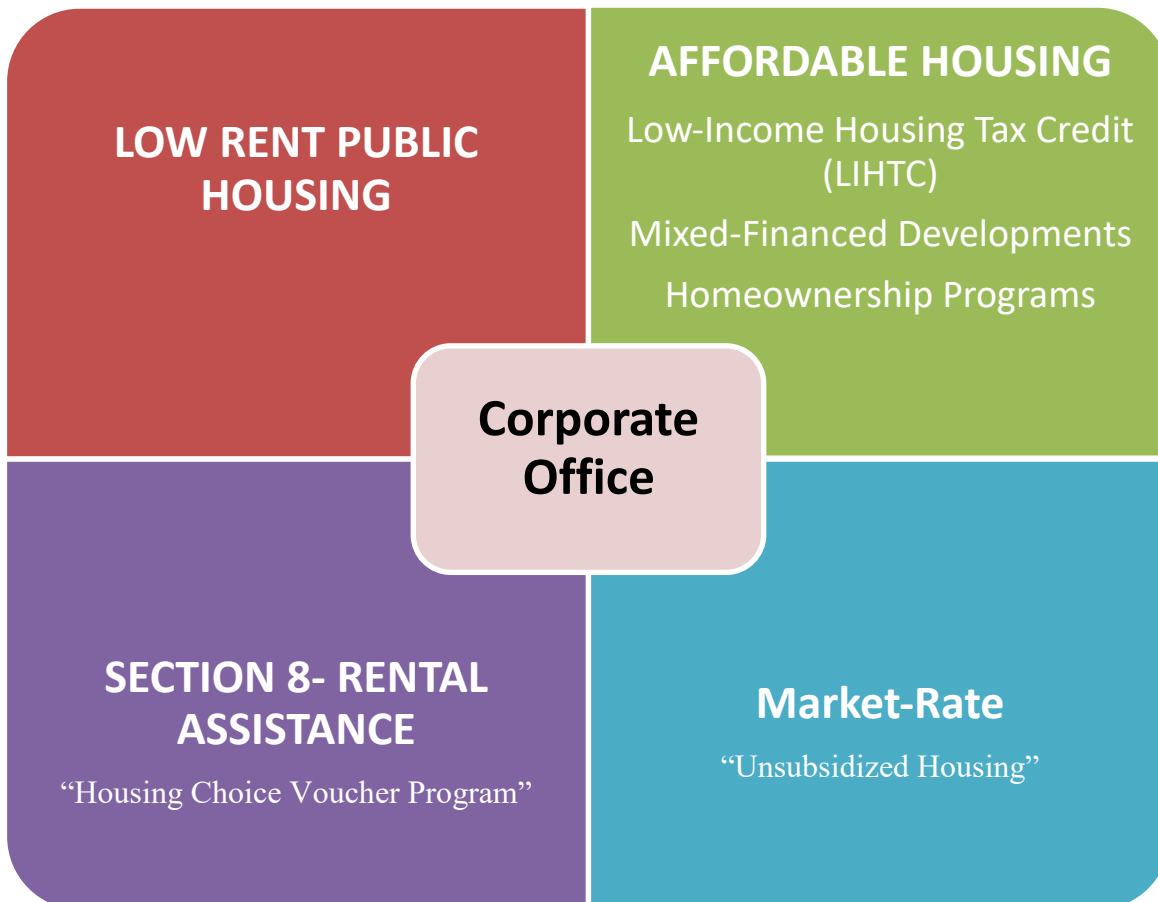


Hillside Terrace playground, 1959



The mission of the Housing Authority of the City of Milwaukee (HACM) is to foster strong, resilient and inclusive communities by providing a continuum of high-quality housing options that support self-sufficiency, good quality of life, and the opportunity to thrive.

HACM's Core Housing Programs



In total, HACM offers 5,200 units of housing for rent to low to moderate income families in the City of Milwaukee. In addition, it is under contract with HUD to administer around 7,823 vouchers under its jurisdiction. On the average, HACM serves around 11,000 households annually. Each of this housing program operates and are governed by different federal and state regulations. Funding for the Low Rent Public Housing and Section 8 programs are highly dependent on federal appropriations characterized by unstable and low funding levels. Revenues on Affordable Housing Programs are restricted by the State Housing Agency’s rent setting policy. In addition, since about 90% of the units under our LIHTC program are subsidized with vouchers, federal funding levels also affects the program. The LIHTC projects financing structure are designed to operate on breakeven (cash flow basis) to maximize the investors tax benefits. However, as rent increases and cost efficiencies are attained overtime, certain developments are able to generate excess cash flows allowing it pay HACM any accrued interest due on soft debts extended the development. Excess cashflows available for distribution to HACM are calculated after the audit is done in 2025 for the 2024 year-end. The Market Rate developments, though rents are still being kept affordable, is the only program that provides steady cashflow to HACM. In addition to development fees earned on construction projects, the excess cashflow from the unsubsidized developments allows HACM to balance its entity-wide operating budget for the past years.

Below is the summary of the Program Budgets:

Budget Summary:	COCC	LIHTC	VETS	HCV	LRPH	Total
Available Units		1,878	980	7,823	2,341	13,022
Total Revenues	11,418,063	17,766,342	8,453,282	3,931,703	20,493,975	62,063,365
Operating Expenditures:						
Administration	6,507,436	3,863,784	1,466,572	5,160,019	5,735,883	22,733,694
Tenant Services	21,123	20,805			226,569	268,497
Utilities	87,681	2,654,345	998,635		4,132,728	7,873,389
Ordinary Maintenance	4,129,867	4,523,549	2,268,455	6,500	7,221,945	18,150,316
Protective Services		430,405	93,746		1,487,895	2,012,046
General Expenses	227,384	1,643,158	1,595,639	172,616	1,688,589	5,327,386
Total	10,973,492	13,136,046	6,423,047	5,339,135	20,493,609	56,365,329
Income(Loss) from Operations	444,571	4,630,296	2,030,235	(1,407,432)	366	5,698,036
Extraordinary maintenance			1,262,290			1,262,290
Transfer from/drawdown from reserves			1,249,725	493,824		1,743,549
Replacement reserves- Deposits		793,075	294,000			1,087,075
Debt Service - Principal & Interest		1,301,283	875,000			2,176,283
Net Excess (deficit) Cash Flow	444,571	2,535,938	848,670	(913,608)	366	2,915,937

Summary of Major HACM Entity-Wide Assumptions

1. Assumes a full staffing complement as of 1/1/2024.
2. Overtime is budgeted at 10% of Maintenance Salaries
3. Employee benefit projections are based on actual 2023 choices for health & dental plus statutory rates for FICA, plus other benefits based on 2024 existing rates.
4. Management will implement a performance-based salary adjustment effective Pay Period 1 in January 2024. Approximately 3% of total salary is budgeted to cover for the 2024 salary increase. A baseline adjustment has been assumed at 1% for all employees, additional percentage incentive increase will be based on individual performance and the maximum amount budgeted salary increase. Management intends to provide salary increases effective Pay Period 1 to all employees below the managerial level only. Employees above managerial level will receive lumpsum retroactive adjustments depending on the availability of funding and results of financial performance to be determined at the end of the year. The HACM's Performance Management & Appraisal System and the Variable Pay Incentive Plan Policy will govern the implementation.

Section 8 Rent Assistance Program (RAP)

1. Please refer to a detail HCV Work Plan and Operating Budget 2024-2025 which is presented separately for more details of the RAP budget and planned operations. This is prepared as part of the Corrective Action Plan by HUD. This had been submitted to HUD for their review and comments.
2. Number of Vouchers: 5,786
3. Average Lease up – 75%. The Projected HAP grant of \$41,586,174 is expected to be fully disbursed during the year. We also expect to drawdown around \$5.6mm in HUD held reserves to restore the cash position to an ideal level of at least one month of HAP disbursements.
4. Administrative Fee Funding Level – 80%
5. Staffing Level:
 - Total Head Count: 45
 - o Direct HACM: 43
 - o City: 1
 - o Travaux: 1
6. Variances
 - Revenue
 - o The 2024 budget is projected conservatively as recommended by HUD. The Section 8 team will continue to optimize voucher utilization and strive for more revenue than projected.
 - Expenses
 - o Administrative expenses are projected higher in the 2024 budget due to the need to address ongoing concerns from HUD. The increase in costs to satisfy HUD requirements play a major role in the deficit projected in 2024.
7. We expect the cash deficit to be funded from the excess cashflow from COCC and VETs developments.

Budget Summary:	BUDGET		ACTUAL		BUDGET 2024 VARIANCE		
	2024	2023	ANNUALIZED 2023	2022	VS BUD '23	VS ANN '23	VS. ACT '22
	INCREASE (DECREASE)						
Total Revenues	3,931,703	5,158,377	5,054,425	4,674,189	(1,226,674)	(1,122,723)	(742,286)
Operating Expenditures:							
Administration	5,160,019	4,973,558	3,959,611	4,016,191	186,460	1,200,408	1,143,828
Ordinary Maintenance	6,500	4,500	8,934	18,070	2,000	(2,463)	(11,570)
General Expenses	172,617	148,226	216,502	163,549	24,390	(43,885)	9,067
Total	5,339,135	5,126,285	4,185,347	4,197,810	212,851	1,320,739	1,152,782
Net Income	(1,407,433)	32,092	869,079	476,379	(1,439,525)	(2,276,511)	(1,883,812)
Unrestricted Net Position	493,824	(375,254)	(375,254)	(851,633)	869,079	869,079	1,345,457
Excess (def) Cash	(913,608)	(343,162)	493,824	(375,254)	(570,446)	(1,407,433)	(538,354)

Unsubsidized Housing - Berryland, Northlawn & Southlawn

1. Number of Rental Units: 980
 - Housing Authority managed
2. Average Lease up: 95%
3. Rental rates will increase \$10 for parking effective 1/1/2024 and \$10 as tenants renew their lease.
4. Staffing Level
 - Total Head Count: 13 [office Staff - 7; Maintenance Staff - 6]
 - o HACM: 1
 - o Travaux: 12
5. Variances
 - Revenue
 - o The revenue is higher in the 2024 budget due to rental rate increases in 2023. The 2023 rate increases were not reflected in the 2023 budget.

Budget Summary:	BUDGET		ACTUAL		BUDGET 2024 VARIANCE		
	2024	2023	ANNUALIZED 2023	2022	VS BUD '23	VS ANN '23	VS. ACT '22
	INCREASE (DECREASE)						
Total Revenues	8,453,282	8,206,909	8,426,492	8,085,146	246,373	26,790	368,136
Operating Expenditures:							
Administration	1,466,572	1,441,038	1,320,444	1,424,447	25,534	146,128	42,125
Utilities	998,635	1,014,662	751,309	949,216	(16,027)	247,326	49,418
Ordinary maintenance	2,268,455	2,132,144	2,344,418	2,457,241	136,311	(75,963)	(188,786)
Protective services	93,746	104,311	59,091	79,976	(10,565)	34,655	13,770
General expenses	1,595,639	1,511,345	1,571,834	1,363,293	84,295	23,805	232,346
Total	6,423,047	6,184,346	6,047,096	6,274,174	238,701	375,951	148,873
Income (Loss) from Operations	2,030,235	2,022,563	2,379,397	1,810,973	7,672	(349,162)	219,262

Public Housing (LRPH)

1. Number of ACC Units in the 2024 budget – 2,341
 - Housing Authority managed – 2,341
2. Average Lease up – 98%
3. Funding Level – 93%
4. Operating Subsidy is calculated based on funding for 2023
5. Staffing Level
 - Total Head Count: 76 [office Staff - 52; Maintenance Staff - 24]
 - o Public Housing Site Staff: 50
 - HACM: 16
 - City: 4
 - Travaux: 30
 - o Allocated Staff: 26
 - Housing Intake: 10
 - HACM: 5
 - Travaux: 5
 - Public Safety: 12
 - HACM: 6
 - Travaux: 6
 - Legal Pool: 2
 - HACM: 2
 - Rent Collection: 1
 - HACM: 1

- Mail Delivery: 1
 - HACM: 1
 - 70% of this employee’s salary and benefits are charged to Public Housing and 30% is charged to COCC

6. Variances

- Revenue
 - The 2024 budget shows an increase in revenue when comparing to the 2022 actuals due to budgeted rent being higher than what was collected in 2022 and also operating subsidy received in 2022 was less than budgeted in 2024.
- Expenses
 - Fixed costs such as insurance and utilities were projected at an increase for 2024. Ordinary maintenance costs budgeted in 2024 decreased from the 2023 budget the and actuals because of rising fixed costs. Public Housing management will need to continuously monitor the budgets to ensure spending is within budgetary constraints.

Budget Summary:	BUDGET		ACTUAL		BUDGET 2024 VARIANCE		
	2024	2023	ANNUALIZED 2023	2022	VS BUD	VS ANN	VS. ACT
					'23	'23	'22
INCREASE (DECREASE)							
Total Revenues	20,493,975	20,330,303	20,303,452	19,664,898	163,671	190,523	829,077
Operating Expenditures:							
Administration	5,735,883	5,671,785	4,804,551	5,193,697	64,099	931,332	542,187
Tenant Services	226,569	239,676	233,149	249,193	(13,107)	(6,580)	(22,625)
Utilities	4,132,728	4,005,636	3,362,083	3,836,262	127,092	770,645	296,466
Ordinary maintenance	7,221,945	7,747,303	7,982,621	7,326,540	(525,358)	(760,677)	(104,595)
Protective services	1,487,895	1,144,132	830,101	1,047,328	343,763	657,794	440,567
General expenses	1,688,589	1,520,036	1,396,246	1,427,261	168,553	292,344	261,329
Total	20,493,608	20,328,567	18,608,751	19,080,280	165,042	1,884,858	1,413,328
Income (Loss) from operations	366	1,737	1,694,702	584,618	(1,370)	(1,694,335)	(584,251)
Transfer from Reserve	0	0	0	0	0	0	0
Excess Cash	366	1,737	1,694,702	584,618	(1,370)	(1,694,335)	(584,251)

Central Office Cost Center (COCC)

1. Housing Portfolio:

- Total Housing Units Budgeted: 5,199
 - Public Housing – ACC Units: 2,341
 - Unsubsidized Housing (BNS): 980
 - Affordable Housing: 1,878

- Total Section 8 Vouchers: 7,823
2. Total Headcount: 81 [office Staff - 39; Maintenance Staff - 42]
- Executive/Housing Management: 12
 - o HACM: 11
 - o Travaux: 1
 - Accounting: 7
 - o HACM: 7
 - Procurement: 4
 - o HACM: 4
 - Human Resources: 4
 - o HACM: 4
 - Information Technology: 4
 - o HACM: 3
 - o Travaux: 1
 - Modernization & Development: 2
 - o HACM: 2
 - Maintenance Operations: 48
 - o HACM: 14
 - o Travaux: 34
3. Total Headcount for employees budgeted under grants: 8
4. Variances
- Revenue
 - o Developers fees are the main reason for the variances in revenue. The amount budgeted and received for developer's fees can fluctuate, depending on the construction project.
 - Expenses
 - o Budgeted ordinary maintenance costs are higher in the 2024 budget due to an increase in salaries.

Budget Summary:	BUDGET		ACTUAL		BUDGET 2024 VARIANCE		
	2024	2023	ANNUALIZED 2023	2022	VS BUD '23	VS ANN '23	VS. ACT '22
	INCREASE (DECREASE)						
Total Revenues	11,418,063	10,584,325	7,722,426	12,800,731	833,739	3,695,637	(1,382,668)
Operating Expenditures:							
Administration	6,507,436	6,685,549	5,128,144	5,516,003	(178,113)	1,379,292	991,433
Tenant Services	21,123	170,618	23,124	21,253	(149,495)	(2,001)	(130)
Utilities	87,681	84,990	80,603	75,874	2,691	7,078	11,807
Ordinary maintenance	4,129,867	3,414,737	3,643,228	3,311,714	715,130	486,639	818,153
General expenses	227,384	169,368	157,586	217,165	58,016	69,798	10,219
Total	10,973,492	10,525,262	9,032,686	9,142,009	448,229	1,940,806	1,831,483
Income (Loss) from Operations	444,571	59,062	(1,310,260)	3,658,722	385,509	1,754,831	(3,214,151)
Transfer from Reserve	0	0	1,310,260	0	0	(1,310,260)	0
Net Cash Flow	444,571	59,062	0	3,658,722	385,509	444,571	(3,214,151)

Affordable (Mixed Finance)

- Number of Units in the 2024 budget – 1,878
 - Housing Authority Managed: 1,841
 - Capri Senior Community Managed: 37
- Budgeted Occupancy – 95%, except at Highland Gardens 75% due to rehabilitation project.
- Staffing Level
 - Total Head Count: 39
 - Portfolio Managers: 2
 - Housing Managers: 9
 - Assistant Housing Managers: 2
 - Administrative Senior Specialist: 5
 - Lead Maintenance Specialist: 2
 - Maintenance Specialist: 15
 - Maintenance Assistant: 2
 - Compliance Specialists: 1
 - Senior Recertification Specialist: 1
- Budgeted dwelling rent assumes an average 2% increase. HUD anticipates the 2024 Operating Cost Adjustment Factor for the state of Wisconsin at 5.1% for RAD PBV contract increases.
- Under the latest HUD RAD Notice Revision 4 (H 2019-09 PIH 2019-23) Section 1.6(D)(2) requires the Project Owner to submit to the administering Public Housing Authority's Board the operating budget for the covered project annually to confirm the Project Owner is making deposits into the Reserve for

Replacement account in accordance with the RAD Conversion Commitment (RCC) as well as assess the financial health of the Covered Project.

Below is the list of all the RAD Project-based Voucher projects and their annual deposit to replacement reserve (ADRR). The ADRR is calculated below is based on the amount required per Partnership Operating Agreement or RAD Physical Needs Assessment whichever is higher.

Development	2024 ADRR Budget
Becher Court	\$44,276
Cherry Court	\$ 36,896
Convent Hill	\$ 24,597
Highland Gardens	\$ 35,051
Holton Terrace	\$63,654
Lapham Park	\$ 134,420
Merrill Park	\$ 38,192
Olga Village	\$10,995
Scattered Sites Tax Credit I	\$ 15,967
Scattered Sites Tax Credit II	\$ 18,048
Victory Manor	\$ 22,138
Westlawn Gardens Scattered Sites	\$11,069
Westlawn Renaissance (East)	\$ 117,593
Westlawn Renaissance III	\$ 29,918
Westlawn Renaissance IV	\$19,669
Westlawn Renaissance V	\$13,596
Westlawn Renaissance VI	\$45,239
Westlawn Renaissance VI	\$29,973

Budget Summary:	BUDGET		ACTUAL		BUDGET 2024 VARIANCE		
	2024	2023	ANNUALIZED 2023	2022	VS BUD '23	VS ANN '23	VS. ACT '22
					INCREASE (DECREASE)		
Total Revenues	17,766,342	15,848,764	15,122,669	13,682,049	1,917,578	2,643,673	4,084,293
Operating Expenditures:							
Administration	3,863,783	4,027,679	3,897,664	3,390,980	(163,896)	(33,881)	472,803
Tenant Services	20,805	159,664	9,044	14,737	(138,859)	11,761	6,068
Utilities	2,654,345	2,593,395	2,610,372	2,552,111	60,950	43,973	102,234
Ordinary maintenance	4,523,549	4,235,771	4,868,573	3,494,704	287,778	(345,024)	1,028,845
Protective Services	430,405	453,296	326,115	317,992	(22,891)	104,290	112,413
General expenses	1,643,158	1,269,579	1,439,970	1,232,252	373,579	203,188	410,906
Total	13,136,046	12,739,384	13,151,738	11,002,777	396,662	(15,692)	2,133,269
Income (Loss) from Operations	4,630,296	3,109,380	1,970,931	2,679,273	1,520,916	2,659,365	1,951,024
Transfer from Reserve							
Replacement Reserve Deposits	793,075	769,976	769,976	747,550	23,099	23,099	45,525
Debt Service (Principal & Interest)	1,301,283	1,301,283	1,301,283	1,301,283	0	0	0
Net Cash Flow	2,535,938	1,038,121	(100,328)	630,440	1,497,817	2,636,266	1,905,498