Housing Opportunities Commission
OF MONTGOMERY COUNTY

10400 Detrick Avenue
Kensington, MD 20895-2484
(240) 627-9425

Budget, Finance and Audit Committee

September 20, 2023
10:00 a.m.

Livestream: https://www.youtube.com/watch?v=me6DT6HPeuc

HOC's offices are now open to the public. The public is invited to attend HOC's September 20, 2023 Budget, Finance and Audit Committee meeting in-person.
HOC's Board of Commissioners and staff will continue to participate through a hybrid model (a combination of in-person and online participation).

Approval of Minutes:

Title	
1. Minutes: Approval of Budget and Finance Committee Minutes September 6, 2023	3

Discussion/Action Items:

Title	
1. Fiscal Year 2023 Fourth Quarter Unaudited Financial Statements: Presentation of the Unaudited Financial Statements for the Fourth Quarter ended June 30, 2023	6
2. Fiscal Year 2023 Fourth Quarter Budget to Actual Statements: Presentation of Fourth Quarter FY'23 Budget to Actual Statements	25
3. Uncollectible Tenant Accounts Receivable: Presentation of Request to Write-Off Uncollectible Tenant Accounts Receivable (April 1, 2023 – June 30, 2023)	40

Minutes

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY

10400 Detrick Avenue

Kensington, Maryland 20895

(240) 627-9425

Budget, Finance and Audit Committee Minutes

September 6, 2023

For the official record of the Housing Opportunities Commission of Montgomery County, an open meeting of the Budget, Finance and Audit Committee was conducted via a virtual platform on Wednesday, September 6, 2023 with moderator functions occurring virtually beginning at 3:06 p.m. There was a livestream of the meeting held on YouTube, available for viewing here. Those in attendance were:

Present Via Zoom

Richard Y. Nelson, Jr., Chair
Jeffrey Merkowitz – Chair Pro Tem, Commissioner
Frances Kelleher, Vice Chair, Commissioner

Chelsea Andrews, Executive Director
Kayrine Brown, Deputy Executive Director
Terri Fowler, Budget Officer
Lynn Hayes
Sean Asberry
John Wilhoit
Ellen Goff
Ali Ozair
Morgan Tucker

Timothy Goetzinger, Acting Chief Financial Officer
Heather Grendze
Zachary Marks
John Broullire
Matt Husman
Marcus Ervin
Brittney Holloway
Kai Hsieh
Meta Lim

IT Support

Aries "AJ" Cruz

Commission Support

Jocelyn Koon, Senior Executive Assistant

Committee Chair Nelson opened the meeting with a welcome and introduction of Commissioner Kelleher, Commissioner Merkowitz, and the Executive Director. Commissioner Nelson began the meeting with the approval of the minutes.

APPROVAL OF MINUTES

The minutes of May 19, 2023 meeting were approved as submitted with a motion by Commissioner Merkowitz and seconded by Commissioner Kelleher. Affirmative votes were cast by Commissioners Nelson, Merkowitz, and Kelleher,

ACTION/DISCUSSION ITEMS

1. **County FY' 25-30 Capital Improvements Program Budget:** Presentation of the County FY' 25-30 Capital Improvements Program Budget.

Chelsea Andrews, Executive Director, provided an overview of the presentation and introduced Timothy Goetzinger, Chief Development Funds Officer/Acting Chief Financial Officer, and Terri Fowler, Budget Officer, who provided the presentation. Staff addressed questions of the Commission. Commissioner Nelson made a motion to support the staff recommendation. The motion was moved by Commissioner Merkowitz and seconded by Commissioner Kelleher. Affirmative votes were cast by Commissioner Nelson, Merkowitz, and Kelleher.

2. **Inspection Services:** Approval of the Selection of Gilson Housing Partners as the Independent Contractor to Conduct Housing Quality Standards ("HQS") Inspections for the Housing Choice Voucher Program and other Residential Inspections.

Commissioner Nelson introduced Executive Director, Chelsea Andrews, who provided an overview of the presentation and introduced Director of Housing Resources, Lynn Hayes, to provide the detailed presentation. Commissioner Nelson made a motion to accept the staff recommendation. The motion was moved by Commissioner Merkowitz and seconded by Commissioner Kelleher. Affirmative votes were cast by Commissioners Merkowitz, Nelson, and Kelleher.

Based upon this report and there being no further business to come before this session of the Budget, Finance and Audit Committee, the meeting adjourned at 3:46 p.m.

Respectfully submitted,

Chelsea Andrews
Secretary-Treasurer

/jlk

Discussion Items

M E M O R A N D U M

TO: Housing Opportunities Commission of Montgomery County
Budget, Finance and Audit Committee

VIA: Chelsea Andrews, Executive Director

FROM Staff: Timothy Goetzinger, Acting CFO
Eugenia Pascual, Controller
Francisco Vega, Assistant Controller
Claudia Wilson, Accounting Manager
Niketa Patel, Accounting Manager
Nilou Razeghi, Accounting Manager

RE: **Fiscal Year 2023 (FY'23) Fourth Quarter Unaudited Financial Statements:**
Presentation of the Unaudited Financial Statements for the Fourth Quarter Ended June 30, 2023

DATE: September 20, 2023

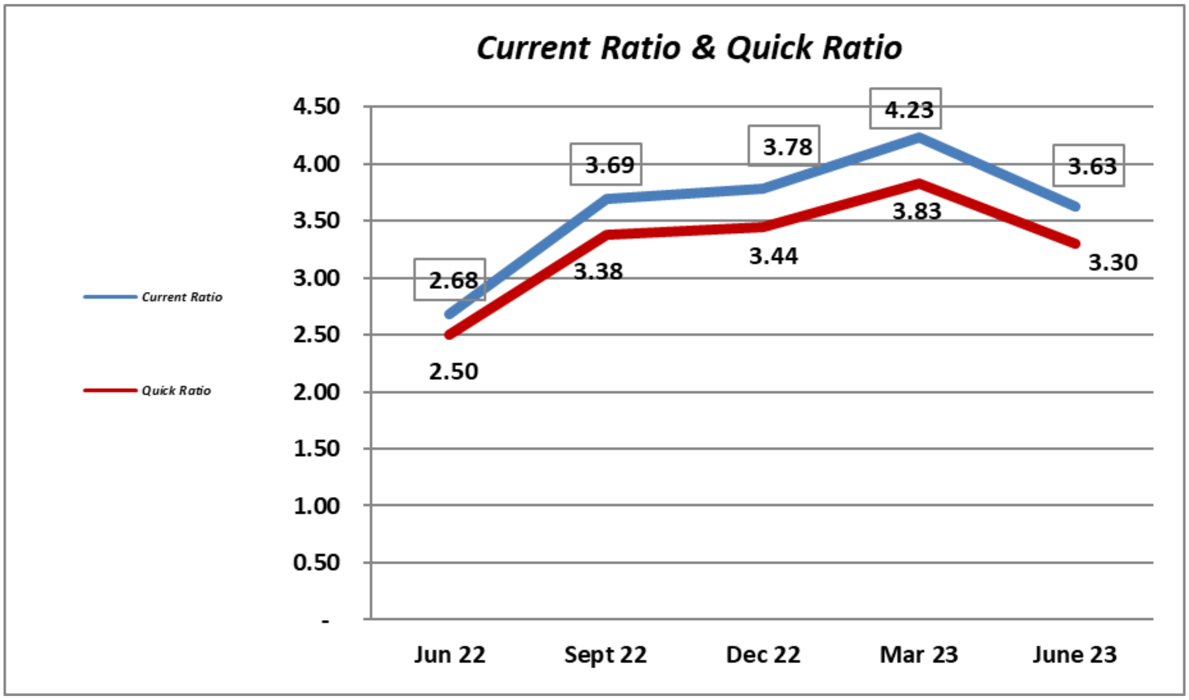
Attached please find the un-audited consolidated financial statements for the Housing Opportunities Commission of Montgomery County ("HOC" or "Commission") for the fiscal year ended June 30, 2023.

Financial Highlights:

- The Commission's net position decreased slightly by $843,236 or 0.28% from last year attributed to the net operating loss during the fiscal year ending June 30, 2023. This is an improvement of $4.7 million over the previous quarter. After adjusting the net income for the recording of capital contributions, unrealized loss on investment and gain on sale of assets, HOC ended the fiscal period with an adjusted net income of $6.6 million compared to an adjusted net income of $7.2 million for the same period last fiscal year. This is an improvement over last quarter's performance in which HOC ended FY'23 Q3 with a net loss of $258,801 as compared to a net income of $4.2 million for the same period last fiscal year (FY'22 Q3).

- The Commission's current ratio (ratio of current assets to current liabilities) increased from 2.68 in June 2022 to 3.61 in June 2023. The quick ratio (the ratio is an indicator of liquidity, reflecting current assets that can be converted to cash within 90 days) also increased from 2.50 in June 2022 to 3.30 in June 2023. The increase is attributed to the decrease in the Multifamily Bond Fund undrawn proceeds payable due to additional bond draws for HOC at Westside Shady Grove LLC, HOC at Willow Manor LLC, HOC at Stewartown LLC, and Bauer Park Apartments LP. Additionally, the Opportunity Housing

Fund current liabilities decreased as well largely due to refinancing of Westwood Tower's short-term debt.



- The Commission's total assets excluding the deferred outflows of resources decreased by $1 million or .05% since June 30, 2022. This is largely due to a decrease in restricted and unrestricted cash and cash equivalents and net capital assets partially offset by an increase in mortgage and construction loans receivable. This is an improvement of $35 million quarter over quarter.

- The decrease in the restricted cash and cash equivalents is primarily attributed to additional draws of the bond proceeds for HOC at West Side Shady Grove LLC, HOC at Willow Manor LLC, HOC at Shady Grove LLC, HOC at Georgian Court LLC, HOC at Stewartown Home LLC and Bauer Park Apartments LP.

- The decrease in unrestricted cash and cash equivalents is driven by a decrease in the General Fund due to the payment of FY2023 commercial liability insurance, property taxes and Yardi annual license and maintenance for Yardi Saas private cloud system, and employee retirement system payment, a decrease in Opportunity Housing Reserve Fund ("OHRF"), and an increase in advances to several component units due to timing (See note 1.b). The decrease in OHRF is largely due to bridge financing for HOC at Shady Grove LLC and Hillandale Gateway LLC predevelopment expenses and funding of HOC at CCL Multifamily-Member equity contribution. The decrease is partly reduced by an increase in unrestricted cash at the property level primarily Bradley Crossing LLC

("Bradley Crossing"), The Metropolitan, Westwood Tower, HOC at Battery Lane LLC ("Battery Lane"), Cider Mill apartments, HOC at Avondale LLC, Pooks Hill Dev. Corp. ("Pooks Hill") and Paddington Square Dev. Corp. ("Paddington").

- The decrease in net capital assets of $12.4 million is primarily attributed to the normal depreciation of fixed assets.

- The net increase of $63 million in total mortgage and construction loans receivable is driven by additional PNC Real Estate Line of Credit ("RELOC") draws for EH III/The Leggett, HOC at Upton II ("Upton/The Residence Lane"), HOC at Willow Manor LLC, HOC at Stewartown LLC, HOC at Shady Grove LLC and Hillandale Gateway LLC. The Multifamily Bond Fund also contributed to the increase due to new bond issued for $28.5 million under the Multifamily Housing Development Bonds ("MHDB") 2023 Series A for the Residences on the Lane permanent financing.

- The Multifamily Bond Fund issued a $28.5 million new bond under the Multifamily Housing Development Bonds ("MHDB") 2023 Series A. The Multifamily Bond fund also redeemed and retired bonds for $9.1 million under the Multifamily Housing Development Bonds (1996 Indenture) and $2.9 million under the Stand Alone 1998 Issue and bond defeasance related to 1994 Strathmore Issue for ($0.5) million.

- The Single Family Bond Fund issued a $30.1 million new bond under the Mortgage Revenue Bonds 2023 Series AB and redeemed and retired bonds under the 1979 Indenture for $18.0 million, the 2019 Indenture for $4.9 million and the 2009 Indenture for $2.5 million.

- The amount of U.S. Department of Housing and Urban Development ("HUD") Housing Choice Voucher Program, Housing Assistance Revenue received by the Commission increased by $6.5% from $124 million in FY'22 to $132 million in FY'23.

<u>Overall Agency Net Income (Loss)</u>

The Commission has a net loss of $843,236 as of the fiscal year ending June 30, 2023, compared to a net income of $61.2 million for the same period last year. However, after adjusting the net income for the recording of capital contributions, unrealized loss on investments and gain on sale of assets, HOC ended the fiscal period with a net income of $6.6 million as compared to a net income of $7.2 million for the same period last fiscal year.

	FY 2023		FY 2022
Net Income (Loss)	$	(843,236)	$ 61,239,407
Less:			
Capital Contributions		216,840	324,475
Unrealized Loss on Investments		7,314,964	15,055,059
Gain on sale of assets-Non-operating		(72,097)	(69,386,118)
Adjusted Net Income (Loss)	$	6,616,471	$ 7,232,823
Amount of (Decrease)	$	(616,352)	

The unrealized (gains)/losses on investments in both bond funds reflect the hypothetical (gains)/losses on investments that would have been received or lost if those investments had been sold on the last day of the reporting period. HOC does not actively trade in securities; however, if planned properly or held to maturity, no recognized gain or loss should result from the investments.

The $69 million gain on sale of assets in FY'22 resulted from the three Manors, Shady Grove and Georgian Court real estate transactions.

Major contributors to HOC's adjusted net income of $6.6 million as of the fiscal year ending June 30, 2023 are provided in the below chart along with a comparison of the fiscal year ending June 30, 2022:

	Fiscal Year 2023 (in millions)	Fiscal Year 2022 (in millions)	Variance (in millions
Housing Assistance Payments (HAP) Income	$ 132.5	$ 124.4	$ 8.1
Other Federal/State & County Grants	23.7	18.7	5.0
Investment Income	17.7	11.5	6.2
Interest on Mortgage and Construction Loans Receivable Income	9.6	7.0	2.6
Dwelling Rental Income	103.4	102.4	1.0
HAP Expense	(135.0)	(125.8)	(9.2)
Administration Expense	(53.2)	(46.6)	(6.6)
Maintenance Expense	(26.5)	(28.2)	1.7
Utilities Expense	(7.5)	(7.4)	(0.1)
Fringe Benefits	(9.3)	(11.9)	2.6
Interest Expense	(43.9)	(35.8)	(8.1)
Depreciation and amortization	(21.7)	(21.2)	(0.5)
Other Income Net of Other Expenses	16.8	20.1	(3.3)
Adjusted Net Income	$ 6.6	$ 7.2	$ (0.6)

The Housing Assistance Payments ("HAP") – revenue increased within the HCV Main Program, Emergency Housing Vouchers, HCV Incoming Portables, Mainstream Program, and Incremental Housing Choice Vouchers, partly offset by a decrease in earned HAP revenue under the 2017 Mainstream Program and COVID-19 HCV Main Program. The increase in HAP expense is attributed to an increase in leasing and leasing costs within the HCV Main Program, Emergency Housing Vouchers, HCV Outgoing and Incoming Portables, Non-Elderly Persons with disabilities, and HCV Upton II, partly offset by a decrease in HCV VPC One Dev. Corp., HCV VPC Two Dev. Corp., Designated Plan Vouchers, and COVID-19 HCV Main Program.

The increase in investment income is largely due to MRB 2022 Series ABCD and 2021 Series ABCD related to the Single Family Bond Fund. Also contributing to the increase was the Housing Production Fund ("HPF") Series 2021 Limited Obligation Bonds, MHDB 2021, 2020 and 2019 Series bonds related to the Multifamily Bond Fund. The higher interest rate this year compared to last year contributed to the increase in both bond funds.

The increase in state and county grants is attributable to the County Main Rental Assistance, HIF Recordation Rental Assistance, and CDBG-CV Rental Assistance programs partially offset by a decrease in the County Capital Improvement Program ("CIP").

The increase in interest on mortgage and construction loans receivable is mainly due to an increase in the MHDB 2021 Series C and D mortgage loan receivable balance in the Multifamily Bond Fund

The increase in dwelling rental income is largely due to HOC at Battery Lane, LLC ("Battery Lane"), 900 Thayer Retail LLC and HOC at Avondale, LLC, which is partially offset by a decrease in tenant income from Shady Grove Apartments LP ("Shady Grove"), Georgian Court Silver Spring LP ("Georgian Ct") and the three Manor properties (The Manor at Fair Hill Farms LLC, The Manor at Clopper's Mill LLC & The Manor at Colesville LLC). The Shady Grove Apartments, Georgian Court and the three Manor properties were sold to special purpose entities in December 2021. Bad debt expense for the fiscal period July 2022 to June 2023 amounted to about $2.8 million. As of June 30, 2023, the tenant receivable balance has increased by $1,744,751 from June 30, 2022, totaling $9,541,722. Staff does anticipate that a portion of this amount will result in additional allowances and the potential for additional allowances to be set up in subsequent months to reflect the continuation of non-payments lingering from the COVID-19 pandemic.

The increase in administrative expense is mainly due to the Public Fund and General Fund expenses. The Public Fund expenses increased primarily due to the disbursement of the rental assistance funding for the County Main, CDBG and HIF Rental Assistance Program, and administrative salaries partly offset by a decrease in the COVID 19 Main Program expenses. The increase in the General Fund is driven by online information services, administrative salaries, temporary agency services, computer software, and miscellaneous operating expenses due to recruiting expenses. This increase is partly offset by a decrease in the Opportunity Housing Fund mainly due to the cost of issuance related to Battery Lane and Strathmore Court transactions incurred in the prior year.

The decrease in maintenance expense is mainly due to General Fund computer equipment and computer software expenses related to application development and technical services. The expenses within the Opportunity Housing Fund also decreased due to the sale of Shady Grove, Georgian Ct and the three Manor properties partly offset by an increase in expenses at Battery Lane, Alexander House, Paddington and Magruders.

The increase in total interest expense is attributed primarily to the interest on the Battery Lane acquisition loan with Eagle Bank, accrued interest on MV Gateway II LLC mezzanine loan, partly reduced by the sale of the three Manor properties. The Single Family Bond Fund increased due to the new issuance of Single Family MRB 2022 Series ABCD bonds and higher variable interest rate for 2008 Series D. The Multifamily Bond Fund also contributed to the increase mainly due to new bond issued for Willow Manor, HOC at Georgian Court LLC and HOC at Shady Grove LLC, and HPF in December 2021 and September 2021, 1994 Strathmore Series A1-A2, and the 2023 Series A issuance to fund the permanent mortgage loan for Residences on the Lane.

The decrease in fringe benefits is largely due to the year-end adjustments in pension expense and other post-employment benefits ("OPEB") to record the changes in the Net Pension and OPEB liabilities as of June 30, 2022, as provided by the County for FY'23 reporting.

The decrease in other income net of other expense is primarily due to a decrease in development fee and commitment income partially offset by a decrease in the Opportunity Housing properties mortgage insurance, incentive fees, COVID-19 expenses and Cider Mill prior year adjustments.

Adjusted Operating Revenue

The revenues from operations, when adjusted for HAP income and unrealized loss on investments, increased by $8.8 million for the fiscal year ending June 30, 2023, when compared to the same period last year.

		FY 2023		FY 2022
Total Operating Revenue	$	303,767,733	$	279,159,574
Less:				
Housing Assistance Revenue		(132,450,425)		(124,356,627)
Unrealized Loss on Investments		7,314,964		15,055,059
Adjusted Total Operating Revenue	$	178,632,272	$	169,858,006
Amount of Increase (Decrease)	$	8,774,266		

All of the income categories registered an increase in FY'23 compared to the previous year except for management fees and other income due to the timing of development fee and commitment fee income. The increase in investment income, state and county grants and interest income on mortgage and construction loan receivable largely accounted for the increase in the total adjusted operating revenue.

Adjusted Operating Expenses

The operating expenses, when adjusted for HAP expense, increased by $9.4 million for the fiscal year ending June 30, 2023, when compared to the same period last fiscal year.

		FY 2023		FY 2022
Total Operating Expenses	$	310,119,895	$	291,588,290
Less:				
Housing Assistance Payments (HAP)		(135,001,299)		(125,824,236)
Adjusted Total Operating Expenses	$	175,118,596	$	165,764,054
Amount of Increase (Decrease)	$	9,354,542		

The increase in the adjusted operating expenses is mainly due to an increase in interest expense, administrative expense and depreciation expense, partly offset by lower fringe benefits, maintenance, and other expenses.

Non-operating Revenues (Expenses)

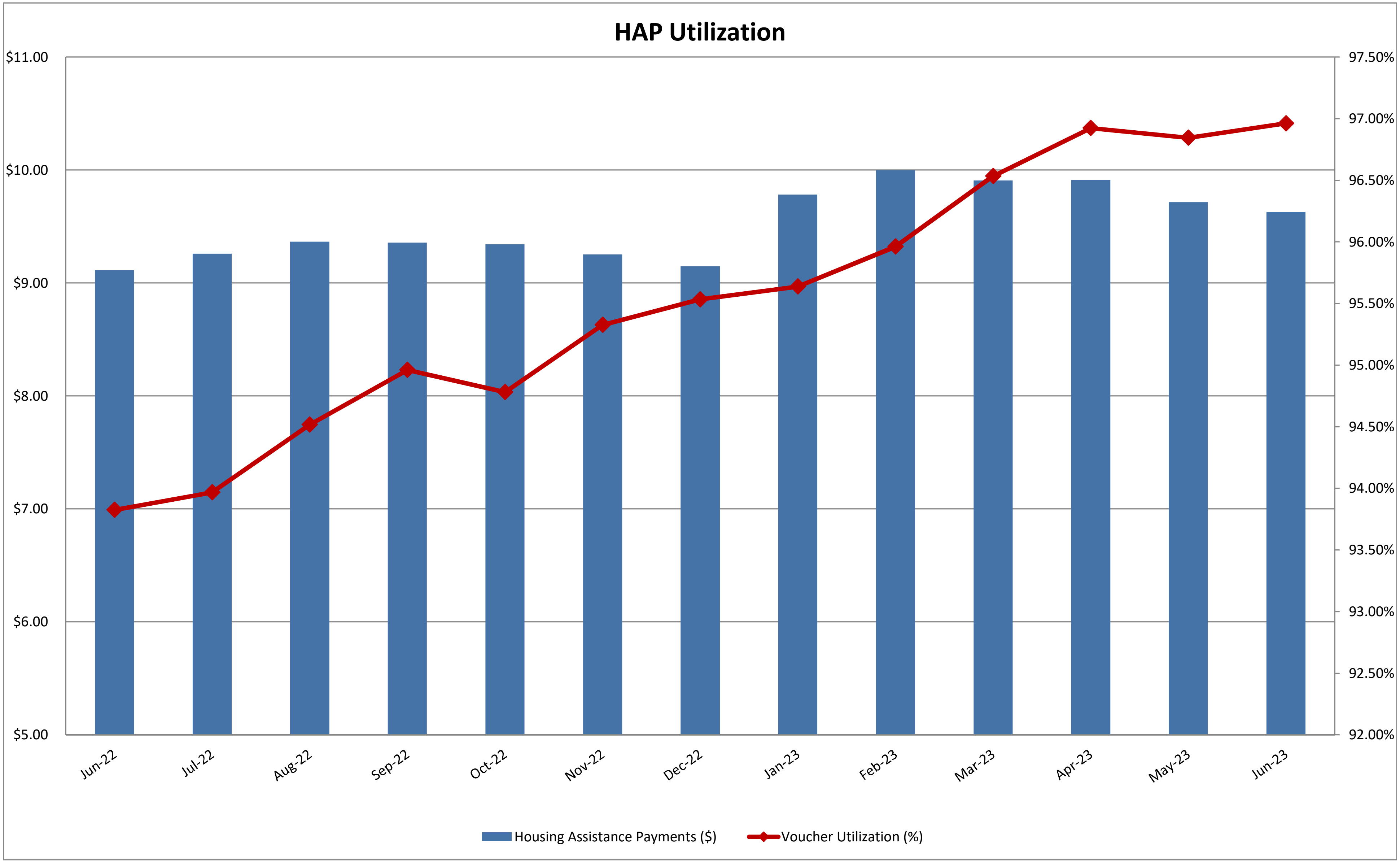
The non-operating net revenues amount to $5.7 million for the fiscal year ending June 30, 2023, as compared to a net income of $4.6 million for the same period last year, after adjusting for the gain on sale of assets from Shady Grove, Georgian Court, the three Manor properties and HOC at Avondale. The increase in non-operating revenues is attributed to an increase in investment income, non-operating interest income on mortgage and construction loans receivable, and other grants partially offset by an increase in non-operating interest expense.

		FY 2023		FY 2022
Total Non-Operating Revenues (Expenses)	$	5,725,766	$	73,992,598
Less:				
Gain/(Loss) on sale of assets-Non-operating		(72,097)		(69,386,118)
Adjusted Total Non-Operating Revenues (Expenses)	$	5,653,669	$	4,606,480
Amount of Increase (Decrease)	$	1,047,189		

Conclusion

The Commission's net position decreased modestly by $849 thousand year over year; however, this is an improvement of $4.7 million quarter over quarter. After adjusting the net income for the recording of capital contributions, unrealized loss on investment and gain on sale of assets, HOC ended the fiscal period with a net income of $6.6 million as compared to a net income of $7.2 million for the same period last fiscal year. This compares favorably to FY23 Q3 when HOC ended the fiscal period with an adjusted net loss of $258,801. Although current and quick ratios slightly decreased from the third quarter, they improved year over year and remain strong. While tenant arrearages are up year over year by $1.74 million, they have declined each of the last two quarters from $11.4 million in December 2022 to $10.3 million in March 2023 to $9.5 million at fiscal year-end, which is below September 2022 levels. A large driver for next year's performance will be the timing of commitment and development fees as well as property performance, specifically rent collection, deferred maintenance and utility costs.

	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23
Housing Assistance Payments ($)	$9,113,356	$9,258,785	$9,364,085	$9,355,907	$9,341,203	$9,252,794	$9,147,758	$9,782,366	$9,996,391	$9,906,793	$9,910,697	$9,714,369	$9,627,978
Voucher Utilization (%)	93.82%	93.97%	94.52%	94.96%	94.78%	95.33%	95.53%	95.64%	95.96%	96.53%	96.92%	96.84%	96.96%
UNITS under LEASE	7,186	7,197	7,239	7,273	7,300	7,342	7,358	7,366	7,391	7,435	7,465	7,459	7,468
HUD Authorized BASE LINE	7,659	7,659	7,659	7,659	7,702	7,702	7,702	7,702	7,702	7,702	7,702	7,702	7,702



Housing Opportunities Commission of Montgomery County, Maryland
Combined Statements of Net Position
As of June 30, 2023 and June 30, 2022

Assets and Deferred Outflows	Note Num.	6/30/2023	6/30/2022	Dollar Variance	Percentage Variance
Current Assets					
Unrestricted:					
Cash and cash equivalents	-1.a.-	$ 122,777,862	$ 141,338,502	$ (18,560,640)	(13.13%)
Advances to component units	-1.b.-	7,487,775	4,066,220	3,421,555	84.15%
Accounts receivable and other assets	-1.c.-	28,714,906	27,678,413	1,036,493	3.74%
Accrued interest receivable	-1.d.-	17,633,698	14,093,802	3,539,896	25.12%
Lease Receivable Current		1,106,005	1,305,017	(199,012)	(15.25%)
Mortgage and construction loans receivable - (	-1.e.-	11,846,012	13,157,945	(1,311,933)	(9.97%)
Total unrestricted current assets		**189,566,259**	**201,639,899**	**(12,073,640)**	(5.99%)
Restricted cash and cash equivalents and investments:					
Restricted cash and cash equivalents	-1.f.-	168,603,552	225,725,994	(57,122,442)	(25.31%)
Restricted short-term investments	-1.g.-	2,139,278	3,596,993	(1,457,715)	(40.53%)
Cash for current bonds payable	-1.h.-	49,270,111	40,703,219	8,566,892	21.05%
Customer deposits		6,286,702	5,608,621	678,081	12.09%
Total restricted cash and cash equivalents and investmen		**226,299,643**	**275,634,827**	**(49,335,184)**	(17.90%)
Total current assets		**415,865,901**	**477,274,726**	**(61,408,825)**	(12.87%)
Noncurrent Assets					
Restricted long-term investments	-1.i.-	175,141,779	169,381,806	5,759,973	3.40%
Lease Receivable, Net of Current		7,438,772	8,296,033	(857,261)	(10.33%)
Mortgage and construction loans receivable	-1.e.-	715,734,097	651,531,537	64,202,560	9.85%
Capital assets, Being Depreciated, Net	-1.j.-	508,014,016	525,490,625	(17,476,609)	(3.33%)
Capital assets, Not Being Depreciated, Net	-1.j.-	160,765,861	155,654,459	5,111,402	3.28%
Right-to-Use Asset		334,568	536,556	(201,988)	(37.65%)
Derivative Asset		4,322,996	2,193,576	2,129,420	97.08%
Investment in Component Units	-1.k.-	37,523,979	35,860,438	1,663,541	4.64%
Total noncurrent assets		**1,609,276,068**	**1,548,945,030**	**60,331,038**	3.89%
Total Assets		**2,025,141,970**	**2,026,219,756**	**(1,077,786)**	(0.05%)
Deferred Outflows of Resources					
Derivative Instrument	-1.l.-	20,637,912	21,270,199	(632,287)	(2.97%)
Fair value of hedging derivatives	-1.l.-	-	1,727,682	(1,727,682)	(100.00%)
Employer -Related Pension Activities	-1.l.-	6,707,859	30,990,437	(24,282,578)	(78.36%)
Employer -Related OPEB Activities	-1.l.-	4,331,747	6,401,277	(2,069,530)	(32.33%)
		31,677,518	**60,389,595**	**(28,712,077)**	(47.54%)
Total Assets and Deferred Outflows		**$ 2,056,819,488**	**$ 2,086,609,351**	**$ (29,789,863)**	(1.43%)
Liabilities and Net Position					
Current Liabilities					
Accounts payable and accrued liabilities	-1.m.-	$ 28,164,589	$ 28,684,325	$ (519,736)	(1.81%)
Undrawn Mortgage Proceeds Payable	-1.n.-	15,010,336	68,050,006	(53,039,670)	(77.94%)
Accrued interest payable		10,573,846	9,389,990	1,183,856	12.61%
Loans payable to Montgomery County - current	-1.o.-	247,073	241,243	5,830	2.42%
Lease Payable Current		126,470	318,242	(191,772)	(60.26%)
Mortgage notes and loans payable - current	-1.p.-	5,988,798	26,091,520	(20,102,722)	(77.05%)
Total current unrestricted liabilities		**60,111,112**	**132,775,326**	**(72,664,214)**	(54.73%)
Current Liabilities payable from restricted assets:					
Customer deposit payable		5,314,212	4,575,032	739,180	16.16%
Accrued interest payable	-1.q.-	9,615,947	8,595,765	1,020,182	11.87%
Bonds payable - current	-1.r.-	39,654,165	31,988,733	7,665,432	23.96%
Total current liabilities payable from restricted assets		**54,584,324**	**45,159,530**	**9,424,794**	20.87%
Total current liabilities		**114,695,436**	**177,934,856**	**(63,239,420)**	(35.54%)
Noncurrent Liabilities					
Bonds payable	-1.r.-	755,574,475	741,557,113	14,017,362	1.89%
Mortgage notes and loans payable	-1.p.-	669,944,859	626,827,946	43,116,913	6.88%
Loans payable to Montgomery County	-1.o.-	93,710,306	87,549,922	6,160,384	7.04%
Lease Payable Net of Current		209,081	221,748	(12,667)	(5.71%)
Unearned Revenue	-1.s.-	33,997,564	34,702,518	(704,954)	(2.03%)
Escrow and other deposits		20,561,989	19,106,708	1,455,281	7.62%
Net Pension liability		10,257,154	32,216,643	(21,959,489)	(68.16%)
Net OPEB liability		14,123,112	16,573,819	(2,450,707)	(14.79%)
Derivative investment - hedging		-	1,727,682	(1,727,682)	(100.00%)
Total noncurrent liabilities		**1,598,378,541**	**1,560,484,099**	**37,894,442**	2.43%
Total Liabilities		**1,713,073,977**	**1,738,418,955**	**(25,344,978)**	(1.46%)
Deferred Inflows of Resources					
Derivative Instrument	-1.l.-	4,322,996	2,193,576	2,129,420	97.08%
Unamortized Lease Receivable	-1.l.-	8,113,988	9,582,722	(1,468,734)	(15.33%)
Unamortized Pension Net Difference	-1.l.-	21,869,285	23,992,290	(2,123,005)	(8.85%)
Unamortized OPEB Net Difference	-1.l.-	13,181,184	15,320,515	(2,139,331)	(13.96%)
Total Deferred Inflows of Resources		47,487,454	51,089,103	(3,601,649)	(7.05%)
Net Position					
Net investment in capital assets		(139,673,435)	(135,707,939)	(3,965,496)	2.92%
Restricted		105,807,514	107,507,873	(1,700,359)	(1.58%)
Unrestricted		330,123,978	325,301,359	4,822,619	1.48%
Total Net Position		**296,258,057**	**297,101,293**	**(843,236)**	(0.28%)
Total Liabilities and Net Position		**$ 2,056,819,488**	**$ 2,086,609,351**	**$ (29,789,863)**	(1.43%)

Housing Opportunities Commission of Montgomery County, Maryland
Combined Statements of Revenues and Expenses
As of June 30, 2023 and June 30, 2022

	Note Num.	4th Qtr FY2023 6/30/2023	4th Qtr FY2022 6/30/2022	Dollar Variance	Percentage Variance
Operating Revenues					
Dwelling rental	-1.aa.-	103,417,166	102,431,660	$ 985,506	0.96%
Investment income	-1.bb.-	17,697,122	11,460,500	6,236,621	54.42%
Unrealized gains (losses) on investment	-1.cc.-	(7,314,964)	(15,055,059)	7,740,096	(51.41%)
Interest on mortgage and construction loans receivable	-1.dd.-	9,624,926	7,065,206.00	2,559,720	36.23%
Management fees and other income	-1.ee.-	13,109,389	19,607,700	(6,498,311)	(33.14%)
U.S. Department of Housing and Urban Development grants:					
Housing Assistance Payments (HAP)	-1.ff.-	132,450,425	124,356,627	8,093,797	6.51%
HAP administrative fees	-1.gg.-	11,055,517	10,634,727	420,791	3.96%
Other grants	-1.hh.-	6,119,359	5,843,650	275,709	4.72%
State and County grants	-1.ii.-	17,608,792	12,814,562	4,794,230	37.41%
Total operating revenues		**303,767,733**	**279,159,573**	**24,608,159**	8.82%
Operating Expenses					
Housing Assistance Payments (HAP)	-1.ff.-	135,001,299	125,824,236	(9,177,062)	(7.29%)
Administration	-1.jj.-	53,230,510	46,619,931	(6,610,579)	(14.18%)
Maintenance	-1.kk.-	26,515,497	28,219,691	1,704,194	6.04%
Depreciation and amortization	-1.ll.-	21,738,347	21,159,850.00	(578,497)	(2.73%)
Utilities		7,487,436	7,418,333	(69,103)	(0.93%)
Fringe benefits	-1.mm.-	9,274,337	11,901,923	2,627,586	22.08%
Interest expense	-1.nn.-	43,864,641	35,782,923	(8,081,717)	(22.59%)
Other expense	-1.oo.-	13,007,829	14,661,402	1,653,573	11.28%
Total operating expenses		**310,119,895**	**291,588,290**	**(18,531,605)**	(6.36%)
Operating income (loss)		**(6,352,162)**	**(12,428,717)**	**6,076,554**	(48.89%)
Nonoperating Revenues (Expenses)					
Investment Income		5,204,643	3,851,428	1,353,215	35.14%
Interest on mortgage and construction loans receivable		4,340,360	3,515,446	824,914	23.47%
Interest expense	-1.nn.-	(4,295,681)	(2,976,589)	(1,319,092)	44.32%
Other grants		404,347	216,195	188,152	87.03%
Gain/(Loss) on Sale of Assets		72,097	69,386,118	(69,314,021)	99.90%
Total nonoperating revenues (expense)		**5,725,766**	**73,992,598**	**(68,266,832)**	(92.26%)
Income (loss) before capital contributions		**(626,396)**	**61,563,881**	(62,190,277)	(101.02%)
Income (Loss) before contributions and transfers		**(626,396)**	**61,563,881**	(62,190,277)	(101.02%)
Capital contributions/(distributions)		(216,840)	(324,475)	107,635	(33.17%)
Net income (loss)		**(843,236)**	**61,239,406**	**(62,082,643)**	**(101.38%)**
Total Net Position, beginning of year		**297,101,293**	**235,861,887**	**61,239,406**	**25.96%**
Total Net Position, end of year		**296,258,057**	**297,101,293**	**$ (843,237)**	**(0.28%)**

Housing Opportunities Commission of Montgomery County

Combined Statement of Net Position

As of June 30, 2023

Assets	General Fund	Opportunity Housing Fund	Public Fund	Single Family Fund	Multi Family Fund	Elimination	6/30/2023 Total Funds with Elimination	6/30/2022 Total Funds with Elimination
Current Assets								
Unrestricted:								
Cash and Cash Equivalents	$ 41,225,096	$ 70,652,957	$ 6,686,155	$ 1,644,894	$ 2,568,761	$ -	$ 122,777,862	$ 141,338,502
Interfund Receivable	-	8,556,660	-	-	-	(8,556,660)	-	-
Advances to Component Units	7,097,309	390,466	-	-	-	-	7,487,775	4,066,220
Accounts Receivable and Other Assets,Net	6,420,520	12,575,456	9,169,490	515,945	33,496	-	28,714,906	27,678,413
Accrued Interest Receivable	8,109,780	8,265,131	-	710,706	1,429,987	(881,906)	17,633,698	14,093,802
Lease Receivable - Current	-	1,106,005					1,106,005	1,305,017
Mortgage & Construction Loans Receivable, Current	5,601,230	1,437,630	-	5,445,526	11,480,008	(12,118,381)	11,846,012	13,157,945
Total Unrestricted Current Assets	**68,453,934**	**102,984,305**	**15,855,644**	**8,317,070**	**15,512,252**	**(21,556,946)**	**189,566,259**	**201,639,899**
Restricted Cash and Cash Equivalents nd Investments:								
Restricted Cash and Cash Equivalents	9,118,847	42,659,146	1,221,409	47,895,262	67,708,887	-	168,603,552	225,725,994
Restricted Short-Term Investments	-	-	-	2,139,278	-	-	2,139,278	3,596,993
Restricted for Current Bonds Payable	-	-	-	29,487,999	19,782,112	-	49,270,111	40,703,219
Restricted for Customer Deposits	-	3,369,305	2,917,397	-	-	-	6,286,702	5,608,621
Total Restricted Cash and Cash Equivalents for Investments	**9,118,847**	**46,028,451**	**4,138,807**	**79,522,539**	**87,490,999**	**-**	**226,299,643**	**275,634,827**
Total Current Assets	**77,572,782**	**149,012,755**	**19,994,451**	**87,839,609**	**103,003,250**	**(21,556,946)**	**415,865,901**	**477,274,726**
Noncurrent assets:								
Restricted Long - Term Investments	-	-	-	107,935,701	67,206,079	-	175,141,779	169,381,806
Lease Receivable - Net of Current		7,438,772	-				7,438,772	8,296,033
Mortgage & Construction Loans Receivable, Net of Current	509,928,440	189,113,472	2,005,615	29,383,190	486,293,795	(500,990,414)	715,734,097	651,531,537
Capital Assets, Being Depreciated, Net	3,302,420	501,010,743	3,700,853	-	-	-	508,014,016	525,490,625
Capital Assets, Not Being Depreciated	8,163,731	150,248,579	2,353,551				160,765,861	155,654,459
Right-to-Use Asset	334,568	-	-				334,568	536,556
Derivative Asset	-	1,974,318	-	1,190,071	1,158,607		4,322,996	2,193,576
Investment in Component Units	2,073,221	35,450,759	-	-	-	-	37,523,979	35,860,438
Total Noncurrent Assets	**523,802,380**	**885,236,642**	**8,060,019**	**138,508,961**	**554,658,480**	**(500,990,414)**	**1,609,276,068**	**1,548,945,030**
Deferred Outflows of Resources								
Derivative Instrument	-	20,637,912	-	-	-	-	20,637,912	21,270,199
Fair Value of Hedging Derivatives	-	-	-	-	-	-	-	1,727,682
Employer -Related Pension Activities	2,578,239	1,570,850	2,558,770	-	-	-	6,707,859	30,990,437
Employer -Related OPEB Activities	3,399,093	169,075	763,579	-	-	-	4,331,747	6,401,277
	5,977,331	**22,377,837**	**3,322,349**	**-**	**-**	**-**	**31,677,518**	**60,389,595**
Total Assets and Deferred Outflows	**607,352,493**	**1,056,627,235**	**31,376,819**	**226,348,571**	**657,661,730**	**(522,547,361)**	**2,056,819,488**	**2,086,609,351**

Housing Opportunities Commission of Montgomery County

Combined Statement of Net Position

As of June 30, 2023

Liabilities and Net Position	General Fund	Opportunity Housing Fund	Public Fund	Single Family Fund	Multi Family Fund	Elimination	6/30/2023 Total Funds with Elimination	6/30/2022 Total Funds with Elimination
Liabilities								
Current Liabilities								
Accounts Payable and Accrued Liabilities	8,572,702	16,833,222	2,051,334	590,281	117,050	-	28,164,589	28,684,325
Undrawn Mortgage Proceeds Payable	-	-	-	-	15,010,336		15,010,336	68,050,006
Interfund Payable	8,174,688	-	85,549	163,490	132,932	(8,556,660)	-	-
Accrued Interest Payable	-	11,455,752	-	-	-	(881,906)	10,573,846	9,389,990
Loans Payable to Montgomery County - Current	-	247,073	-	-	-		247,073	241,243
Lease Payable - Current	126,470						126,470	318,242
Mortgage Notes and Loans Payable-Current	4,402,617	13,704,562	-	-	-	(12,118,381)	5,988,798	26,091,520
Total Current Unrestricted Liabilities	**21,276,477**	**42,240,609**	**2,136,883**	**753,771**	**15,260,318**	**(21,556,946)**	**60,111,112**	**132,775,326**
Current Liabilities Payable from Restricted Assets:								
Customer Deposits Payable	-	2,919,542	2,394,670	-	-	-	5,314,212	4,575,032
.Accrued Interest Payable	-	-	-	2,858,000	6,757,948	-	9,615,947	8,595,765
Bonds Payable-Current	-	-	-	26,630,000	13,024,165	-	39,654,165	31,988,733
Total Current Liabilities Payable from Restricted Assets	**-**	**2,919,542**	**2,394,670**	**29,488,000**	**19,782,112**	**-**	**54,584,324**	**45,159,530**
Total Current Liabilities	**21,276,477**	**45,160,151**	**4,531,554**	**30,241,771**	**35,042,430**	**(21,556,946)**	**114,695,435**	**177,934,856**
Non-Current Liabilities								
Bonds Payable	-	-	-	177,117,634	578,456,841	-	755,574,475	741,557,113
Mortgage Notes and Loans payable	442,040,765	728,654,508	-	240,000	-	(500,990,414)	669,944,859	626,827,946
Loans payable to Montgomery County	30,575,224	63,135,082	-	-	-	-	93,710,306	87,549,922
Lease Payable Net of Current	209,081						209,081	221,748
Unearned Revenue	21,179,985	12,040,612	776,968	-	-	-	33,997,564	34,702,518
Escrow and Other Deposits	17,796,840	-	-	-	2,765,150	-	20,561,989	19,106,708
Net Pension liability	6,188,525	1,245,549	2,823,080	-	-	-	10,257,154	32,216,643
Net OPEB liability	5,808,221	748,231	7,566,659	-	-	-	14,123,112	16,573,819
Derivative Investment - Hedging	-	-	-	-	-	-	-	1,727,682
Total Noncurrent Liabilities	**523,798,641**	**805,823,982**	**11,166,708**	**177,357,634**	**581,221,991**	**(500,990,414)**	**1,598,378,541**	**1,560,484,099**
Total Liabilities	**545,075,118**	**850,984,133**	**15,698,261**	**207,599,405**	**616,264,420**	**(522,547,361)**	**1,713,073,976**	**1,738,418,955**
Deferred Inflows of Resources								
Derivative Instrument		1,974,318		1,190,071	1,158,607		4,322,996	2,193,576
Unamortized Lease Receivable		8,113,988					8,113,988	9,582,722
Unamortized Pension Net Difference	14,635,673	1,835,246	5,398,366	-	-	-	21,869,285	23,992,290
Unamortized OPEB Net Difference	7,473,513	1,008,851	4,698,821	-	-	-	13,181,184	15,320,515
Total Deferred Inflows of Resources	22,109,186	12,932,403	10,097,187	1,190,071	1,158,607	-	47,487,454	51,089,103
Net Position								
Net investment in Capital assets	8,754,064	(154,481,903)	6,054,404	-	-	-	(139,673,435)	(135,707,939)
Amounts Restricted for:								
Debt Service	-	42,659,146	-	15,914,201	37,669,943	-	96,243,289	99,157,634
Customer deposits and other	-	449,763	1,744,136	-	-	-	2,193,899	2,385,144
Closing cost assistance program and other	7,370,325	-	-	-	-	-	7,370,325	5,965,095
Unrestricted (deficit)	24,043,801	304,083,693	(2,217,170)	1,644,894	2,568,761	-	330,123,978	325,301,359
Total net position	**40,168,190**	**192,710,698**	**5,581,370**	**17,559,095**	**40,238,704**	**-**	**296,258,057**	**297,101,293**
Total Liabilities, Deferred Inflows and Net Position	**607,352,493**	**1,056,627,234**	**31,376,819**	**226,348,571**	**657,661,730**	**(522,547,361)**	**2,056,819,487**	**2,086,609,351**

Housing Opportunities Commission of Montgomery County, Maryland

Combining Statement of Revenue and Expenses

For the Fiscal Year Ended June 30, 2023 (with comparative totals for the Fiscal Year Ended June 30, 2022)

	General Fund	Opportunity Housing Fund	Public Fund	Single Family Fund	Multi Family Fund	Elimination	6/30/2023 Total Funds with Elimination	6/30/2022 Total Funds with Elimination
Operating Revenues								
Dwelling Rental	$ -	$ 102,568,024	$ 849,142	$ -	$ -	$ -	$ 103,417,166	$ 102,431,660
Investment Income	-	-	-	6,775,748	10,921,374	-	17,697,122	11,460,500
Unrealized Gains (Losses) on Investments	-	-	-	(6,717,406)	(597,558)	-	(7,314,964)	(15,055,059)
Interest on Mortgage & Construction Loans Receivable	-	-	-	1,496,560	14,746,796	(6,618,431)	9,624,926	7,065,207
Management Fees and Other Income	23,822,368	4,073,275	892,427	-	-	(15,678,680)	13,109,389	19,607,700
U.S. Department of Housing and Urban Developement Grants:								
Housing Assistance Payments (HAP)	-	-	132,450,425	-	-	-	132,450,425	124,356,627
HAP Administrative Fees	-	-	11,055,517	-	-	-	11,055,517	10,634,727
Other Grants	680,147	-	5,439,212	-	-	-	6,119,359	5,843,650
State and County Grants	-	-	17,608,792	-	-	-	17,608,792	12,814,562
Total Operating Revenues	**24,502,515**	**106,641,298**	**168,295,515**	**1,554,902**	**25,070,613**	**(22,297,110)**	**303,767,733**	**279,159,574**
Operating Expenses								
Housing Assistance Payments	-	-	135,001,299	-	-	-	135,001,299	125,824,236
Administration	15,786,624	16,497,736	25,788,760	1,658,635	2,612,139	(9,113,384)	53,230,510	46,619,931
Maintenance	2,119,391	24,347,248	48,859	-	-	-	26,515,497	28,219,691
Depreciation and amortization	698,409	21,017,655	22,283	-	-	-	21,738,347	21,159,849
Utilities	205,382	6,967,793	314,261	-	-	-	7,487,436	7,418,333
Fringe Benefits	3,987,730	2,607,400	2,242,829	158,838	277,540	-	9,274,337	11,901,923
Interest expense	-	28,897,183	-	5,033,793	16,552,095	(6,618,431)	43,864,641	35,782,923
Other Expense	1,683,591	14,228,028	3,172,648	488,857	-	(6,565,296)	13,007,829	14,661,402
Total operating expenses	**24,481,127**	**114,563,043**	**166,590,939**	**7,340,122**	**19,441,774**	**(22,297,110)**	**310,119,895**	**291,588,289**
Operating Income (loss)	**21,388**	**(7,921,744)**	**1,704,576**	**(5,785,220)**	**5,628,839**	**-**	**(6,352,162)**	**(12,428,715)**
Nonoperating Revenues (Expenses)								
.Investment Income	2,030,539	3,106,719	67,386	-	-	-	5,204,643	3,851,427
.Interest on Mortgage and Construction Loans Receivable	13,394,609	886,503	-	-	-	(9,940,752)	4,340,360	3,515,446
.Interest Expense	(13,604,146)	(632,287)	-	-	-	9,940,752	(4,295,681)	(2,976,589)
Other Grants	-	404,347	-	-	-	-	404,347	216,195
Gain/(Loss) on Sale of Assets	-	72,097	-	-	-	-	72,097	69,386,118
Total nonoperating revenues (expenses)	**1,821,002**	**3,837,378**	**67,386**	**-**	**-**	**-**	**5,725,766**	**73,992,597**
Income (loss) before capital contributions and transfers	**1,842,389**	**(4,084,366)**	**1,771,962**	**(5,785,220)**	**5,628,839**	**-**	**(626,396)**	**61,563,882**
Transfer To/(From) Discrete Component Units	-	-	-	-	-	-	-	-
Capital contributions/(distributions)		(216,840)	-	-		-	(216,840)	(324,475)
Operating transfers in (out)	3,163,954	(3,163,954)	-	-		-	-	-
Change in Net Position	**$ 5,006,343**	**(7,465,160)**	**$ 1,771,962**	**$ (5,785,220)**	**$ 5,628,839**	**$ -**	**$ (843,236)**	**$ 61,239,406**

Note 1 – Discussion of specific lines of the Combined Statements of Net Position and the Combined Statements of Revenue and Expenses

		FY'23	FY'22	Dollar Variance	Percentage Variance
1.a	**Cash and Cash Equivalents**	**122,777,862**	**141,338,502**	**(18,560,640)**	**(13.13%)**

The decrease in cash and cash equivalents is driven by a decrease in the General Fund due to the payment of FY2023 commercial liability insurance, property taxes and Yardi annual license and maintenance for Yardi Saas private cloud system, and employee retirement system payment, a decrease in Opportunity Housing Reserve Fund ("OHRF"), and an increase in advances to several component units due to timing (See note 1.b). The decrease in OHRF is largely due to bridge financing for HOC at Shady Grove LLC and Hillandale Gateway LLC predevelopment expenses and funding of HOC at CCL Multifamily-Member equity contribution. The decrease is partly reduced by an increase in unrestricted cash at the property level due to Bradley Crossing LLC ("Bradley Crossing"), The Metropolitan, Westwood Tower, HOC at Battery Lane LLC ("Battery Lane"), Cider Mill Apartments, HOC at Avondale LLC, Pooks Hill Dev. Corp. ("Pooks Hill") and Paddington Square Dev. Corp. ("Paddington").

1.b	**Advances to Component Units**	**7,487,775**	**4,066,220**	**3,421,555**	**84.15%**

The increase in the advances to component units is mainly due to the timing of the payment and the reimbursement of capital and operating expenditures at several properties through the Central Disbursement System. Significant contributors consist of South County Regional Recreation and Aquatic Center ("SCRRAC"), Elizabeth House III LP ("EH III/The Leggett"), Town Center Apartments, CCL Multifamily LLC ("The Lindley"), HOC at the Upton II LLC ("Upton II / Residences on the Lane"), HOC at Willow Manor LLC ("Fair Hill Farm and Cloppers Mill"), Wheaton Venture LLC, Arcola Towers RAD LP ("Arcola"), Tanglewood and Sligo LP, and HOC at Georgian Court LLC. This increase is partially offset by a decrease at Bauer Park Apartments LP ("Bauer Park"), HOC at Stewartown Homes LLC, HOC at Willow Manor LLC ("Colesville"), and Hillandale Gateway LLC.

1.c	**Accounts Receivable and Other Assets**	**28,714,906**	**27,678,413**	**1,036,493**	**3.74%**

The increase is driven by the accrual of excess income from Bradley Crossing, Barclay Apartments and Willows at Gaithersburg under the General Fund, as well as an increase in rent subsidies receivables at VPC One, Chelsea Towers, VPC Two, Holly Hall RAD Interim Property, and Alexander House Dev. Corp. The increase in the General Fund and OH Fund is partially offset by a decrease in Public Fund ("PF") attributed to the receipt of the Community Development Block Grant ("CDBG") Rental Assistance from the County that was accrued in FY'22 partly offset by an increase in receivables from the County Main Rental Assistance Grant and HCV Incoming Portables.

1.d	**Accrued Interest Receivable**	**17,633,698**	**14,093,802**	**3,539,896**	**25.12%**

The increase in the accrued interest receivable is primarily due to interests on Seller Notes from Alexander House LP, HOC at Stewartown Homes LLC, HOC at Georgian Court LLC and HOC at Shady Grove LLC, Greenhills LP, Waverly and Arcola.

1.e	**Mort. & Const. Loans Receivable-Current**	**11,846,012**	**13,157,945**	**(1,311,933)**	**(9.97%)**
1.e	**Mort. & Const. Loans Receivable-Non-Current**	**715,734,097**	**651,531,537**	**64,202,560**	**9.85%**
	Total	**727,580,110**	**664,689,482**	**62,890,628**	**9.46%**

The increase in total mortgage and construction loans receivable is driven by additional PNC Real Estate Line of Credit ("RELOC") draws for EH III/The Leggett, The Residences on the Lane, HOC at Willow Manor LLC, HOC at Stewartown LLC, HOC at Shady Grove LLC and Hillandale Gateway LLC. The Multifamily Bond Fund also contributed to the increase due to new bond issued for $28.5 million under the Multifamily Housing Development Bonds ("MHDB") 2023 Series A for The Residences on the Lane permanent financing.

1.f	**Restricted Cash & Cash Equivalents**	**168,603,552**	**225,725,994**	**(57,122,442)**	**(25.31%)**

The decrease in the restricted cash and cash equivalents is primarily driven by additional draws of the bond proceeds for HOC at West Side Shady Grove LLC, HOC at Willow Manor LLC, HOC at Shady Grove LLC, HOC at Georgian Court LLC, HOC at Stewartown Home LLC and Bauer Park Apartments LP.

1.g	**Restricted Short-term Investments**	**2,139,278**	**3,596,993**	**(1,457,715)**	**(40.53%)**

The decrease in restricted short-term investments was mainly due to the Single Family Bond Funds decrease in restricted short-term investments.

1.h	**Cash for Current Bonds Payable**	**49,270,111**	**40,703,219**	**8,566,892**	**21.05%**

The increase in the cash for current bonds payable is due to an increase in current maturing bonds within the Single Family Bond and Multifamily Bond Funds.

1.i	**Restricted Long-term Investments**	**175,141,779**	**169,381,806**	**5,759,973**	**3.40%**

The increase in restricted long-term investment is driven by mortgage-backed securities purchases under the 2022 Single Family Mortgage Revenue Bond Series ABCD ("SFMRB 2022-ABCD").

1.j	**Capital Assets, Being Depreciated, Net**	**508,014,016**	**525,490,625**	**(17,476,609)**	**(3.33%)**
1.j	**Capital Assets, Not Being Depreciated, Net**	**160,765,861**	**155,654,459**	**5,111,402**	**3.28%**
	Total	**668,779,877**	**681,145,084**	**(12,365,207)**	**(1.82%)**

The decrease in the net capital assets is mainly due to the normal depreciation of assets.

1.k	**Investment in Component Units**	**37,523,979**	**35,860,438**	**1,663,541**	**4.64%**

The increase in the investment in component units is primarily due to HOC's additional equity contributions to The Lindley due to the exit and replacement of the previous investor.

1.l	**Deferred Outflows-Derivative Instrument**	**20,637,912**	**21,270,199**	**(632,287)**	**(2.97%)**
1.l	**Deferred Outflows-Fair Value of Hedging Derivatives**	**-**	**1,727,682**	**(1,727,682)**	**(100.00%)**
1.l	**Deferred Outflows-Pension Activities**	**6,707,859**	**30,990,438**	**(24,282,579)**	**(78.36%)**
1.l	**Deferred Outflows-OPEB Activities**	**4,331,747**	**6,401,277**	**(2,069,530)**	**(32.33%)**
	Total	**31,677,518**	**60,389,596**	**(28,712,078)**	**(47.54%)**

As of June 30, 2023, all of HOC's interest rate swaps were deemed effective hedges. Therefore, under GASB No. 53, *Accounting and Financial Reporting for Derivative Instruments,* the changes in fair values of hedging derivative instruments are reported as either deferred inflows or outflows in the Statements of Net Position. HOC's interest rate swaps consists of ($1,190,071) in the Single Family Bond Fund, ($1,158,607) in the Multifamily Bond Fund and ($1,974,318) in the Opportunity Housing Fund which is made up of ($1,060,512) The Residences on the Lane construction loan and ($913,806) Elizabeth House III.

The interest swaps on The Lindley and Alexander House were terminated on September 8, 2019, which required HOC to make a swap termination payment of $12,701,474 and $12,590,000, respectively. These payments are included in the deferred outflows, hedging derivatives and are being amortized to interest expense on a straight-line basis over the 40-year term of the first mortgage loans with the Federal Financing Bank. The unamortized balance of the swap termination payment is $20,637,912 reported as deferred outflows of resources as of June 30, 2023.

In accordance with GASB No. 68, *Accounting and Financial Reporting for Pensions,* and GASB No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other than Pension Plans,* HOC is required to report deferred outflows of resources and deferred inflows of resources related to pensions and other post-employment benefits (OPEB).

1.m	**Accounts Payable and Accrued Liabilities**	**28,164,589**	**28,684,325**	**(519,736)**	**(1.81%)**

The decrease in accounts payable and accrued liabilities is mainly due to the repayment of excess HCV Cares Act funds, arbitrage rebate liability under the Single Family Mortgage Revenue Bonds 2013 Series AB, and accrued MIP/FHA share to HUD. The decrease is partly offset by an increase in the Opportunity Housing Fund due to accrued excess income payable at Bradley and asset management fees payable at Battery Lane and Alexander House Dev. Corp. as well as accrued interest payable on County loans of Cider Mill and Glenmont Westerly.

1.n	**Undrawn Mortgage Proceeds payable**	**15,010,336**	**68,050,006**	**(53,039,670)**	**(77.94%)**

The decrease in undrawn mortgage proceeds payable is driven by bond draws from HOC at Westside Shady Grove LLC ("WSSG"), HOC at Stewartown LLC, HOC at Willow Manor LLC, HOC at Stewartown LLC and Bauer Park LP.

1.o	**Loans Payable to Montgomery Co-Current**	**247,073**	**241,243**	**5,830**	**2.42%**
1.o	**Loans Payable to Montgomery Co-Non-Current**	**93,710,306**	**87,549,922**	**6,160,384**	**7.04%**
	Total	**93,957,379**	**87,791,165**	**6,166,214**	**7.02%**

The increase in the loans payable to Montgomery County is mainly driven by additional funding for the Montgomery County Homeownership Assistance Fund ("McHAF") and County loan of Brooke Park Apartments to pay off the PNC RELOC and LOC advances.

1.p	**Mortgage Notes & Loans Payable-Current**	**5,988,798**	**26,091,520**	**(20,102,722)**	**(77.05%)**
1.p	**Mortgage Notes & Loans Payable-Non-Current**	**669,944,859**	**626,827,946**	**43,116,913**	**6.88%**
	Total	**675,933,657**	**652,919,466**	**23,014,191**	**3.52%**

The increase in total mortgage notes and loans payable is attributed primarily to additional RELOC draws for EH III/The Leggett, HOC at Willow Manor LLC, HOC at Stewartown Homes LLC, The Residences on the Lane, HOC at Garnkirk Farms, Wheaton Gateway and HOC Fenwick & Second Headquarters. This increase is partially offset by the repayment of the PNC Line of Credit ("LOC") advance for Single Family bond redemption, and RELOC and LOC advances for Brooke Park Apartments and Year 15 LIHTC.

1.q	**Accrued Interest Payable - Restricted**	**9,615,947**	**8,595,765**	**1,020,182**	**11.87%**

The increase in restricted accrued interest payable is largely due to Single Family Bond Funds MRB 2022 ABCD, 2008 Series ABCD, and 2007 Series CDE accrued interest.

1.r	**Bonds Payable - Current**	**39,654,165**	**31,988,733**	**7,665,432**	**23.96%**
1.r	**Bonds Payable - Non-Current**	**755,574,475**	**741,557,113**	**14,017,362**	**1.89%**
	Total	**795,228,640**	**773,545,846**	**21,682,794**	**2.80%**

The increase in the total outstanding bonds payable is largely due to an increase in the Multifamily Bond Fund and Single Family Bond Fund. The Multifamily Bond Fund issued a $28.5 million new bond under the Multifamily Housing Development Bonds ("MHDB") 2023 Series A for The Residences on the Lane permanent financing. The Multifamily Bond Fund redeemed and retired bonds for $9.1 million under the Multifamily Housing Development Bonds (1996 Indenture) and $2.9 million under the Stand Alone 1998 Issue. Bond defeasance related to 1994 Strathmore Issue for ($0.5) million was retired as well. The increase under the Single Family Bond Fund is due to $30.1 million new bond issued under the Mortgage Revenue Bonds 2023 Series AB, partially offset by the redemption and retirement of bonds under the 1979 Indenture for $18.0 million, the 2019 Indenture for $4.9 million and the 2009 Indenture for $2.5 million.

1.s	**Unearned Revenue**	**33,997,564**	**34,702,518**	**(704,954)**	**(2.03%)**

The decrease in the deferred revenue is mainly attributed to the payment application of the deferred rental assistance from the County against the tenants' arrearages, partially offset by an excess monthly remittance to the trustee from properties with Federal Financing Bank loans to pay for the Loan Management Fees, Mortgage Insurance Premium and Trustee fees.

1.aa	**Dwelling Rental**	**103,417,166**	**102,431,660**	**985,506**	**0.96%**

The increase in the dwelling rental income is largely due to HOC at Battery Lane, LLC ("Battery Lane"), 900 Thayer Retail LLC and HOC at Avondale, LLC, which is partially offset by a decrease in tenant income from Shady Grove Apartments LP

(“Shady Grove”), Georgian Court Silver Spring LP (“Georgian Ct”) and the three Manor properties (The Manor at Fair Hill Farms LLC, The Manor at Clopper’s Mill LLC & The Manor at Colesville LLC). The Shady Grove Apartments, Georgian Court and the three Manor properties were sold to special purpose entities in December 2021. Bad debt expense for the fiscal period July 2022 to June 2023 amounted to about $2.8 million. As of June 30, 2023, the tenant receivable balance has increased by $1,744,751 from June 30, 2022, totaling $9,541,722. Staff does anticipate that a portion of this amount will result in additional allowances and the potential for additional allowances to be set up in subsequent months to reflect the continuation of non-payments lingering from the COVID-19 pandemic.

1.bb	**Investment Income**	**17,697,122**	**11,460,500**	**6,236,621**	**54.42%**

The increase in investment income is largely due to 2022 Series ABCD and MRB 2021 Series ABCD related to the Single Family Bond Fund. Also contributing to the increase was the Housing Production Fund (“HPF”) Series 2021 Limited Obligation Bonds, MHDB 2021, 2020 and 2019 Series bonds related to the Multifamily Bond Fund. The higher interest rate this year compared to last year contributed to the increase in both bond funds.

1.cc	**Unrealized Gains (Losses) on Investments**	**(7,314,964)**	**(15,055,059)**	**7,740,096**	**(51.41%)**

Unrealized gains (losses) on investment reflect the hypothetical gains and/or losses on investments HOC would have experienced if those investments had sold on the last day of the reporting period. If planned properly and held to maturity, no recognized gain or loss should result from the investments.

1.dd	**Interest on Mortg. & Const. Loans Receivabl**	**9,624,926**	**7,065,207**	**2,559,719**	**36.23%**

The increase in interest on mortgage and construction loans receivable is mainly due to an increase in the MHDB 2021 Series CD mortgage loan receivable balance in the Multifamily Bond Fund.

1.ee	**Management Fees & Other Income**	**13,109,389**	**19,607,700**	**(6,498,311)**	**(33.14%)**

The decrease in management fees and other income is attributed to a decrease in development and commitment fee income, and insurance income from FHA risk sharing.

1.ff	**Housing Assistance Payments-Revenue**	**132,450,425**	**124,356,627**	**8,093,797**	**6.51%**
1.ff	**Housing Assistance Payments-Expense**	**135,001,299**	**125,824,236**	**9,177,062**	**7.29%**

The Housing Assistance Payments (HAP) – revenue increased within the HCV Main Program, Emergency Housing Vouchers, HCV Incoming Portables, Mainstream Program, and Incremental Housing Choice Vouchers, partly offset by a decrease in earned HAP revenue under the 2017 Mainstream Program and COVID-19 HCV Main Program. The increase in HAP expense is driven by an increase in leasing and leasing costs within the HCV Main Program, Emergency Housing Vouchers, HCV Outgoing and Incoming Portables, Non-Elderly Persons with disabilities, and HCV The Residences on the Lane, partly offset by a decrease in HCV VPC One Dev. Corp., HCV VPC Two Dev. Corp., Designated Plan Vouchers, and COVID-19 HCV Main Program.

1.gg	**HAP Administrative Fees-Income**	**11,055,517**	**10,634,727**	**420,791**	**3.96%**

The increase in HAP administrative fees-income is driven by an increase in leasing and proration factor partially offset by a decrease in COVID-19 Main program Hap and Admin fees.

1.hh	**Other Grants**	**6,119,359**	**5,843,650**	**275,709**	**4.72%**

The increase in other grants is mainly due to the General Fund FEMA reimbursement for COVID-19 relief.

1.ii	**State and County Grants**	**17,608,792**	**12,814,562**	**4,794,230**	**37.41%**

The increase in state and county grants is attributed to an increase in the County Main Rental Assistance, HIF Recordation Rental Assistance, and CDBG-CV Rental Assistance programs partially offset by a decrease in the County Capital Improvement Program (“CIP”).

1.jj	**Administration**	**53,230,510**	**46,619,931**	**6,610,579**	**14.18%**

The increase in administrative expense is mainly due to the Public Fund and General Fund expenses. The Public Fund expenses increased primarily due to the disbursement of the rental assistance funding for the County Main, CDBG and

HIF Rental Assistance Program, and administrative salaries partly offset by a decrease in the COVID 19 Main Program (HAP and Admin). The increase in the General Fund driven by online information services, administrative salaries, temporary agency services, computer software, and miscellaneous operating expenses due to recruiting expenses. This increase is partly offset by a decrease in the Opportunity Housing Fund mainly due to the cost of issuance related to Battery Lane and Strathmore Court transactions incurred in the prior year.

1.kk	**Maintenance**	**26,515,497**	**28,219,691**	**(1,704,194)**	**(6.04%)**

The decrease in maintenance expense is mainly due to General Fund computer equipment and computer software expenses related to application development and technical services. The Opportunity Housing Fund had a slight net decrease due to the sale of Shady Grove, Georgian Ct and the three Manor properties partly offset by an increase in expenses at Battery Lane, Alexander House, Paddington and Magruders.

1.ll	**Depreciation and amortization**	**21,738,347**	**21,159,849**	**578,497**	**2.73%**

The increase in depreciation and amortization is driven by the normal scheduled depreciation and amortization of assets.

1.mm	**Fringe Benefits**	**9,274,337**	**11,901,923**	**(2,627,586)**	**(22.08%)**

The decrease in fringe benefits is largely due to the year-end adjustments in pension expense and other post-employment benefits ("OPEB") and changes in net pension and OPEB liabilities, as result of the June 30, 2022 actuarial study provided by the County to HOC.

The pension expense consists of the annual 20-year level dollar amortization of Unfunded Actuarial Accrued Liability paid to the County in July 2017 and the change in the Commission's proportionate share of the Net Pension Liability as of June 30, 2022 provided by the County. The Commission pays into the plan based on funding decisions made by the County for the Plan as a whole. Under accounting standards, pension expense is calculated based on several factors including the value of Plan assets, funding and contributions made.

Beginning July 1, 2017, the County implemented GASB 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions. As a participating employer, the Agency is required to report under GASB 75 effective FY'18. The OPEB amount reflects the difference between the Agency's proportionate share of OPEB expense and the actual contribution made subsequent to measurement date.

1.nn	**Interest Expense - Operating**	**43,864,641**	**35,782,923**	**8,081,717**	**22.59%**
1.nn	**Interest Expense - Non-Operating**	**4,295,681**	**2,976,589**	**1,319,092**	**44.32%**
	Total	**48,160,323**	**38,759,512**	**9,400,810**	**24.25%**

The increase in total interest expense is primarily driven by the interest on the Battery Lane acquisition loan with Eagle Bank, accrued interest on MV Gateway II LLC mezzanine loan, partly reduced by the sale of the three Manor properties. The Single Family Bond Fund increased due to the new issuance of Single Family MRB 2022 Series ABCD bonds and 2008 Series ABCD. The Multifamily Bond Fund also contributed to the increase mainly due to new bond issued for Willow Manor, HOC at Georgian Court LLC and HOC at Shady Grove LLC, and HPF in December 2021 and September 2021, 1994 Strathmore Series A1-A2, and the 2023 Series A issuance to fund the permanent mortgage loan for The Residences on the Lane).

1.oo	**Other Expense**	**13,007,829**	**14,661,402**	**(1,653,573)**	**(11.28%)**

The decrease in other expense is primarily due to a decrease in the General Fund FHA risk sharing, and COVID-19 expenses as well as a decrease in Opportunity Housing Fund incentive management fees, mortgage insurance, Cider Mill prior year adjustment and COVID-19 expenses partially offset by an increase in fire and hazard insurance, and security contracts.

M E M O R A N D U M

TO: Housing Opportunities Commission of Montgomery County
Budget, Finance and Audit Committee

VIA: Chelsea Andrews, Executive Director

FROM: Staff: Timothy Goetzinger, Acting Chief Financial Officer
Terri Fowler, Budget Officer

RE: **Fiscal Year 2023 (FY'23) Fourth Quarter Budget to Actual Statements:** Presentation of Fourth Quarter FY'23 Budget to Actual Statements

DATE: September 20, 2023

BACKGROUND:

The Executive Director is presenting the Fourth Quarter Budget to Actual statements to the Budget, Finance and Audit Committee for review. Staff will present any proposed budget amendments and recommendations to the full Commission for formal action.

ISSUES FOR CONSIDERATION:

To assess the financial performance of the Housing Opportunities Commission of Montgomery County ("Agency") for the fourth quarter of FY'23 against the budget for the same period.

BUDGET IMPACT:

Please see Discussion section of the memo for the budget impact of recommended actions for FY'23.

TIME FRAME:

For informal discussion at the September 20, 2023 Budget, Finance and Audit Committee meeting. For formal Commission action at the October 4, 2023 meeting.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:

Staff recommends that the Budget, Finance and Audit Committee join its recommendation to the Commission to accept the Fourth Quarter FY'23 Budget to Actual Statements.

DISCUSSION – FOURTH QUARTER BUDGET TO ACTUAL STATEMENTS

This review of the Budget to Actual Statements for the Agency through the fourth quarter of FY'23 consists of an overall summary and additional detail on the Opportunity Housing properties, the Development Corporation properties, the Housing Choice Voucher ("HCV") Programs and all Capital Improvements Budgets.

HOC Overall (see Attachment A)

The Agency's Audited Financial Statements are presented on an accrual basis, which reflects non-cash items such as depreciation and the mark-to-market adjustment for investments.

The Commission approves the Operating Budget at the fund level based on a modified accrual basis, which is similar to the presentation of budgets by governmental organizations. The purpose is to ensure that there is sufficient cash income and short-term receivables available to pay for current operating expenditures.

The Commission approves the revenues, expenses, and unrestricted net cash flow from operations for each fund. Unrestricted net cash flow in each fund is what is available to the Commission to use for other purposes. The FY'23 Fourth Quarter Operating Budget to Actual Comparison (Attachment A) shows unrestricted net cash flow or deficit for each of the funds. Attachment A also highlights the FY'23 Fourth Quarter Budget to Actual Comparison for Capital Expenses.

The Agency ended the year with a net cash flow shortfall of ($1,129,032), which equates to 0.36% of the total operating budget of $316,381,237 and 0.57% of the total adjusted operating budget of $197,710,093, which excludes Housing Assistance Payments ("HAP"). This shortfall resulted in a year-end budget to negative variance of $141,094 when compared to the anticipated year-end shortfall that was to be balanced by a draw from the General Fund Operating Reserve ("GFOR") of $987,938. The primary causes were lower unrestricted cash flow in some of the unrestricted Opportunity Housing properties as a result of property performance (see Opportunity Housing Fund) coupled with lower income in the General Fund that was offset by savings in various expense categories in the fund (see General Fund).

Explanations of Major Variances by Fund

The **General Fund** consists of the basic overhead costs for the Agency. This fund ended the year with a deficit of ($1,467,020), which resulted in a positive variance of $2,091,079, when compared to the projected deficit of ($3,558,099).

As of June 30, 2023, income in the General Fund was $2,201,928 lower than budgeted and expenses were $4,293,007 lower than budgeted. The negative income variance was primarily the result of delays in the receipt of the Commitment and Development Fees. The budgeted Commitment Fees for Hillandale and the Metropolitan, as well as the Development Fee for the Metropolitan, were not received during FY'23 since the anticipated financings have moved to

December 2023 and March 2024, respectively. Development Fees for Bauer Park and The Leggett have also moved from FY'23 to FY'24 based on the expected achievement of certain milestones. The fees that were not received this fiscal year have now been incorporated into the FY'24 Adopted budget. In addition, the receipt of a portion of the Development Fees for Residences on the Lane and Stewartown Homes that were expected to be received before June 30, 2023, did not occur. These additional fees will now be received in FY'24 as well. Finally, there were also lower draws from the Opportunity Housing Reserve Fund ("OHRF") for Real Estate personnel and predevelopment costs. The lower income was partially offset by the receipt of Federal Emergency Management Agency ("FEMA") reimbursements of approximately $680 thousand for COVID-19 related expenses. A portion of the FEMA income has been transferred to the properties that incurred reimbursable expenses.

The positive expense variance was primarily the result of lapse in salary and benefits coupled with savings in professional services, computer software, utilities, maintenance contracts, COVID-19 expense and savings in capital projects, which resulted in lower transfers from the operating budget to cover the cost of the projects

The **Multifamily Bond Fund** and **Single Family Bond Fund** are budgeted to balance each year.

The Multifamily Bond Fund draw for FY'23 was reduced by the cumulative $210,064 of savings left in the fund at FY'22 year-end. As a result of savings in salary and benefit lapse coupled with savings in financial services and legal expense, the fund ended the year with a positive expense variance of $112,930. After using the previous savings in the fund, this savings in expenses results in a year-end surplus of $112,930. Staff is recommending that the surplus of $112,930 be used to reduce the budgeted draw for FY'24 for the Multifamily Bond Fund.

The Single Family Bond Fund draw for FY'23 was reduced by the $190,831 of savings left in the fund at FY'22 year-end. As a result of savings in salary and benefit lapse coupled with savings in financial services and legal expense, the fund ended the year with a positive expense variance of $185,028. After using the previous savings in the fund, this savings in expenses results in a year-end surplus of $185,028. Staff is recommending that the surplus of $185,028 be used to reduce the budgeted draw for FY'24 for the Single Family Bond Fund.

The Opportunity Housing Fund

Attachment B is a chart of the Net Cash Flow for the Development Corporation properties. This chart divides the properties into two groups.

The first group includes properties that were budgeted to provide unrestricted net cash flow toward the Agency's FY'23 Operating Budget. This group ended the year with cash flow of $6,191,384 or $93,228 less than projected.

- **Alexander House Dev Corp** ended the year with a deficit of ($740,236), which resulted in a negative cash flow variance of $454,789 when compared to the projected deficit of ($285,447) primarily from greater than anticipated maintenance, utility, bad debt, and security expenses coupled with higher vacancy loss and lower gross rents partially offset by lower concessions and savings in administrative costs. **The Barclay Dev Corp** negative cash flow was $11,213 more than anticipated due to overages in utilities, maintenance, and administrative expenses partially offset by slightly higher gross rents and parking income coupled with lower concessions and bad debt expense. **Glenmont Crossing Dev Corp** experienced a negative cash flow variance of $129,465 resulting from higher bad debt, utility and maintenance expenses coupled with higher vacancy loss partially offset by savings in administrative expense. **Glenmont Westerly Dev Corp** experienced a negative cash flow variance of $8,958 resulting from slightly lower gross rents and higher vacancy loss coupled with higher maintenance, utility, and security expenses that were partially offset by lower bad debt and administrative expense. Cash flow for **Magruder's Discovery Dev Corp** was $252,276 lower than budget at year-end primarily based on higher vacancy loss coupled with overages in maintenance expenses and slightly higher utility and bad debt expense partially offset by savings in administrative costs. The **Metropolitan Dev Corp** ended the year with a negative cash flow variance of $628,872 primarily based on a delay in the renovations which resulted in the continuation of debt service payments and reserve contributions. In addition, the property experienced lower retail space income as well as overages in administrative expense partially offset by higher parking income and lower vacancy loss coupled with savings in utility and bad debt expenses and the receipt of a settlement payment from a previous retail tenant for vacating early. **Metropolitan Affordable** also experienced a negative cash flow variance of $171,220 based on the delay in renovations which resulted in the continuation of debt service payments and reserve contributions coupled with higher vacancy loss and overages in administrative and maintenance expenses that were partially offset by higher gross rents coupled with savings in utility costs. Cash flow at **Montgomery Arms Dev Corp** was $119,271 lower than anticipated primarily due to lower gross rents and higher concessions coupled with higher utility, maintenance, and security expenses, which were partially offset by savings in administrative and bad debt expenses and slightly lower vacancy loss. **MPDU 59 Dev Corp** experienced a negative cash flow variance of $108,758 due to higher vacancy loss coupled with greater than anticipated bad debt and administrative expenses partially offset by savings in maintenance costs. **Paddington Square** ended the year with a negative cash flow variance of $28,485 as a result of overages in maintenance and administrative expenses coupled with lower gross rents that were partially offset by savings in utilities and bad debt expense coupled with lower vacancy loss. Cash flow for **Pooks Hill High-Rise** was $41,985 less than budget primarily due to overages in maintenance, bad debt, utility, and security expenses coupled with higher vacancy loss that were partially offset by savings in administrative costs coupled with higher gross rents and the FEMA reimbursement for COVID-19 expenses. **Scattered Site One Dev Corp** ended the year with a positive cash flow variance of $128,553 largely due to the reduction in bad debt expense based on the receipt of rental assistance for rent arrearages coupled with slightly lower vacancy loss that more than offset the overages in maintenance and administrative costs and lower gross tenant rents. **Scattered Site Two Dev Corp** ended the year with a positive cash flow variance of $72,087 largely due to savings in maintenance expense coupled with the application of County funding to offset Housing Association ("HOA") Fees that was partially offset by overages in administrative and utility costs coupled with slightly lower gross rents and higher vacancy loss. **VPC One** experienced greater than anticipated vacancy loss coupled with higher bad debt, maintenance, administrative, and tax expenses that were partially offset by lower debt service expense coupled lower concessions at the property. The negative variance was offset by a reduction of $275,523 in the contribution to the Debt Service Reserve. **VPC Two** experienced a positive cash flow variance of $475,105 based on higher gross rents and lower vacancy loss coupled with savings in maintenance, debt service, administrative, and utility expenses partially offset by overages in bad debt expense.

The second group consists of properties whose cash flow will not be used for the Agency's FY'23 Operating Budget. Cash flow from this group of Development Corporation properties was $450,201 less than budgeted through June 30, 2023.

- **MetroPointe** experienced a positive cash flow variance of 147,034 resulting from higher gross rents and lower vacancy loss coupled with small savings in maintenance and administrative costs that were partially offset by small overages in utility and security expenses. Cash flow at the **Oaks at Four Corners Dev Corp** was $74,167 higher than anticipated due to savings throughout most expense categories coupled with lower vacancy loss that were partially offset by overages in maintenance cost. The **RAD 6 Dev Corp** properties ended the year with a shortfall of ($723,362), which resulted in a negative cash flow variance of $671,402 when compared to the projected shortfall of ($51,960). Collectively, this resulted from lower gross rents and higher vacancy loss coupled with overages in maintenance, utility and bad debt expenses partially offset by savings in administrative expenses.

Attachment C is a chart of the Net Cash Flow for the Opportunity Housing Properties. This chart divides the properties into two groups.

The first group includes properties that were budgeted to provide unrestricted net cash flow toward the Agency's FY'23 Operating Budget. This group ended the year with cash flow of $2,013,368 or $1,187,494 less than projected.

- Cash flow at **MPDU I (64)** was $161,675 lower than anticipated because of overages in bad debt, maintenance, and utility expenses coupled with higher vacancy loss and lower gross rents partially offset by savings in administrative expenses. **Avondale Apartments** reported a negative cash flow variance of $176,478 ($97,527 + $78,951) based on higher maintenance, utility, tax and debt service expense, due to increased rates on the PNC Real Estate Line of Credit ("RELOC"), coupled with higher vacancy loss partially offset by higher gross rents and lower bad debt and administrative expenses. A portion of the cash flow related to the newly acquired units is restricted for payment on the County loan. **Barclay Affordable** experienced a positive cash flow variance of $68,011 resulting from savings in utility expenses and lower bad debt expense coupled with higher gross rents partially offset by overages in maintenance and administrative costs. **Bradley Crossing** ended the year with a negative variance of $567,479 as a result of lower gross rents and higher vacancy loss coupled with overages in bad debt, utility costs and debt expenses, due to increased rates on the PNC Real Estate Line of Credit ("RELOC"), that were partially offset by savings in administrative and maintenance expenses. **Camp Hill Square** experienced a negative cash flow variance of $151,957 because of higher vacancy loss coupled with higher maintenance expenses that were partially offset by higher gross rents and lower bad debt, administrative, and utility expenses. **Elizabeth House Interim RAD** ended the year with a negative cash flow variance of $131,299 primarily as a result of the delay in vacating the building coupled with hotel expenses incurred to house residents temporarily displaced from a fire at the property. Cash flow for **Fairfax Court** was $17,109 more than budget because of lower bad debt and utility costs coupled with the property experiencing 100% occupancy for the year that was partially offset by higher administrative, maintenance and debt service expenses, due to increased rates on the PNC Real Estate Line of Credit ("RELOC"), as well as slightly lower gross rents. **Georgian Court Affordable** and **Shady Grove Apartments,** which were resyndicated as Low Income Housing Tax Credit ("LIHTC") properties in December 2021, incurred audit expenses related to the CY'21 audit. Cash flow for **Holiday Park** was $17,521 less than budgeted as a result of lower gross rents and higher vacancy loss coupled with overages in bad debt and maintenance expenses that were partially offset by savings in utility, tax and administrative expenses. The former **Holly Hall** property received a settlement payment for utility bills paid during operations. **Jubilee Hermitage** experienced a negative cash flow variance of $8,210 due to overages in maintenance costs coupled with unanticipated vacancy loss. **Manchester Manor** reported a negative cash flow variance of 107,642 due to overages in most expense categories coupled with slightly lower gross rents and higher vacancy loss. Cash flow for **McHome** was $49,907 lower than budget based on higher vacancy loss and slightly lower gross rents coupled with overages in maintenance, bad debt, and utility expenses partially offset by savings in administrative costs. Cash flow for **MHLP VII** was $146,901 lower than projected because of higher vacancy loss coupled with overages in bad debt, utility, and administrative expenses partially offset by savings in maintenance cost. **MHLP VIII** ended the year with a positive cash flow variance of $31,204 based on lower vacancy loss and slightly higher gross rents coupled with savings in administrative and utility expenses partially offset by overages in maintenance and bad debt expense. Cash flow for **MHLP IX – Pond Ridge** was $72,933 more than budget as a result of lower vacancy loss coupled with savings in bad debt and administrative expenses that were partially offset by overages in maintenance, tax and utility costs. **Scattered Sites MHLP IX Scattered Sites** experienced a negative cash flow variance of $9,495 mainly due to overages maintenance and utility expenses countered by slightly higher gross rents and lower vacancy loss coupled with lower bad debt expense. Cash flow for **MHLP X** was $52,835 more than budget as a result of lower bad debt and administrative expenses coupled with lower vacancy loss that was partially offset by lower gross rents and overages in maintenance costs. **Pooks Hill Mid-Rise** experienced a negative cash flow variance of $103,347 primarily as a result of higher security expense, resulting from a fire watch at the property due to a faulty fire panel that has since been replaced, and overages in maintenance, utility, and administrative costs coupled with higher vacancy loss partially offset by higher gross rents and lower concessions. The shortfall for **Strathmore Court Affordable** was $18,980 more than anticipated as a result of overages in maintenance, security, bad debt, debt service, and utility expenses coupled with higher concessions that were partially offset by higher gross rents and lower vacancy loss coupled with savings in administrative costs. **TPP LLC Pomander Court** experienced a positive cash flow variance of $31,350 primarily because of savings throughout most expense categories partially offset by slightly lower gross rents. Cash flow for **TPP LLC Timberlawn** was $61,732 more than budget because of the receipt of an insurance claim related to expenses in the prior year, FEMA reimbursements for COVID-19 related expenses, higher gross rents and lower concessions coupled with savings in COVID-19 and tenant services expenses partially offset by overages in maintenance and administrative costs. **Westwood Towers** experienced a positive cash flow variance of $51,744 because of lower vacancy loss and higher parking income coupled with savings in debt service payments, tenant services and utility costs that were partially offset by higher administrative, maintenance, bad debt, and security expenses coupled with higher concessions. Cash flow at **The Willows** was $116,803 lower than anticipated due to overages in maintenance and utility expenses that were partially offset by higher gross rents and lower vacancy loss coupled with savings in administrative expenses. Finally, a few properties (shaded blue on Attachment C) that converted to the LIHTC portfolio received FEMA reimbursements for COVID-19 expenses incurred when they were part of the unrestricted property portfolio.

The second group consists of properties whose cash flow will not be used for the Agency's FY'23 Operating Budget. Some of these properties have legal restrictions on the use of cash flow; others may have needs for the cash flow. Cash flow for this group of properties was $1,626,879 less than budgeted.

- The demolition of **The Ambassador** was completed in April of 2020. The property experienced expenses of $62,551 driven by interest paid on the outstanding debt on the PNC RELOC. There are sufficient reserves at the property to cover the costs. **Battery Lane**, which was acquired on May 25, 2022 ended the year with a negative cash flow variance of $305,840 largely due to lower gross rents and higher vacancy loss coupled with higher debt service expenses, due to increased rates on the PNC Real Estate Line of Credit ("RELOC"), and bad debt expenses that were partially offset by savings in administrative, tenant services, and utility expenses. **Brooke Park** experienced a negative cash flow variance of $169,224, mainly resulting from a delay in occupying the units post renovation coupled with small overages in most expense categories. **Brookside Glen** reported a negative cash flow of ($9,072) at year end resulting in a negative variance of $58,021 due to higher maintenance, utility, and security expenses coupled with lower gross rents that were partially offset by savings in administrative costs and lower vacancy loss. The shortfall will be covered by existing property cash. **Cider Mill** reported a negative cash flow variance of $836,000 due to higher vacancy loss coupled with overages in most expense categories. **Diamond Square** ended the year with a negative cash flow variance of $46,602 primarily resulting from higher vacancy loss and slightly lower gross rents coupled with small overages in utility, maintenance, and administrative costs that were partially offset by savings in bad debt expenses. **Southbridge** experienced a positive cash flow variance of $40,801 due to higher gross rents and lower vacancy loss coupled with savings in maintenance and administrative expenses that were partially offset by overage in utility and security costs. **State Rental Combined** experienced a negative cash flow variance of $111,962 because of higher vacancy loss coupled with overages in utility expenses that was countered by savings in maintenance and administrative expenses.

<u>The Public Fund</u> (Attachment D)

- The Housing Choice Voucher Program ("HCVP") ended the year with a surplus of $868,486. The surplus was comprised of an administrative surplus of $941,802 countered by Housing Assistance Payment ("HAP") payments that exceeded HAP revenue by $73,316. The HAP shortfall will be covered by a draw from the HCVP reserve known as the Net Restricted Position ("NRP"), which includes funds received in prior years that were recognized but not used. The administrative surplus was the result of higher than anticipated administrative fee income coupled with savings in administrative expenses due largely to staff turnover. The higher administrative fee income was primarily the result of a higher proration factor that was changed from 88% to 89.2% coupled with the increased utilization rate and fees received to support the Emergency Housing vouchers.

<u>Tax Credit Partnerships</u>

The Tax Credit Partnerships have a calendar year end.

<u>Budget Impact – FY'23</u>

- As explained in this memo, the Agency ended the year with a shortfall of $1,129,032 primarily because of lower unrestricted cash flow in some of the unrestricted Opportunity Housing properties as a result of property performance coupled with lower income in the General Fund that was offset by savings in various expense categories in the fund. The shortfall was $141,094 more than the anticipated shortfall of $987,938 that was to be funded by a draw from the GFOR.

- Staff recommends that a draw from the GFOR of $1,129,032 be made to balance the FY'23 year-end performance.

- Based on the decreasing balance in the GFOR, which delays the Agency's ability to grow the reserve to 10% of our modified operating budget, coupled with the impending increase in operating and debt service costs associated with the New Headquarters, staff is proposing that the following actions be taken to add funds to the GFOR.

    - Transfer a portion of the balance in the Debt Service Reserve to the GFOR. The funds referenced were deposited by properties that had temporary debt instruments at lower rates and equated to the difference between a fully amortizing loan at 6.5% and the actual debt costs. The properties have now converted or will shortly convert to permanent financing. The contributions, which were voluntary to bolster the Agency's rating review, reduced unrestricted cash flow in the respective years that would have been used to balance the budget or build reserves. A transfer of $4,270,000 was made in FY'22. Staff is proposing that $5,080,000, which equates to approximately 50% of the balance in the reserve, be transferred to the GFOR.

- Transfer the balance of in the Other Post Employee Benefit ("OPEB") Reserve established in FY'10 to assist with the growing annual OPEB contributions in prior years. This reserve was funded through budgeted contributions or year-end Agency surpluses that reduced unrestricted cash flow in the respective years that would have been used to balance the budget or build reserves. The annual contribution to prefund the obligation has decreased over the years from a high of $2.9 million in FY'14 to $96,000 for FY'24 and $18,000 FY'25, which eliminates the need for the reserve. The balance in the fund at June 30, 2023 was $765,257.64 and the final amount of the transfer will depend on interest posted to the reserve prior to the transfer.

- Transfer $400,000 from the Vehicle Reserve that was regularly used to purchase replacement vehicles prior to the Agency's current policy to lease vehicles. The balance in the fund at June 30, 2023 was $475,920.42. The remaining balance of approximately $75,000 plus any funds received when older vehicles are sold at auction is sufficient to cover the infrequent purchase of larger vehicles that are not available for lease.

- Staff further recommends that $4,655,000 of the total amount transferred ($5,080,000 + $765,258 + $400,000 = $5,845,258) be earmarked in the GFOR to establish a one-year Headquarters Debt Service Reserve. The balance of the transfer or $1,590,258 will replenish the GFOR for the transfer required to balance FY'23 and add $461,226 to the unobligated balance. A presentation of the Financing Plan for the new HOC Headquarters building will be made to the Development and Finance Committee on September 22, 2023, and approval of the plan, including establishing the Debt Service reserves will be requested of the Commission on October 4, 2023.

The Capital Budget (Attachment E)
Attachment E is a chart of the Capital Improvements Budget for FY'23. The chart is grouped in two sections – General Fund and Opportunity Housing properties. Several properties exceeded their budget due to unanticipated physical needs at the properties. For properties where sufficient reserves are available, they will be used to cover the overages. Several properties were dependent upon the Opportunity Housing Property Reserve ("OHPR") for FY'23. Total expenditures for the portfolio did not exceed the authorized amount of $480,960 allocated from the OHPR for FY'23. Capital budgets from projects with positive variances may be rolled forward as requested for projects that were planned for FY'23 but not completed.

Barclay Affordable exceeded its capital budget due to unanticipated replacements of HVAC and heat pump units. Battery Lane exceeded its capital budget due to unplanned flooring and HVAC replacements. **Bradley Crossing** overspent its capital budget due to flooring and appliance replacements. **Brookside Glen** exceeded its capital budget because of the unbudgeted replacement of the hot water heaters. **Camp Hill Square**, **Holiday Park**, **MHLP X**, and **Parkway Woods** overspent their respective capital budgets due to unplanned appliance replacements as well as plumbing work at Holiday Park. **Cider Mill Apartments** exceeded its capital budget as a result of the approved roof replacements that were not finalized for the adopted budget. **Manchester Manor** has exceeded its capital budget due to work required for the Real Estate Assessment Center ("REAC") inspection. **Metropolitan Dev Corp** and **Metropolitan Affordable** spent more than budgeted because of the delay in renovations and unanticipated replacement of the building water heater. **MHLP VIII** overspent the capital budget due to unplanned HVAC replacements. **MHLP IX – Pond Ridge** exceeded its capital budget due to HVAC, appliance and flooring replacements. **MHLP IX – Scattered Sites** exceeded its capital budget due flooring and appliance replacements. The **NCI units** overspent their combined budgets due to unanticipated HVAC, appliance, window, and flooring replacements. **Paddington Square** overspent because of unanticipated sewer line replacements and turnover costs to assist Friendly Gardens (site of the 2021 building explosion). **Pooks Hill Midrise** exceeded its capital budget due to the cost of replacing a faulty fire panel. **Sandy Spring Meadow** exceeded its capital budget as a result of HVAC replacements in two units. **Scattered Site One Dev Corp** overspent its capital budget as a result of HVAC, appliance, and flooring replacements. **Scattered Site Two Dev Corp** overspent its capital budget as a result of HVAC, appliance, kitchen cabinet and flooring replacements. **VPC One Dev Corp** overspent its capital budget as a result of appliance, kitchen and bath, flooring, and railing replacements. **Westwood Towers** exceeded its capital budget based on appliance and flooring replacements, chiller work. There were also nominal overages at **Alexander House Dev Corp**, **Barclay Dev Corp**, **Brooke Park**, **Elizabeth House RAD**, **Glenmont Crossing**, **617 Olney Sandy Spring Road**, and **The Oaks at Four Corners**.

FY 2023 Fourth Quarter Operating Budget to Actual Comparison

	Unrestricted Net Cash Flow (12 Months) Budget	(12 Months) Actual	Variance
General Fund			
General Fund	($3,558,099)	($1,479,646)	$2,078,453
Administration of Multifamily and Single Family Fund			
Multifamily Fund	$0	$112,930	$112,930
Draw from / (Restrict to) Multifamily Bond Fund	$0	($112,930)	($112,930)
Single Family Fund	$0	$185,028	$185,028
Draw from / (Restrict to) Single Family Bond Fund	$0	($185,028)	($185,028)
Opportunity Housing Fund			
Opportunity Housing Properties	$3,200,862	$2,013,368	($1,187,494)
Restricted Opportunity Housing Properties with Deficits	$0	($19,682)	($19,682)
Restricted Development Corporations with Deficits	($51,960)	($723,362)	($671,402)
Unrestricted Development Corporations with Deficits	($578,741)	($919,710)	($340,969)
OHRF			
OHRF Balance	$4,463,917	$355,800	($4,108,117)
Excess Cash Flow Restricted	($4,463,917)	($355,800)	$4,108,117
Draw from existing funds	$0	$0	$0
Net -OHRF	**$0**	**$0**	**$0**
SUBTOTAL - General Fund, Multifamily, Single Family, Opportunity Housing	**($987,938)**	**($1,129,032)**	**($141,094)**
Budgeted Draw from General Fund Operating Reserve ("GFOR") to Balance Budget	**$987,938**		
ADJUSTED SUBTOTAL - General Fund, Multifamily, Single Family, Opportunity Housing	$0	($1,129,032)	($141,094)

	Budget	Actual	Variance
Public Fund			
(1) Housing Choice Voucher Program HAP	($4,886,742)	($73,316)	$4,813,426
(2) Housing Choice Voucher Program Admin	($122,025)	$941,802	$1,063,827
Total -Public Fund	**($5,008,767)**	**$868,486**	**$5,877,253**
Public Fund - Reserves			
(1) Draw from / Restrict to HCV Program Cash Reserves	$4,886,742	$73,316	($4,813,426)
(2) Draw from / Restrict to HCV Program Excess Admin Fee	$122,025	($941,802)	($1,063,827)
SUBTOTAL - Public Funds	**$0**	**$0**	**$0**
TOTAL - All Funds	**$0**	**($1,129,032)**	**($141,094)**

FY 2023 Fourth Quarter Operating Budget to Actual Comparison

	Capital Expenses (12 Months) Budget	(12 Months) Actual	Variance
General Fund			
880 Bonifant	$50,000	$4,483	$45,517
East Deer Park	$207,000	$0	$207,000
Kensington Office	$100,000	$33,123	$66,877
Information Technology	$915,000	$336,674	$578,326
Opportunity Housing Fund	$6,321,728	$6,632,023	($310,295)
TOTAL - All Funds	**$7,593,728**	**$7,006,303**	**$541,908**

FY 2023 Fourth Quarter Operating Budget to Actual Comparison

Development Corp Properties - Net Cash Flow

	(12 Months) Net Cash Flow Budget	Variance Income	Variance Expense	(12 Months) Net Cash Flow Actual	Variance
Properties with unrestricted cash flow for FY21 operating budget					
Alexander House Dev Corp	($285,447)	($242,147)	($212,642)	($740,236)	($454,789)
The Barclay Dev Corp	($162,098)	$67,103	($78,316)	($173,311)	($11,213)
Glenmont Crossing Dev Corp	$376,040	($43,912)	($85,554)	$246,575	($129,465)
Glenmont Westerly Dev Corp	$155,192	($19,645)	$10,687	$146,234	($8,958)
Magruder's Discovery Dev Corp	$925,506	($120,143)	($132,133)	$673,230	($252,276)
The Metropolitan Dev Corp	$2,491,552	$216,550	($845,422)	$1,862,680	($628,872)
Metropolitan Affordable	($232,051)	$20,418	($191,638)	($403,271)	($171,220)
Montgomery Arms Dev Corp	$362,354	($70,391)	($48,880)	$243,083	($119,271)
MPDU II (59) Dev Corp	$395,682	($75,895)	($32,863)	$286,924	($108,758)
Paddington Square Dev Corp	$615,487	$23,999	($52,484)	$587,002	($28,485)
Pooks Hill High-Rise Dev Corp	$454,897	$19,463	($61,448)	$412,912	($41,985)
Scattered Site One Dev Corp	$116,146	($40,135)	$168,688	$244,699	$128,553
Scattered Site Two Dev Corp	($82,519)	$34,189	$37,898	($10,432)	$72,087
Sligo MPDU III Dev Corp	($48,677)	$2,963	$49,983	$4,269	$52,946
VPC One Dev Corp	$777,295	($89,709)	$89,709	$777,295	$0
VPC Two Dev Corp	$425,253	$168,951	$306,154	$900,358	$475,105
Subtotal	**$6,284,612**	**($148,341)**	**($1,078,261)**	**$5,058,011**	**($1,226,601)**
Properties with restricted cash flow (external and internal)					
MetroPointe Dev Corp	($243,543)	$140,625	$6,409	($96,509)	$147,034
Oaks at Four Corners Dev Corp	$7,156	$40,738	$33,429	$81,323	$74,167
RAD 6 Dev Corp Total	**($51,960)**	**($282,573)**	**($388,829)**	**($723,362)**	**($671,402)**
Ken Gar Dev Corp	$8,409	($28,383)	$1,429	($18,545)	($26,954)
Parkway Woods Dev Corp	$43,582	($29,225)	($21,861)	($7,504)	($51,086)
Sandy Spring Meadow Dev Corp	($15,079)	($23,250)	($6,895)	($45,224)	($30,145)
Seneca Ridge Dev Corp	($52,665)	($158,454)	($105,327)	($316,446)	($263,781)
Towne Centre Place Dev Corp	($58,929)	$20,979	($118,054)	($156,004)	($97,075)
Washington Square Dev Corp	$22,722	($64,240)	($138,121)	($179,639)	($202,361)
Subtotal	**($288,347)**	**($101,210)**	**($348,991)**	**($738,548)**	**($450,201)**
TOTAL ALL PROPERTIES	**$5,996,265**	**($249,551)**	**($1,427,252)**	**$4,319,463**	**($1,676,802)**

FY 2023 Fourth Quarter Operating Budget to Actual Comparison

For Opportunity Housing Properties - Net Cash Flow

	(12 Months) Net Cash Flow Budget	Variance Income	Variance Expense	(12 Months) Net Cash Flow Actual	Variance
Properties with unrestricted cash flow for FY22 operating budget					
MPDU I (64)	$235,276	($73,081)	($88,594)	$73,601	($161,675)
Avondale Apartments	$116,327	($18,842)	($78,685)	$18,800	($97,527)
Barclay Affordable	$67,804	$38,838	$29,173	$135,815	$68,011
Bradley Crossing	$1,198,276	($378,236)	($189,243)	$630,797	($567,479)
Camp Hill Square	$77,582	($80,881)	($71,076)	($74,375)	($151,957)
Chelsea Towers	$71,466	$51,163	($42,262)	$80,367	$8,901
Day Care at Lost Knife Road	($24,890)	$8,454	($5,362)	($21,798)	$3,092
Elizabeth House Interim RAD	$281,689	$502,069	($633,368)	$150,390	($131,299)
Fairfax Court	$61,707	$2,633	$14,476	$78,816	$17,109
Georgian Court Affordable	$0	$6,251	($7,500)	($1,249)	($1,249)
Holiday Park	$4,766	($20,565)	$3,044	($12,755)	($17,521)
Holly Hall Interim RAD	$0	$33,461	$0	$33,461	$33,461
Jubilee Falling Creek	($3,967)	($3,675)	$5,914	($1,728)	$2,239
Jubilee Hermitage	($17,333)	($5,202)	($3,008)	($25,543)	($8,210)
Jubilee Horizon Court	($1,306)	($357)	$2,162	$498	$1,804
Jubilee Woodedge	($15,870)	$29	$7,763	($8,079)	$7,791
King Farm Village	$3,242	$0	$576	$3,818	$576
Manchester Manor	($45,238)	($25,572)	($82,070)	($152,880)	($107,642)
The Manor at Cloppers Mill	$0	$16,851	$0	$16,851	$16,851
The Manor at Colesville	$0	$13,726	$0	$13,726	$13,726
The Manor at Fair Hill Farm	$0	$31,019	$0	$31,019	$31,019
McHome	$69,222	($48,345)	($1,561)	$19,315	($49,907)
McKendree	$47,813	$1,268	($5,147)	$43,934	($3,879)
MHLP VII	$51,595	($74,024)	($72,877)	($95,306)	($146,901)
MHLP VIII	$82,173	$69,147	($37,943)	$113,377	$31,204
MHLP IX Pond Ridge	($173,318)	$67,546	$5,387	($100,385)	$72,933
MHLP IX Scattered Sites	($150,926)	$32,208	($41,703)	($160,421)	($9,495)
MHLP X	($59,239)	($15,867)	$68,702	($6,404)	$52,835
MPDU 2007 Phase II	$18,479	($9,051)	$11,988	$21,416	$2,937
Olney Sandy Spring Road	($7,386)	($114)	$197	($7,303)	$83
Pooks Hill Mid-Rise	$173,624	$18,634	($121,982)	$70,277	($103,347)
Shady Grove Apts	$0	$3,133	($8,190)	($5,057)	($5,057)
Stewartown Affordable	$0	$2,036	$0	$2,036	$2,036
Strathmore Court	($42,915)	$118,742	($137,722)	($61,895)	($18,980)
TPP LLC Pomander Court	($9,083)	($6,905)	$38,255	$22,267	$31,350
TPP LLC Timberlawn	$510,346	$3,299	$58,433	$572,078	$61,732
Westwood Tower	$423,393	$144,655	($92,911)	$475,137	$51,744
The Willows	$257,553	$87,376	($204,178)	$140,750	($116,803)
Subtotal	**$3,200,862**	**$491,821**	**($1,679,312)**	**$2,013,368**	**($1,187,494)**
Properties with restricted cash flow (external and internal)					
The Ambassador	$0	$0	($62,551)	($62,551)	($62,551)
Avondale Apartments	$94,170	($15,253)	($63,698)	$15,219	($78,951)
Battery Lane	$410,506	($287,057)	($18,783)	$104,666	($305,840)
Brooke Park	$149,542	($138,975)	($30,249)	($19,682)	($169,224)
Brookside Glen (The Glen)	$48,949	($13,639)	($44,382)	($9,072)	($58,021)
CDBG Units	$0	($636)	$636	$0	$0
Cider Mill Apartments	$850,112	($292,562)	($543,438)	$14,112	($836,000)
Dale Drive	($9,861)	($103)	($3,783)	($13,748)	($3,887)
Diamond Square	$363,187	($72,654)	$26,052	$316,585	($46,602)
NCI Units	$0	($28,742)	$28,742	$0	$0
NSP Units	$0	($6,852)	$6,852	$0	$0
Paint Branch	$52,198	($28,348)	$33,705	$57,556	$5,358
Southbridge	$9,529	$21,099	$19,703	$50,330	$40,801
State Rental Combined	($251,986)	($144,884)	$32,922	($363,948)	($111,962)
Subtotal	**$1,716,346**	**($1,008,606)**	**($618,272)**	**$89,467**	**($1,626,879)**
TOTAL ALL PROPERTIES	**$4,917,208**	**($516,785)**	**($2,297,584)**	**$2,102,835**	**($2,814,373)**

Attachment C

FY 2023 Fourth Quarter Operating Budget to Actual Comparison

For HUD Funded Programs

	(12 Months) Budget	(12 Months) Actual	Variance
Housing Choice Voucher Program			
HAP revenue	$113,784,402	$118,245,713	$4,461,311
HAP payments	$118,671,144	$118,319,029	($352,115)
Net HAP	**($4,886,742)**	**($73,316)**	**$4,813,426**
Draw from HAP Reserves	$4,886,742		
Admin.fees & other inc.	$9,716,538	$11,299,711	$1,583,173
Admin. Expense	$9,838,563	$10,357,909	($519,346)
Net Administrative	**($122,025)**	**$941,802**	**$1,063,827**
Draw from Admin Reserves	$122,025		
Net Income	**$0**	**$868,486**	**$5,877,253**

Attachment D

FY 2023 Fourth Quarter Operating Budget to Actual Comparison

For Capital Improvements

	(12 Months) Budget	(12 Months) Actual	Variance
General Fund			
880 Bonifant	$50,000	$4,483	$45,517
East Deer Park	$207,000	$0	$207,000
Kensington Office	$100,000	$33,123	$66,877
Information Technology	$915,000	$336,674	$578,326
Subtotal	**$1,272,000**	**$374,280**	**$897,720**
Opportunity Housing			
Ambassador	$0	$0	$0
Alexander House Dev Corp	$42,170	$47,100	($4,930)
Avondale Apartments	$35,266	$34,265	$1,001
The Barclay Dev Corp	$128,184	$131,644	($3,460)
Barclay Affordable	$89,368	$97,360	($7,992)
Battery Lane	$56,000	$71,092	($15,092)
Bradley Crossing	$72,240	$123,300	($51,060)
Brooke Park	$0	$478	($478)
Brookside Glen (The Glen)	$81,600	$128,469	($46,869)
Camp Hill Square	$10,097	$50,060	($39,963)
CDBG Units	$5,180	$755	$4,425
Chelsea Towers	$14,800	$3,029	$11,771
Cider Mill Apartments	$1,312,992	$1,866,002	($553,010)
Dale Drive	$8,700	$3,833	$4,867
Diamond Square	$107,530	$96,291	$11,239
Elizabeth House Interim RAD	$0	$620	($620)
Fairfax Court	$40,196	$34,981	$5,215
Glenmont Crossing Dev Corp	$88,800	$91,976	($3,176)
Glenmont Westerly Dev Corp	$134,040	$82,598	$51,442
Holiday Park	$22,140	$34,587	($12,447)
Jubilee Falling Creek	$7,800	$944	$6,856
Jubilee Hermitage	$12,500	$10,209	$2,291
Jubilee Horizon Court	$10,080	$451	$9,629
Jubilee Woodedge	$6,480	$72	$6,408
Ken Gar Dev Corp	$20,770	$15,067	$5,703
King Farm Village	$240	$0	$240
Magruder's Discovery Dev Corp	$102,108	$68,031	$34,077
Manchester Manor	$40,368	$105,650	($65,282)
McHome	$44,640	$24,305	$20,335
McKendree	$25,584	$22,420	$3,164
MetroPointe Dev Corp	$99,913	$71,161	$28,752
The Metropolitan Dev Corp	$89,742	$132,900	($43,158)
Metropolitan Affordable	$6,689	$47,588	($40,899)
Montgomery Arms Dev Corp	$82,832	$73,690	$9,142
MHLP VII	$47,730	$41,093	$6,637
MHLP VIII	$48,840	$67,351	($18,511)
MHLP IX - Pond Ridge	$63,900	$90,388	($26,488)
MHLP IX - Scattered Sites	$90,192	$102,292	($12,100)
MHLP X	$98,160	$115,057	($16,897)
MPDU 2007 Phase II	$7,155	$475	$6,680
617 Olney Sandy Spring Road	$0	$72	($72)
MPDU I (64)	$59,760	$64,526	($4,766)
MPDU II (59) Dev Corp	$77,400	$62,636	$14,764
Oaks at Four Corners Dev Corp	$169,737	$173,424	($3,687)
NCI Units	$600	$17,832	($17,232)
NSP Units	$15,388	$7,368	$8,020
Paddington Square Dev Corp	$115,500	$196,618	($81,118)
Paint Branch	$16,396	$10,464	$5,932
Parkway Woods Dev Corp	$4,000	$12,034	($8,034)
Pooks Hill High-Rise Dev Corp	$363,436	$177,334	$186,102
Pooks Hill Mid-Rise	$47,020	$62,218	($15,198)
Sandy Spring Meadow Dev Corp	$14,201	$26,353	($12,152)
Scattered Site One Dev Corp	$180,240	$305,242	($125,002)
Scattered Site Two Dev Corp	$45,000	$51,915	($6,915)
Seneca Ridge Dev Corp	$38,800	$30,751	$8,049
Sligo MPDU III Dev Corp	$28,176	$26,684	$1,492
Southbridge	$22,896	$5,871	$17,025
State Rental Combined	$236,640	$206,351	$30,289
Strathmore Court	$508,303	$346,211	$162,092
Towne Centre Place Dev Corp	$30,563	$11,993	$18,570
TPP LLC Pomander Court	$21,948	$7,984	$13,964
TPP LLC Timberlawn	$172,250	$70,546	$101,704
VPC One Dev Corp	$222,100	$242,617	($20,517)
VPC Two Dev Corp	$184,152	$141,191	$42,961
Washington Square Dev Corp	$55,300	$51,426	$3,874
Westwood Tower	$296,000	$317,437	($21,437)
The Willows	$240,896	$117,341	$123,555
Subtotal	**$6,321,728**	**$6,632,023**	**($310,295)**
TOTAL	**$7,593,728**	**$7,006,303**	**$587,425**

M E M O R A N D U M

TO: Housing Opportunities Commission of Montgomery County
Budget, Finance and Audit Committee

VIA: Chelsea Andrews Executive Director

FROM: Staff: Timothy Goetzinger, Acting Chief Financial Officer
Eugenia Pascual, Controller
Gary Hall, Acting Accounting Manager
Ali Ozair, Director of Property Management

RE: **Uncollectible Tenant Accounts Receivable**: Presentation of Request to Write-off Uncollectible Tenant Accounts Receivable (April 1, 2023 – June 30, 2023)

DATE: September 20, 2023

BACKGROUND:

HOC's current policy is to provide for an allowance for any tenant accounts receivable balance, which are older than 90 days. HOC records all proposed write-offs of former tenant accounts receivable balances in HOC's Uncollectible Accounts Receivable Database as well as in the various individuals' Equifax Credit Bureau files. This process updates the financial records to reflect accurately the receivables and provides greater potential for outstanding receivable collection.

The last approved write-off of former tenant accounts receivable balances was on June 14, 2023, was for $76,237, which covered the three-month period from January 1, 2023 through March 31, 2023 (the third quarter of fiscal year 2023).

The proposed write-off of former tenant accounts receivable balances for the fourth quarter of fiscal year 2023, covering April 1, 2023 through June 30, 2023 is $73,335.

The $73,335 fourth quarter write-off is attributable to former tenants within HOC's Opportunity Housing properties, Supportive Housing properties and LITHC/RAD properties. The primary reasons for the write-offs across the properties include tenants who passed away ($993), left due to a job transfer ($4,195), needed more space ($1,236), no longer qualify ($2,139), moved to a nursing home ($1,054), obtained a HCV voucher ($4,000), purchased a home ($1,007), skipped ($18,639), abandoned/vacated their unit ($14,055) and voluntarily vacated their units ($26,017).

The following table shows the write-offs by fund/program.

Property Type	Current Write-offs 04/01/23 - 06/30/23	Prior Write-offs 01/01/23 - 03/31/23	$ Change 04/01/23 - 06/30/23	% Change 04/01/23 - 06/30/23	Fiscal Year 2023 Year-to-Date 07/01/22 - 06/30/23	Fiscal Year 2022 Year-to-Date 07/01/21 - 06/30/22
Opportunity Housing	66,636	53,546	13,090	24.45%	147,505	275,258
Supportive Housing	4,055	11,393	(7,338)	-64.41%	45,790	35,766
RAD Properties	2,644	11,298	(8,654)	-76.60%	14,046	35,302
236 Properties	-	-	-	0.00%	4,141	2,762
	$ 73,335	$ 76,237	$ (2,902)	-3.81%	$ 211,482	$ 349,088

The following tables show the write-offs by fund and property.

Opportunity Housing Fund

	Current Write-offs 04/01/23 - 06/30/23	Prior Write-offs 01/01/23 - 03/31/23	$ Change 04/01/23 - 06/30/23	% Change 04/01/23 - 06/30/23	Fiscal Year 2023 Year-to-Date 07/01/22 - 06/30/23	Fiscal Year 2022 Year-to-Date 07/01/21 - 06/30/22
Opportunity Housing (OH) Fund						
617 Olney Sandy Spring Rd	$ -	$ -	$ -	0.00%	$ -	$ 879
Avondale	1,400	1,359	41	3.02%	2,759	7,338
HOC at Avondale	4,195	-	4,195	0.00%	4,195	-
Brooke Park Apts	-	-	-	0.00%	-	1,318
Camp Hill Square	-	1,826	(1,826)	-100.00%	1,826	-
Jubilee - Hermitage	-	-	-	0.00%	-	346
Magruders Discovery	21	-	21	0.00%	9,581	-
McHome	-	-	-	0.00%	-	24,062
MHLP IX - MPDU	-	1,209	(1,209)	-100.00%	1,209	3,204
MHLP IX - Pondridge	-	-	-	0.00%	-	2,069
MHLP VII	21,827	-	21,827	0.00%	21,827	4,869
MHLP VIII	-	-	-	0.00%	-	37
MHLP X	-	-	-	0.00%	-	15,134
MPDU I/64	-	-	-	0.00%	800	41,084
NCI-1 - 13304 Lydia St	-	-	-	0.00%	-	524
NCI-1 - 60 Catoctin Court	1,162	-	1,162	0.00%	1,162	-
Paintbranch	-	-	-	0.00%	153	-
Scattered Site One Dev Corp	-	7,313	(7,313)	-100.00%	18,153	73,404
Scattered Site Two Dev Corp	-	3,810	(3,810)	-100.00%	3,810	858
State Rental Partnership	-	2,966	(2,966)	-100.00%	3,600	6,685
TPM Dev Corp - MPDU II (59)	-	-	-	0.00%	769	4,035
VPC One Corp	36,848	26,623	10,225	38.41%	67,811	82,767
VPC Two Corp	1,183	8,440	(7,257)	-85.98%	9,850	6,645
Total OH Fund	**$ 66,636**	**$ 53,546**	**$ 13,090**	**24.45%**	**$ 147,505**	**$ 275,258**

Within the Opportunity Housing portfolio, the $66,636 write-off amount was attributable to Avondale, HOC at Avondale, Magruders Discovery, MHLP VII, NCI-1, VPC One Corporation and VPC Two Corporation. The write-offs were due to one tenant who left due to a job transfer ($4,195), two tenants who needed more space ($1,236), one tenant who no longer qualifies ($2,139), one tenant who purchased a home ($1,007), one tenant who skipped ($18,639), one tenant where the unit was abandoned/vacated ($14,055), and ten tenants who voluntarily vacated their units ($25,365).

Supportive Housing

	Current Write-offs 04/01/23 - 06/30/23	Prior Write-offs 01/01/23 - 03/31/23	$ Change 04/01/23 - 06/30/23	% Change 04/01/23 - 06/30/23	Fiscal Year 2023 Year-to-Date 07/01/22 - 06/30/23	Fiscal Year 2022 Year-to-Date 07/01/21 - 06/30/22
Supportive Housing						
McKinney X - HUD	$ 4,000	$ 2,474	$ 1,526	61.68%	$ 22,095	$ 35,766
McKinney XIV - HUD	55	8,919	(8,864)	-99.38%	23,695	-
Total Supportive Housing	**$ 4,055**	**$ 11,393**	**$ (7,338)**	**-64.41%**	**$ 45,790**	**$ 35,766**

Within the Supportive Housing program, there was one tenant who passed away ($55) and one tenant who obtained HCV voucher ($4,000).

LIHTC/RAD Properties

	Current Write-offs 04/01/23 - 06/30/23	Prior Write-offs 01/01/23 - 03/31/23	$ Change 04/01/23 - 06/30/23	% Change 04/01/23 - 06/30/23	Fiscal Year 2023 Year-to-Date 07/01/22 - 06/30/23	Fiscal Year 2022 Year-to-Date 07/01/21 - 06/30/22
LIHTC/RAD Properties						
Arcola Towers LP	$ -	$ 4,741	$ (4,741)	-100.00%	$ 4,741	$ 3,409
Elizabeth House - Interim RAD	-	-	-	0.00%	-	1,324
Holly Hall RAD	-	-	-	0.00%	-	1,862
RAD 6 - Sandy Spring	-	-	-	0.00%	-	46
RAD 6 - Seneca Ridge	-	-	-	0.00%	-	25,786
RAD 6 - Towne Centre Place	-	-	-	0.00%	-	2,691
RAD 6 - Washington Square	-	3,033	(3,033)	-100.00%	3,033	-
Waverly House LP	2,644	3,524	(880)	-24.97%	6,272	184
Total RAD Properties	**$ 2,644**	**$ 11,298**	**$ (8,654)**	**-76.60%**	**$ 14,046**	**$ 35,302**

Within the LITHC/RAD properties, there were three tenants who passed away ($938), four tenants that moved to a nursing home ($1,054), and one tenant who voluntarily left their unit ($652).

HUD Section 236 Properties

	Current Write-offs 04/01/23 - 06/30/23	Prior Write-offs 01/01/23 - 03/31/23	$ Change 04/01/23 - 06/30/23	% Change 04/01/23 - 06/30/23	Fiscal Year 2023 Year-to-Date 07/01/22 - 06/30/23	Fiscal Year 2022 Year-to-Date 07/01/21 - 06/30/22
236 Properties						
Town Center Apts	$ -	$ -	$ -	0.00%	$ 4,141	$ 2,762
Total 236 Properties	**$ -**	**$ -**	**$ -**	**0.00%**	**$ 4,141**	**$ 2,762**

Within the 236 properties, there were no write-offs to report in the fourth quarter of FY ’23.

These write-offs will be reported to Assurant Global Housing, HOC’s collection company as per the procedures listed below.

Finance Write-Off and Recovery Procedures

1. After a tenant vacates, Resident Accounting ("RA") receives clearance from HOC Property Management ("PM") to post the deposit accounting in Yardi.
2. If a balance is owed, RA prepares a letter to the resident with the balance owed. PM signs and mails the letter to the resident.
3. If a resident purchased a surety bond, PM submits a claim to the bond company to collect the balance owed up to the amount of the bond. Payments made by the bond company are posted to the resident's ledger.
4. If a balance is still owed (at the time of write-off review), it is submitted for consideration to be written-off. Once approved, the write-off is posted in Yardi.
5. PM informs Compliance of the write-off and reports outstanding balances to a collection Company.

The next anticipated write-off will be for the first quarter of FY'24 covering July 1, 2023 through September 30, 2023. Upon approval, the write-offs will be processed through Yardi's write-off function with the tenant detail placed into the uncollectible accounts receivable database.

ISSUES FOR CONSIDERATION:

Will the Budget, Finance and Audit Committee join staff's recommendation to the Commission to authorize the write-off of uncollectible tenant accounts receivable for the fourth quarter of fiscal year 2023, totaling $73,335?

BUDGET IMPACT:

The recommended write-off of the tenant accounts receivable balances does not affect the net income or cash flow of the individual properties or the Agency as a whole. The write-off expense was recorded when the initial allowance was established because of the receivable balance being 90 days past due. The recommended write-off is to adjust the balance sheet and remove the aged receivable balances.

TIME FRAME:

For discussion at the September 20, 2023 Budget, Finance and Audit Committee meeting. For formal Commission action at the October 4, 2023 meeting.

STAFF RECOMMENDATION:

Staff requests that the Budget, Finance and Audit Committee join its recommendation to the Commission authorizing the write-off of uncollectible tenant accounts receivable of $73,335.

Adjourn