

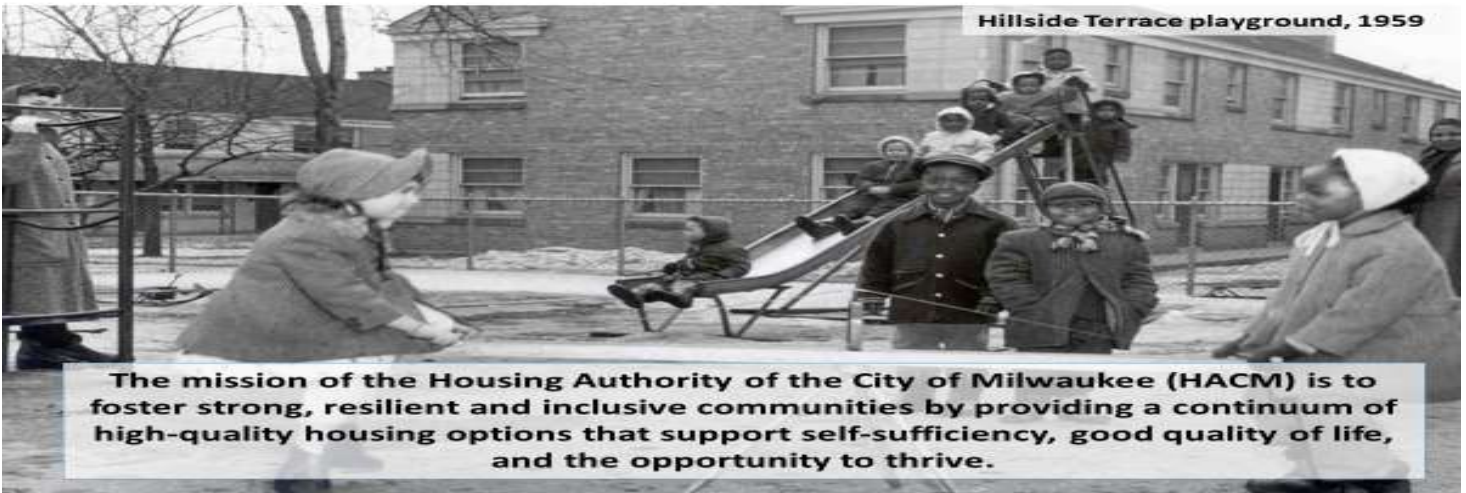
Housing Authority of the City of Milwaukee

2025 Operating Budget Summary

HACM December Board Meeting

December 11, 2024

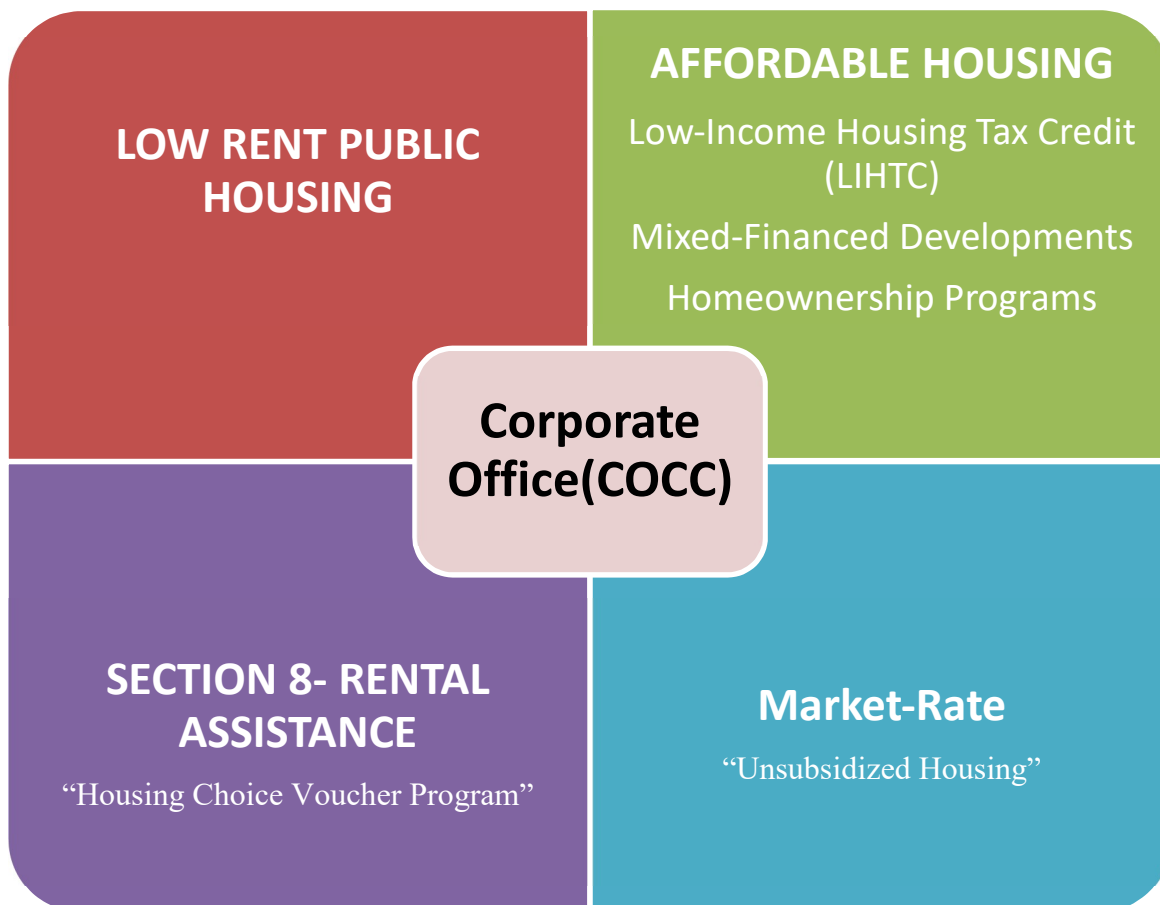




Hillside Terrace playground, 1959

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 5,239 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 7,822 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 2026 for the 2025 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		1,918	980	7,822	2,341	13,061
Total Revenues	9,583,640	18,435,946	8,573,060	5,264,881	21,715,381	63,572,907
Operating Expenditures:						
Administration	6,265,970	4,629,132	1,676,823	5,564,895	6,175,802	24,312,622
Tenant Services	0	0	0	0	616,769	616,769
Utilities	92,892	2,565,011	965,690	0	3,962,800	7,586,393
Ordinary Maintenance	4,240,714	4,456,549	1,865,222	0	7,614,540	18,177,025
Protective Services	0	331,900	86,251	0	1,528,761	1,946,911
General Expenses	209,367	2,001,164	1,517,447	204,856	1,710,038	5,642,872
Total	10,808,943	13,983,755	6,111,433	5,769,751	21,608,709	58,282,592
Income (Loss) from Operations	(1,225,303)	4,452,190	2,461,627	(504,870)	106,671	5,290,315
Extraordinary maintenance			1,485,540			1,485,540
Transfer from/drawdown from reserves			1,475,540			1,475,540
Replacement reserves-Deposits		780,711	294,000			1,074,711

Debt Service - Principal & Interest		1,811,407	910,000			2,721,407
Net Excess (deficit) Cash Flow	(1,225,303)	1,860,073	1,247,627	(504,870)	106,671	1,484,198
Excess Cash Transfer	1,225,303		(1,225,303)			0
Transfer from Excess Cash flow -2024		(504,870)		504,870		0
Net Cash Flows	(0)	1,355,203	22,324	(0)	106,671	1,484,198

Summary of Major HACM Entity-Wide Assumptions

1. Assumes a full staffing complement as of 1/1/2025.
2. Overtime is budgeted at 10% of Maintenance Salaries
3. Employee benefit projections are based on actual 2024 choices for health & dental plus
4. Management will implement a performance-based salary adjustment effective Pay Period 1 in January 2025. Approximately 3% of total salary is budgeted to cover for the 2025 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. 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. Number of Vouchers: 7,822
2. Average Lease up – 84%.
3. Administrative Fee Funding Level – 90%
4. Starting 1/1/25, the Section 8 operations is outsourced to a contractor. The contractor charges 84% of the earned admin fee in 2025 to operate the program.
5. This budget included cost of initial transition and 100% file review required under the corrective action plan. The total one time cost for 2025 is budget at \$1,059,000.
6. We expect this program to operate on income position starting in 2026.

Below is the summary of budget comparison.

Budget Summary:	BUDGET		ACTUAL		BUDGET 2025 VARIANCE		
	2025	2024	ANNUALIZED 2024	2023	VS BUD '24	VS ANN '24	VS. ACT '23
	INCREASE (DECREASE)						
Total Revenues	5,264,881	3,931,703	4,960,461	4,989,827	1,333,178	304,420	275,054
Operating Expenditures:							
Administration	5,564,895	5,160,019	4,006,943	4,122,641	404,876	1,557,952	1,442,254
Ordinary Maintenance	0	6,500	46,660	3,746	(6,500)	(46,660)	(3,746)
General Expenses	204,856	172,617	417,998	467,176	32,239	(213,142)	(262,320)
Total	5,769,751	5,339,136	4,471,601	4,593,563	430,615	1,298,150	1,176,188

Net Income	(504,870)	(1,407,433)	488,860	396,264	902,563	(993,730)	(901,134)
Transfer from Reserve/Excess cashflow	504,870	1,407,433		0	(902,563)	504,870	504,870
Excess Cash	0	0	488,860	396,264	0	(488,860)	(396,264)

Unsubsidized Housing - Berryland, Northlawn & Southlawn

1. Number of Rental Units: 980
2. Average Lease up: 95%
3. Rental rates will increase \$10 as tenants renew their lease
4. Staffing Level
 - Total Head Count: 13 [office Staff - 7; Maintenance Staff - 6]
 - o City: 1
 - o Travaux: 12

Below is the summary of budget comparison.

Budget Summary:	BUDGET		ACTUAL		BUDGET 2025 VARIANCE		
	2025	2024	ANNUALIZED 2024	2023	VS BUD '24	VS ANN '24	VS. ACT '23
	INCREASE (DECREASE)						
Total Revenues	8,573,060	8,453,282	8,464,758	8,462,744	119,778	108,302	110,317
Operating Expenditures:							
Administration	1,676,823	1,466,572	1,321,790	1,483,548	210,251	355,033	193,275
Utilities	965,690	998,635	499,858	1,060,506	(32,945)	465,832	(94,816)
Ordinary maintenance	1,865,222	2,268,455	1,994,970	2,680,757	(403,232)	(129,748)	(815,535)
Protective services	86,251	93,746	25,768	68,180	(7,496)	60,483	18,071
General expenses	1,517,447	1,595,639	1,429,572	1,367,416	(78,192)	87,875	150,031
Total	6,111,433	6,423,047	5,271,958	6,660,407	(311,614)	839,475	(548,974)
Excess (deficiency) of total revenue over expenses	2,461,627	2,030,235	3,192,800	1,802,337	431,392	(731,173)	659,291
Extraordinary maintenance	1,485,540	1,262,290	636,858	562,315	223,250	848,682	923,225
Drawdown from reserves	1,475,540	1,249,725	617,600	0	225,815	857,940	1,475,540
Debt service	910,000	875,000	875,000	845,000	35,000	35,000	65,000
Replacement reserves	294,000	294,000	294,000	294,000	0	0	0
Net Excess Cash Flow	1,247,627	848,670	2,004,542	101,022	398,957	(756,915)	1,146,606

Public Housing (LRPH)

1. Number of ACC Units in the 2025 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 2024
5. Staffing Level
 - Total Head Count: 101 [office Staff - 67; Maintenance Staff - 34]
 - o Public Housing Site Staff: 60
 - HACM: 16
 - City: 3
 - Travaux: 41
 - o Allocated Staff: 41
 - Housing Intake: 11
 - HACM: 5
 - Travaux: 6
 - Public Safety: 19
 - HACM: 2
 - Travaux: 17
 - Resident Services: 7
 - HACM: 6
 - Crucible: 1
 - Legal Pool: 2
 - HACM: 2
 - Rent Collection: 1
 - HACM: 1
 - Mail Delivery: 1
 - HACM: 1
6. This assumes a drawdown from the endowment fund for \$635,000. This amount will cover the extensive public safety needs at the following developments [College Court - \$180,000; Hillside - \$120,000; Mitchell Court - \$185,000; Locust Court - \$150,000]. The amount of actual drawdown will be dependent on the actual cost allocation from the Public Safety department.

Below is the summary of budget comparison.

Budget Summary:	BUDGET		ACTUAL		BUDGET 2025 VARIANCE		
	2025	2024	ANNUALIZED 2024	2,023	VS BUD	VS ANN	VS. ACT
					'24	'24	'23
INCREASE (DECREASE)							
Total Revenues	21,715,381	20,493,975	19,791,092	20,840,404	1,221,406	1,924,289	874,977
Operating Expenditures:							

Administration	6,175,802	5,735,883	6,341,341	5,347,972	437,418	(165,539)	827,830
Tenant Services	616,769	226,569	343,138	338,300	390,200	273,631	278,469
Utilities	3,962,800	4,132,728	3,245,130	4,001,947	(169,928)	717,670	(39,147)
Ordinary maintenance	7,614,540	7,221,945	9,384,368	9,012,712	392,595	(1,769,828)	(1,398,172)
Protective services	1,528,761	1,487,895	1,050,028	1,278,198	40,865	478,733	250,563
General expenses	1,710,038	1,688,589	1,639,824	1,562,483	21,449	70,214	147,555
Total	21,608,709	20,493,608	22,003,829	21,541,612	1,115,101	(395,119)	67,097
Income (Loss) from operations	106,671	366	(2,212,737)	(701,208)	106,305	2,319,408	807,879
Transfer from Reserve		0			0	0	0

Central Office Cost Center (COCC)

1. Housing Portfolio:
 - Total Housing Units Budgeted: 5,239
 - o Public Housing – ACC Units: 2,341
 - o Unsubsidized Housing (BNS): 980
 - o Affordable Housing: 1,918
 - Total Section 8 Vouchers: 7,822

2. Total Headcount: 94 [office Staff - 35; Maintenance Staff - 59]
 - Executive/Housing Management: 12
 - o HACM: 11
 - o Travaux: 1
 - Accounting: 7
 - o HACM: 7
 - Procurement: 4
 - o HACM: 4
 - Human Resources: 5
 - o HACM: 5
 - Information Technology: 5
 - o HACM: 2
 - o Travaux: 3
 - Modernization & Development: 1
 - o HACM: 1
 - Maintenance Operations: 59
 - o HACM: 13
 - o Travaux: 36
 - o Temporary Employees (agency): 10
 - 1 employee budgeted under Highland Gardens relocation

3. With minimal developer's fee earned in 2025, COCC is projected to operate as a loss position in 2025. The deficit will be covered with the excess cash flow revenue from the VETs unsubsidized housing development.

Below is the summary of budget comparison.

Budget Summary:	BUDGET		ACTUAL		BUDGET 2025 VARIANCE		
	2025	2024	ANNUALIZED 2024	2023	VS BUD '24	VS ANN '24	VS. ACT '23
					INCREASE (DECREASE)		
Total Revenues	9,583,640	11,418,063	10,234,076	8,481,433	(1,834,423)	(650,436)	1,102,207
Operating Expenditures:							
Administration	6,265,970	6,507,436	5,410,440	5,908,789	(241,466)	855,530	357,181
Tenant Services	0	21,123	14,554	26,806	(21,123)	(14,554)	(26,806)
Utilities	92,892	87,681	86,126	88,660	5,211	6,766	4,232
Ordinary maintenance	4,240,714	4,129,867	4,616,056	3,863,900	110,846	(375,342)	376,814
General expenses	209,367	227,384	179,364	180,693	(18,017)	30,003	28,674
Total	10,808,943	10,973,492	10,311,144	10,081,882	(164,549)	497,799	727,061
Income(Loss) from Operations	(1,225,303)	444,571	(77,068)	(1,600,449)	(1,669,874)	(1,148,235)	375,146
Excess Cashflow Transfer	1,225,303	0		0	1,225,303	1,225,303	1,225,303
Net Cash Flow	(0)	444,571	(77,068)	(1,600,449)	(444,571)	77,068	1,600,449

Affordable (Mixed Finance)

1. Number of Units in the 2025 budget – 1,918
 - Housing Authority Managed: 1,881
 - Capri Senior Community Managed: 37
2. Budgeted Occupancy – 95%
3. Staffing Level
 - Total Head Count: 40
 - o Portfolio Managers: 2
 - o Compliance Staff: 2
 - o Office/Admin Staff: 19
 - o Maintenance Staff: 17
4. Budgeted contract rents were based on the latest approved contract rents provided by the Section 8 department which were effective in 2024. HUD anticipates the 2025 Operating Cost Adjustment Factor for

the state of Wisconsin at 5.1% for RAD PBV contract increases. Increase in the contract rents in 2025 are not captured in this budget. This increases will be effective during tenant recertification in 2025.

5. 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. Highland Gardens will start depositing in 2026.

Development	2025 ADRR Budget
Becher Court	\$45,604
Cherry Court	\$ 38,003
Convent Hill	\$ 25,335
Highland Gardens	\$ 0
Holton Terrace	\$65,564
Lapham Park	\$ 138,453
Merrill Park	\$ 39,338
Olga Village	\$11,270
Scattered Sites Tax Credit I	\$ 16,446
Scattered Sites Tax Credit II	\$ 18,589
Victory Manor	\$ 22,802
Townhomes @ Carver	\$49,992
Westlawn Gardens Scattered Sites	\$11,401
Westlawn Renaissance (East)	\$ 121,121
Westlawn Renaissance III	\$ 30,816
Westlawn Renaissance IV	\$20,259
Westlawn Renaissance V	\$14,004
Westlawn Renaissance VI	\$46,596
Westlawn Renaissance VII	\$30,872

Below is the summary of budget comparison.

Budget Summary:	BUDGET		ACTUAL		BUDGET 2025 VARIANCE		
	2025	2024	ANNUALIZED 2024	2023	VS BUD '24	VS ANN '24	VS. ACT '23
					INCREASE (DECREASE)		
Total Revenues	18,435,946	15,560,417	15,175,322	15,768,837	2,875,529	3,260,624	2,667,108
Operating Expenditures:							
Administration	4,629,132	3,461,670	3,479,666	4,376,049	1,167,462	1,149,466	253,083
Tenant Services	0	0	0	0	0	0	0
Utilities	2,565,011	2,351,081	1,864,115	2,380,813	213,930	700,895	184,197
Ordinary maintenance	4,788,449	4,219,975	4,747,477	4,456,609	568,473	40,972	331,839
General expenses	2,001,164	1,447,629	1,409,526	1,377,617	553,535	591,638	623,547
Total	13,983,755	11,480,356	11,500,784	12,591,089	2,503,400	2,482,971	1,392,666
Income(Loss) from Operations	4,452,190	4,080,062	3,674,537	3,177,748	372,129	777,653	1,274,442
RESERVE DEPOSITS & DEBT SERVICE:							
REPLACEMENT RESERVE	746,465	724,723	737,696	703,615	21,742	8,769	42,850
CAPITAL NEEDS RESERVE	34,246	33,248	32,280	32,280	997	1,966	1,966
DEBT SERVICE (PRINCIPAL & INTEREST)	1,811,407	1,301,283	1,301,283	1,301,283	510,124	510,124	510,124
Excess Cash Flow	1,860,073	2,020,807	1,603,279	1,140,571	(160,735)	256,794	719,502
Transfer excess cashflow to Sec 8	(504,870)	0		0	(504,870)	(504,870)	(504,870)
Net Cash Flow	1,355,203	2,020,807	1,603,279	1,140,571	(665,605)	(248,076)	214,632