

**Michigan State Housing Development Authority**  
**PROPOSED 2015-16 BUDGET**  
(000's Omitted)

	PROPOSED BUDGET <u>15-16</u>		ESTIMATED 12 MONTH <u>14-15</u>	BUDGET <u>14-15</u>	12 MONTH ESTIMATED VS. BUDGET	BUDGET INCREASE (DECREASE)
<b>Revenue:</b>						
Net interest income	\$66,346	1	\$60,500	\$59,369	\$1,131	\$6,977
Section 8/FSS fees	15,500	2	15,800	14,700	1,100	800
Fees - Other federal programs	3,960	3	4,300	3,860	440	100
Preservation fee income	12,847	4	7,250	9,576	(2,326)	3,271
Miscellaneous income	7,152	5	7,500	7,764	(264)	(612)
Gain (loss) on retirement of bonds	(300)	6	(140)	(300)	160	0
Gain (loss) on sale of investments	0	7	29	0	29	0
Gain on sale of mortgages	400	8	250	0	250	400
Contract Administration fees	<u>6,756</u>	9	<u>6,733</u>	<u>6,708</u>	<u>25</u>	<u>48</u>
<b>Total Revenue</b>	<b>\$112,661</b>		<b>\$102,222</b>	<b>\$101,677</b>	<b>\$545</b>	<b>\$10,984</b>
<b>Expenses:</b>						
<b>Operating Expenses:</b>						
Salaries and fringes	\$38,617	10	\$37,866	\$37,790	76	827
Technical service contracts	5,753	11	5,099	5,756	(657)	(3)
General contracts	1,587	12	1,177	1,942	(765)	(355)
Office rent and utilities	4,188	13	3,975	3,938	37	250
Computer	3,000	14	4,350	3,216	1,134	(216)
State charges for attorney general auditor general, civil service and admin	2,288	15	2,395	2,220	175	68
Travel	524	16	624	696	(72)	(172)
Telephone	336	16	336	348	(12)	(12)
Equipment purchase & rental	384	18	384	372	12	12
Supplies, printing and postage	300	16	300	360	(60)	(60)
Advertising and publicity	3,596	19	3,000	3,400	(400)	196
Existing Housing contracted agents	8,300	20	8,000	8,100	(100)	200
Memberships, subs., & research mat.	108	16	108	90	18	18
Authority sponsored conf.	252	17	220	336	(116)	(84)
Conference registration fees	108	16	120	144	(24)	(36)
Temporary support	96	21	96	192	(96)	(96)
Legal & insurance	180	22	190	204	(14)	(24)
Miscellaneous	2,688	16	288	252	36	2,436
Deferred loan origination costs	<u>(910)</u>	23	<u>(655)</u>	<u>(1,035)</u>	<u>380</u>	<u>125</u>
<b>Total Operating expenses</b>	<b>71,395</b>		<b>67,873</b>	<b>68,321</b>	<b>(448)</b>	<b>3,074</b>
Mortgage servicing fees - single family	2,278	24	2,225	2,178	47	100
Home Improvement servicing fees	108	25	111	144	(33)	(36)
DPA and Home Improvement loan origination fees	1,212	26	1,210	1,044	166	168
Home Improvement FHA Ins. premiums	120	27	120	120	0	0
Costs of issuing & paying notes & bonds	1,500	28	1,360	2,700	(1,340)	(1,200)
Bond insurance, LOC & Liquidity fees	5,900	29	5,995	6,000	(5)	(100)
Provision for losses on Mort. loans	4,800	30	4,700	3,600	1,100	1,200
Rent Subsidies	960	31	(850)	1,284	(2,134)	(324)
Grants	14,263	32	8,500	8,500	0	5,763
Homeownership Counseling	<u>750</u>	33	<u>650</u>	<u>750</u>	<u>(100)</u>	<u>0</u>
<b>Total expenses</b>	<b>\$103,286</b>		<b>\$91,894</b>	<b>\$94,641</b>	<b>(\$2,747)</b>	<b>\$8,645</b>
<b>Net Increase in fund balance</b>	<b><u>\$9,375</u></b>		<b><u>\$10,328</u></b>	<b><u>\$7,036</u></b>	<b><u>\$3,292</u></b>	<b><u>\$2,339</u></b>

Notes 1 - 32 -- See pages following

**NOTES**

- (1) Net interest income is budgeted at \$66,346,000, which is \$6,977,000 more than was budgeted in FY 15. We anticipate lower rates earned on higher average balances for mortgage loans compared to FY 15. Higher interest rates received on lower average balances for investments are anticipated for FY 16. We anticipate bond interest expense to decrease due to lower interest rates paid on higher bond balances in FY 16 over the budgeted amount in FY 15.

The components of interest income are estimated as follows:

	<u>Average Balance</u>	<u>Average Rate</u>	<u>Budget Amount</u>
Interest income:			
Mortgage loans	\$2,245,148,000	5.360 %	\$120,348,000
Investments	\$ 521,470,000	4.372 %	22,799,000
Interest expense on bonds	\$1,999,893,000	3.840 %	( 76,801,000)
Net interest income			<u>\$ 66,346,000</u>

- (2) Section 8 and Family Self Sufficiency Administration fees are expected to stay flat compared to the prior year.
- (3) Represents funds available for administering other federal programs, including the HOME Program (\$1,275,000), NMS Program (\$200,000), NSP Programs (\$0), SHPO (\$500,000) Hardest-Hit Fund (\$1,860,000) and CDBG Program (\$125,000).
- (4) Budgeted amount includes preservation fees of 12,457,000 from anticipated prepayments on multifamily loans and \$390,000 of funds received from the required annual payments from projects surplus cash. The amount of preservation fee income could vary significantly from the budgeted amount. It is based on large payments from a small number of projects that are anticipated to prepay their multi-family loan. Actual prepayments may not take place or may exceed our expectations.
- (5) Budget amount of \$7,152,000 includes fees expected to be received from administering the Mortgage Credit Certificate program (\$231,000) and the Low Income Housing Tax Credit Program (\$3,500,000), administrative oversight fees to be received from developments that have prepaid their mortgage loans (\$1,250,000), SHPO fees (\$400,000), late fee/prepayment penalties on mortgages (\$1,000,000), amortization of asset management fees (\$366,000), fees for the issuance of limited obligation bonds (\$0) and various smaller income items of (\$405,000).
- (6) Whether a bond retirement results in a gain or loss depends on the interest rate of the bond called relative to the average rate on the issue from which the bond is being called. We are budgeting a loss of \$300,000 for 2016.
- (7) We have projected no gain from the sale of other long-term investments.
- (8) Gain on the sale of securitized single family loans.
- (9) Fees expected to be received for administering the HUD Section 8 Contract Administration Program.

(10) Budget requests by Division are as follows:

	<b>Positions</b>	
	<b><u>Filled</u></b>	<b><u>Cost</u></b>
<b>Executive:</b>		
Director's Office	3.0	\$ 282,235
Deputy Director's Office	6.0	618,319
Governmental and Media Affairs	7.9	564,843
Office Services	20.0	1,381,400
Students & Co-ops	<u>2.1</u>	<u>63,000</u>
	39.0	2,909,797
Fringes (75%)		<u>2,182,348</u>
TOTAL		<u>\$5,092,145</u>
<b>Finance:</b>		
Director's Office	3.0	\$ 224,042
Accounting & Investments	8.8	633,421
Single Family Servicing	3.7	196,855
Multi-Family Servicing	2.9	169,955
Audit	4.0	307,855
Operations – HVP	3.0	210,074
Students & Co-ops	<u>2.8</u>	<u>84,000</u>
	28.2	1,826,202
Fringes (75%)		<u>1,369,652</u>
TOTAL		<u>\$3,195,854</u>
<b>Legal:</b>		
Director's Office	8.0	\$ 571,068
Staff Attorneys	8.0	776,569
Students & Co-ops	<u>1.4</u>	<u>42,000</u>
	17.4	1,389,637
Fringes (75%)		<u>1,042,228</u>
TOTAL		<u>\$2,431,865</u>
<b>Community Development:</b>		
Director's Office	2.0	\$ 169,358
Program & Policy	7.0	573,302
Portfolio and Technical Assistance Team	7.0	436,542
Urban Revitalization	2.0	185,206
Housing Resource Fund	15.0	1,027,463
Students & Co-ops	<u>1.4</u>	<u>42,000</u>
	34.4	2,433,871
Fringes (75%)		<u>1,825,403</u>
TOTAL		<u>\$4,259,274</u>

## (9) Budget requests by Division (continued)

	<b>Positions Filled</b>	<b>Cost</b>
<b>*Rental Assistance &amp; Housing Solutions:</b>		
Director's Office	3.0	\$245,611
Rent Assistance	28.0	1,809,043
Homeless Initiatives	11.6	722,147
Students & Co-ops	<u>1.4</u>	<u>42,000</u>
	44.0	2,818,801
Fringes (75%)		<u>2,114,101</u>
TOTAL		<u>\$4,932,902</u>
<b>*Federally Funded</b>		
<b>Asset Management:</b>		
Director's Office	2.0	\$169,358
Transactions & Preservation	11.0	739,277
Core Operations Intake	8.0	548,601
Finance/Technology	4.0	289,961
Contract Administration/Operations Division	9.0	616,231
Students & Co-ops	<u>2.1</u>	<u>50,000</u>
	36.1	2,413,428
Fringes (75%)		<u>1,810,071</u>
TOTAL		<u>\$4,223,499</u>
<b>Homeownership:</b>		
Director's Office	2.0	\$ 169,358
Single Family/MCC	9.0	573,553
Marketing	11.0	718,585
Foreclosure Prevention	8.0	456,228
Students & Co-ops	<u>2.1</u>	<u>63,000</u>
	32.1	1,980,724
Fringes (75%)		<u>1,485,543</u>
TOTAL		<u>\$3,466,267</u>
<b>Rental Development:</b>		
Director's Office	10.0	\$752,494
Multi-family Development	9.0	602,346
EEO and Construction Disbursements	4.0	302,614
Design and Construction Management	9.0	668,557
Low Income Housing Tax Credit	17.0	1,155,123
Students & Co-ops	<u>3.5</u>	<u>79,000</u>
	52.5	\$3,560,134
Fringes (75%)		<u>\$2,670,101</u>
TOTAL		<u>\$6,230,235</u>

(9) Budget requests by Division (continued)

	<b>Positions Filled</b>	<b>Cost</b>
<b>Downtown &amp; Community Services:</b>		
Director's Office	<u>7.0</u>	<u>\$531,459</u>
	7.0	531,459
Fringes (75%)		<u>398,594</u>
TOTAL		<u>\$930,053</u>
<b>Federal Programs &amp; Strategic Initiatives:</b>		
Director's Office	<u>5.0</u>	<u>\$383,148</u>
	5.0	383,148
Fringes (75%)		<u>287,361</u>
TOTAL		<u>\$670,509</u>
<b>SHPO &amp; Archaeology:</b>		
Director's Office	16.0	\$1,098,184
Students & Co-ops	<u>1.4</u>	<u>42,000</u>
	17.4	1,140,184
Fringes (75%)		<u>855,138</u>
TOTAL		<u>\$1,995,322</u>
Total Salaries July 1, 2015	<u>313.1</u>	<u>\$21,387,385</u>
Total Fringes July 1, 2015		<u>\$16,040,539</u>
General increase effective October 1, 2015 (2% of base wages)		561,419
		<u>\$37,989,343</u>
Summary of Costs:		
Projected salary cost of positions		\$37,989,343
Vacant positions salaries (24)		1,620,685
Vacant positions fringes		1,215,514
Unfilled Vacant Positions (80%)		(2,268,959)
Estimated sick and annual leave accrual		<u>60,000</u>
Total budgeted salaries and fringes 15-16		<u>\$38,616,583</u>

(11) Production-related Contracts:

	<b>2015-16 Proposed Budget</b>	<b>2014-15 Budget</b>
Multi-Family:		
Design Review	\$480,000	480,000
Environmental and Technical Resources	<u>100,000</u>	<u>100,000</u>
Sub total	\$580,000	\$580,000

Contract Administration*:		
Asset Management	\$2,500,000	\$2,538,000
Consulting	20,000	17,000
TRACS Processing	<u>789,000</u>	<u>789,000</u>
Sub total	\$3,309,000	\$3,344,000

Links to Homeownership	123,000	123,000
Pre-purchase Inspections	140,000	0
Single Family Foreclosure Services	250,000	250,000
Environmental Legal Matters	40,000	62,000
Capital Needs and Project Assessments	350,000	350,000
TRACS Processing	407,000	439,000
Contractual Tenant File Audits/Physical Inspections	<u>554,000</u>	<u>608,000</u>
Total	<u>\$5,753,000</u>	<u>\$5,756,000</u>

\*Additional contracts required for HUD Section 8 Contract Administration Program.

(12) General Contracts:

	<b><u>2015-16 Proposed Budget</u></b>	<b><u>2014-15 Budget</u></b>
Executive Contracts	\$0	\$ 500,000
Qualified Action Plan Consultant - LIHTC	0	30,000
Legal Contracts	310,000	60,000
Community Development Contracts	200,000	610,000
Downtown & Community Services Contracts	290,000	218,000
Housing Voucher Program Contracts	190,000	135,000
SHPO Contracts	467,000	265,000
Miscellaneous	<u>130,000</u>	<u>124,000</u>
	<u>\$1,587,000</u>	<u>\$1,942,000</u>

(13) Office rent and utility charges by location are as follows:

	<b><u>Proposed Budget</u></b>
Rent:	
735 E. Michigan Avenue	\$ 2,580,500
GM Building	876,500
Library Historical Center (SHPO)	138,000
Romney Building (H4HH)	<u>138,000</u>
	\$3,733,000

Taxes:

735 E. Michigan Avenue  
800 Jerome

\$ 270,000  
\$ 4,000

Utilities:

735 E. Michigan Avenue

\$ 181,000

Total

\$4,188,000

(14) Budget amount includes depreciation and servicing on Emphasys system (\$1,250,000), servicing on Agate system (\$650,000)\* and general computer related costs (\$1,100,000).

(15) State Charges include:

	<b>Proposed Budget <u>15-16</u></b>	<b>Budget <u>14-15</u></b>
Attorney General	\$750,000 (A)	\$780,000
Auditor General	108,000 (B)	108,000
Civil Service	660,000 (C)	660,000
DTMB Support	420,000 (D)	672,000
TED Admin	350,000	0
	<u>\$2,288,000</u>	<u>\$2,220,000</u>

(A) Per Attorney General (James Selleck – 31136)

(B) Per Auditor General (Stephanie Roach – 334-8050)

(C) Per Civil Service (1.75% of salaries & fringes) (Anne Scheib – 18059)

(D) Per DTMB (Jonah Allen - 13340)

(16) Prior year estimated actual amount with some items adjusted for budget savings, plus the addition of \$2.4 million for a possible legal settlement in the miscellaneous expense line item.

(17) Amount for Authority sponsored conferences.

(18) Amount includes expense for office equipment and rental.

(19) Advertising and publicity

	<b>Proposed Budget <u>15-16</u></b>
Program Advertising	\$3,196,000
Legal Notice Advertising (TEFRA, HOME, CDBG and Environmental)	250,000
Printing	<u>150,000</u>
Total	<u>\$3,596,000</u>

(20) Reflects similar utilization of agents and higher fees paid to agents.

(21) Temporary clericals and laborers.

- (22) Budget amount includes \$105,000 of legal fees and \$75,000 for insurance premiums. Legal fees and insurance premiums expected to be flat in FY 15.
- (23) Represents the direct costs of originating multi-family loans. Pursuant to generally accepted accounting principles, the cost of making loans is deferred and amortized against interest income over the term of the loans. The increase represents an increase in the production of new loans.
- (24) An increase in fees is expected due to a small increase in the amount of loans being serviced. There will be a small increase the amortization of the service release fee.
- (25) Servicing fees are expected to stay flat compared with FY 15.
- (26) Origination fees will stay flat due to a similar number of loans being originated.
- (27) Insurance premiums are expected to stay flat in FY 16.
- (28) An increase over last year's estimated actual due to more bonds anticipated being issued.
- (29) A decrease over last year's estimated actual is budgeted because the number of bonds with liquidity facilities has decreased and so have the fees.
- (30) Assumes \$5,000,000 of write-offs and will decrease current reserve balance by \$200,000.
- (31) Represents estimated expenditures for the Authority's rent subsidy programs that (1) provide up to a \$300 per unit per year subsidy for the total number of units in a project under the prior multi-family program (\$360,000), (2) provide a subsidy of up to \$400 per unit for each unit in a development under our taxable program so that some of the units can be afforded by very low income tenants who would otherwise be paying more than 40% of their income for rent (\$480,000), and (3) (\$360,000) for small size and security loans which are being expensed as paid due to the uncertainty of repayment. Excess subsidy repayments are estimated at (\$240,000).
- (32) Budgeted Authority grants are \$14,263,000.
- (33) This network is an ongoing responsibility of MSHDA with annual costs estimated at \$750,000.