

INSTRUCTIONS FOR COMPLETING MSHDA FORM #450 -1 FOR ALL MSHDA-FINANCED DEVELOPMENTS

These instructions are offered as a guide to your staff for preparing the Feasibility/Commitment Budgets on MSHDA-financed developments. **Detailed notes, including mathematical computations, and supportive documents must be included for each line item of the budget. All contracts or estimates provided by the service provider that were used to calculate the expense items must also be included with the budget package submission.** Budgets must be prepared by the management agent and submitted to the Authority on MSHDA Form #450-1 utilizing the instructions outlined below:

COLUMN 1 - BUDGET PROJECTIONS: This column should reflect the management agent's proposed operating budget. The amount entered should reflect your estimate of the anticipated income and expenses.

COLUMN 2 - COST PER UNIT: This column should be calculated by dividing the amount proposed in Column 1 by the number of units.

COLUMN 3 - ADJUSTMENTS BY MSHDA: Leave blank. MSHDA staff budget adjustments will be recorded in this column.

COLUMN 4 - MSHDA APPROVED BUDGET: Leave blank. MSHDA-approved budget amounts will be recorded in this column.

COLUMN 5 - COST PER UNIT: Leave blank. MSHDA-approved per unit per year budget amounts will be recorded in this column.

EXPENDITURES

The Authority recognizes that each management agent classifies and records certain expenses as either routine maintenance expenses (non-depreciable) or capital expenditures (depreciable). The method of depreciation and rationale for classification will be left to the discretion of each management agent as long as standard accounting principles and practices are followed. However, once an item has been classified as either non-depreciable or depreciable, it must be reported as such. Changing accounting methods and practices within an established fiscal period or periods is not allowed without formal declaration as required by IRS regulations.

Non-depreciable operating and maintenance items must be budgeted in Lines 11 through 15 of the budget. Depreciable items or capital expenditures must be budgeted in Lines 20 a-f of the budget.

NOTE: Congregate care service expenditures cannot be budgeted.

LINE 4a MANAGEMENT FEES - Cannot exceed **\$355.00** PUPY times the total number of units in the development. The management agreement for a particular development may establish a lower rate.

LINE 4b PREMIUM MANAGEMENT FEES - Leave blank. Cannot exceed \$50 PUPY. The Authority must approve the premium management fee before it can be disbursed. Do not include the cost of Employer Payroll Taxes, fringe benefits or Worker's Compensation in this line item.

LINE 5a ADVERTISING - Include costs of development advertising through newspapers, radio, television, exhibits, leaflets, brochures, signs, banners, etc. as well as advertising for staff vacancies.

LINE 5b MARKETING PAYROLL - Include the gross salaries of staff used exclusively for marketing or commissions paid to outside agents.

LINE 5c OTHER - Include resident referral and other marketing fees or costs.

LINE 6 LEGAL EXPENSE - Include the cost of professional services relating to the development's operations; i.e. serving notices, bonding, eviction proceedings, real estate tax appeals, etc..

NOTE: **The cost of the Legal Opinion Letter required for the Annual Certified Audit cannot be included in this line item.**

Supportive documents should clearly establish the average number of cases expected during the forthcoming year.

LINE 7a ADMINISTRATIVE PAYROLL - Include the gross salaries of all full and part-time office staff, including the human services coordinator. Each employee's salary must be listed separately.

LINE 7b TEMPORARY ADMINISTRATIVE SERVICES - Include the cost of employment agency administrative staff rather than development-paid staff.

LINE 7c EMPLOYEE PENSION PLANS - Include the cost of the employer's contribution for Authority-approved pension plans for fully-vested, on-site staff, as well as the cost of auditing these pension plans.. **Evidence of authority approval must be submitted with the budget.**

LINE 7d EMPLOYER PAYROLL TAXES - Include the employer's portion of FICA, FUTA and Unemployment Agency payments for all on-site employees:

Also include the taxes paid by the employer on behalf of marketing staff (5b), administrative staff (7a), maintenance staff (11a), janitorial staff (12a), grounds staff (13a) and security staff (15d).

The cost of an unemployment tax audit must be included in this line item.

LINE 7e TAXES OTHER - Include the development's Single Business Tax and any other development-related taxes (except Real Estate Taxes). The Single Business Tax figure is based on the estimated tax return of the development for the budget year.

LINE 7f TELEPHONE - Include local and long distance telephone charges, telephone equipment rental and internet charges. Development-related pager and cellular telephone charges made by on site staff are eligible expenses..

LINE 7g OFFICE - Include the cost of office supplies, computer maintenance and non-capitalized office equipment and development-specific computer software.

LINE 7h AUDITING - Include the cost of a required annual certified audit. The cost of the Annual Certified Audit=s legal opinion letter must be included in this line item.

LINE 7i CREDIT REPORTS - Include the cost of resident credit reports, home visits and criminal checks.

LINE 7j HUMAN SERVICES PROGRAM - Include the cost of Human Services Programs that directly benefit the residents; i.e. holiday dinners, parties, teen activities, cable TV, toddler programs and recreation/entertainment-related activities.

LINE 7k MISCELLANEOUS ADMINISTRATIVE - Include the cost of newsletters, coffee, Low Income Housing Tax Credit Fees, approved seminars or training sessions for on-site employees, charitable contributions and other items provided to residents not included in human services; Tax Credit monitoring fee; mileage for on - site staff.

LINE 8 ELECTRICITY - Include the estimated cost of electric usage based on current rates provided by the local utility company.

LINE 9 WATER & SEWER - Include the cost for the estimated water & sewage usage based on current rates.

LINE 10 FUEL - Include the estimated cost of fuel usage based on current rates provided by the local utility company.

Utility costs should take into account whether energy conservation measures will be undertaken to reduce utility expense. If irrigation systems are planned for next year, water costs will no doubt need to be increased.

LINE 11a MAINTENANCE PAYROLL - Include the gross salary of full and part-time maintenance staff; i.e. pool attendants and others performing maintenance-related work. List each employee's salary separately.

LINE 11b TEMPORARY MAINTENANCE SERVICES - Include the cost of employment agency maintenance staff rather than development-paid staff.

LINE 12a JANITORIAL PAYROLL - Include the gross salary of full and part-time janitorial staff for both unit and common area cleaning. List each employee's salary separately.

LINE 12b JANITORIAL SUPPLIES - Include the cost of supplies related to regular janitorial maintenance; i.e. detergents, cleaning compounds, disinfectants, brooms, mops, toilet paper, light bulbs, etc.

LINE 13a GROUNDS MAINTENANCE PAYROLL - Include the gross salary of full and part-time grounds staff. List each employee's salary separately.

LINE 13b TEMPORARY GROUNDS SERVICES - Include the cost of employment agency contractual grounds staff rather than development-paid staff.

LINE 13c SNOW REMOVAL - Include the cost of snow removal contracts and/or supplies and non-capitalized equipment related to the removal of snow and ice.

LINE 13d LAWN MAINTENANCE - Include the cost of lawn care contracts and/or supplies related to on-site lawn maintenance; i.e. trees, fertilizer, weed killers, shrub and lawn trimming, and all other non-capitalized items related to grounds maintenance.

LINE 13e PARKING LOT/CONCRETE REPAIRS - Include the cost of routine maintenance and upkeep of the parking lot, sidewalks, concrete; i.e. contracted cleaning, sealing/stripping, etc.

LINE 14a PAINTING UNITS - Include the cost of unit turnover and cycle contracted painting, non-capitalized wall papering, painting supplies, wallpaper and paint removing material, etc.

LINE 14b CLEANING UNITS - Include the cost of contractual vacated unit cleaning (not janitorial

staff).

LINE 14c HEATING AND AIR CONDITIONING - Include the cost of unit or common area costs for boiler inspection, non-capitalized replacements and repairs or service contracts for heating and air conditioning equipment.

LINE 14d PLUMBING - Include the cost of unit or common area costs for maintenance contracts for plumbing, routine plumbing maintenance supplies, non-capitalized replacements or repairs and any scheduled payments for calling in a plumber.

LINE 14e ELECTRICAL - Include the cost of unit or common area costs for maintenance contracts for electrical repairs, non-capitalized interior lighting replacements or repairs, routine electrical maintenance supplies, and any scheduled payments for calling in an electrician.

LINE 14f POOL MAINTENANCE - Include the cost of maintenance contracts for pool repairs, non-capitalized routine pool maintenance equipment and supplies, and any scheduled payments for calling in a pool repair person.

LINE 14g ELEVATOR - Include the cost of maintenance contracts for elevator repairs, non-capitalized routine elevator maintenance supplies, and any scheduled payments for calling in an elevator repair person.

LINE 14h EXTERIOR CYCLE PAINTING/WATERPROOFING - Include the cost of non-capitalized exterior cycle painting and waterproofing costs.

Exterior cycle painting should take place approximately once every five years. Therefore, 20% of the estimated cost should be escrowed each year with the Authority, and shown on LINE 16e, in order to assure that funds generated by the increased rents are used for their intended purpose. Record on this line only the anticipated cost of exterior cycle painting to be completed this budget year.

LINE 14i COMMON AREA COSTS - Include the cost of non-capitalized common area repairs, painting, renovation, cleaning or replacement costs.

LINE 14j OTHER - Include the cost of non-capitalized unit costs; i.e. doors, floor coverings, glass and screens, parts or repairs made to drywall, countertops, appliances, sinks, tubs, toilets; and maintenance supplies, etc. and any other unit contractual costs not specifically identified elsewhere.

LINE 15a VEHICLE & EQUIPMENT OPERATING EXPENSE - Include the cost of vehicle and equipment operating expenses such as permits, rentals, licenses, gasoline, oil, lubricants, and upkeep of vehicles and equipment; millage cost for maintenance staff.

LINE 15b EXTERMINATING - Include the cost of exterminating contracts and, when applicable, supplies and equipment for use by on-site staff.

LINE 15c RUBBISH REMOVAL - Include the contract amount for all rubbish removal.

LINE 15d SECURITY PAYROLL - Include the cost of a contracted security service or the gross salaries of security staff.

LINE 15e OTHER - Include the cost of non-capitalized security-related items; i.e. fire extinguishers, smoke detectors, monitoring charges; uniforms; city inspection fees and permits; and miscellaneous operating expenses; non-capitalized exterior costs.

NOTE: All expenses associated with the development's MSHDA security loan must be identified in the appropriate budget line item(s).

LINE 16a REAL ESTATE TAX ESCROW - Include the cost of a real estate tax assessment or the payment in lieu of taxes. The payment in lieu of taxes may be calculated as a certain percentage of net rent, less development paid utilities.

LINE 16b PROPERTY & LIABILITY INSURANCE - Include the cost of property liability insurance coverage only.

LINE 16c REPLACEMENT RESERVE - The first year deposit to the replacement reserve for all new construction proposals will be equal to \$200 per unit, expressed as a percentage of rent and increasing as rent increases. The first year deposit to replacement reserve for all proposals involving rehabilitation will be equal to \$300 per unit.

LINE 16d LOAN REPAYMENT - Include repayment of loans from all reserve accounts, repayable energy loans, owner advances, etc.

LINE 16e OTHER - Include the amount of payment for special MSHDA-held reserve accounts; i.e. exterior painting/staining, asphalt, etc.

LINE 17a & b MORTGAGE INTEREST & PRINCIPAL - Leave blank. MSHDA will require a debt coverage ratio of 1.1 defined as the ratio of net operating income to fully amortizing debt service requirements. The definition of debt coverage in the Recommended Practices shall be adopted. For RHS developments, the 1.05 debt coverage ratio will be adopted.

LINE 17c TRUSTEE BOND FEES - Leave blank. This line item expense includes Section 8 Preservation Pass Through Program bond trustee fees.

LINE 18a EMPLOYEE HEALTH BENEFITS - Include the development's contribution for staff hospitalization, dental and vision insurance; flexible spending accounts, etc.

LINE 18b WORKER'S COMPENSATION - Include Worker's Disability Compensation Insurance and the cost of the Worker's Compensation audit. The cost of the worker's compensation is determined by multiplying the percentage cost of worker's compensation (supplied by MESC) by the gross salary of each employee or employee group. This percentage varies depending on the job classification of the employee.

LINE 18c OTHER - Include vehicle and equipment insurance, employee discrimination insurance, fidelity bond coverage where allowed under the Authority's fidelity bond policy and any other Authority-approved insurance costs not currently being escrowed.

LINE 19 ALLOWABLE DISTRIBUTIONS - Include L. D. Payments and Pass Through Program non-profit distributions pursuant to the terms of the Regulatory Agreement.

The budget can show \$-0- for the L. D. Payment if:

- \$ Rents are already prohibitively high for the market;
- \$ Development is owned by a non-profit; or
- \$ the for-profit does not intend to pay an L.D. Payment.

Do not budget L.D. Payments when Small Size/Security loans are budgeted. However, L. D. Payments may be approved if surplus funds beyond loan disbursements are realized at year end.

Do not budget more than one year=s annual L.D. amount.

LINE 20a LAND IMPROVEMENTS - Include capitalized improvements directly related to or added to the land; i.e. sidewalks, roads, fences, landscaping shrubs and trees, lawn sprinkler system, playground equipment, etc.

LINE 20b BUILDING & COMPONENTS - Include capitalized major structural repairs or additions; i.e. decks, awnings siding, roofs, doors, windows, storage sheds, lighting systems, heating/cooling systems, security systems and equipment, etc. **NOTE: The items listed above must receive prior approval from MSHDA before work commences.**

LINE 20c MAINTENANCE EQUIPMENT - Include capitalized trucks, snow removal equipment, lawn mowers, power tools, etc.

LINE 20d OFFICE EQUIPMENT - Include capitalized items; i.e. desks, files, computers, development-specific computer software, typewriters, copiers, calculators, communication system equipment, etc.

LINE 20e FURNITURE & FIXTURES - include capitalized non-structural components of a building; i.e. appliances, floor covering, tubs, sinks, toilets, air conditioning units, water heaters, window treatments, common area furniture and pictures, etc.

LINE 20f OTHER - Include capitalized items not included in the above categories; i.e vans, etc.

LINE 21 EXCESS INCOME PAYMENT - Leave blank. Applicable to Section 236 developments only.

LINE 22 TOTAL EXPENDITURES - Add LINES 4a through 21.

LINE 23 INCOME MINUS EXPENDITURES - Subtract LINE 22 from LINE 3.

INCOME

LINE 1 GROSS RENT POTENTIAL - The determination of the gross rent potential is based on program guidelines and MSHDA=s Market Research Division.

LINE 1a VACANCY LOSS - A minimum vacancy loss estimate of 5% will be required of all developments. For developments in softer markets, as determined and recommended by the Chief Market Analyst, a vacancy loss of up to 7% may be required.

LINE 1b NON-RENTAL UNIT - Multiplying the number of non-rental units, times the rental rate, times 12.

LINE 1c BAD DEBT/FORMER RESIDENTS - This line item amount will be based on the history of first phase developments for projecting second phase estimates only. Otherwise, leave blank.

LINE 1d MARKETING RENT CONCESSIONS - This line item figure will be based on the history of first phase developments for projecting second phase estimates only. Otherwise, leave blank.

LINE 1e NET CHANGE IN RECEIVABLES - Leave blank.

LINE 1f NET CHANGE IN UNEARNED RENTAL INCOME - Leave blank.

NET RENT COLLECTED - Gross Rent Potential minus Lines 1a through 1d.

LINE 2 OTHER INCOME

Income from congregate care services **cannot** be budgeted as Other Income.

LINE 2a **REPLACEMENT RESERVE** - Leave blank.

LINE 2b **DCE PRINCIPAL** - Leave blank.

LINE 2c **DCE INTEREST** - Leave blank.

LINE 2d **OPERATING RESERVE CASH** - Leave blank.

LINE 2e **MISCELLANEOUS SPECIAL ESCROWS** - Leave blank.

LINE 2f **ADVANCES** - Leave blank.

LINE 2g **LATE CHARGES** - Compute this number based on the late fees collected at a comparable development.

LINE 2h **LAUNDRY** - Include all funds received from laundry usage.

LINE 2i **COMMERCIAL INCOME** - Include income derived from the rental of commercial space covered by a master lease.

LINE 2j **SUBSIDIES/GRANTS** - Include subsidy or grant funds anticipated for the year; i.e. Small Size Loans, Security Loans HODAG or subsidy grants that support the operation of the development.

LINE 2k **INTEREST INCOME** - Include income derived from interest earned on savings deposits, investment certificates, security deposits (where applicable) and trustee-held escrow accounts. Do not include interest earned on MSHDA-held reserves.

LINE 2l **EXCESS RENTAL INCOME** - Leave blank. Applicable to Section 236 developments only.

LINE 2m **OTHER** - Include miscellaneous income; i.e. cable and TV antenna, club house rental, carports, air conditioner unit rentals, non-refundable pet or other fees, application fees, insurance checks, rent from non-ACC=d units, NSF fees, rent from telecommunications tenants, human services programs and sales proceeds.

LINE 3 **TOTAL INCOME** - Add Net Rent Collected plus Total Other Income.