

Request for Action
by
Board of Commissioners

Approval of Fiscal Year (FY) 2024 Operating Budget

A. Summary of Action

This Request for Action (RFA) is for approval of the proposed FY 2024 Operating Budget including projected revenue and expenses for the upcoming year.

B. Discussion

The operating budget reflects forecasts incorporating current and expected economic and market conditions. Despite some market challenges, the budget demonstrates the corporation's continued financial strength and commitment to housing with net revenue over expenditures (Net Income) projected at \$9.4 million. This is an increase from the FY 2023 budget of \$5.4 million.

We expect continued execution of homeownership programs despite the high interest rate environment. This is strengthened by the State Downpayment Assistance Grant funded through the American Rescue Plan Act (ARPA). We will continue to use the most effective financing strategies such as tax-exempt, taxable and variable rate bonding and selling in the TBA market.

For multifamily rental development, we anticipate a significant increase in the number of new units produced. This is due to new housing development programs created by the State from ARPA funds as well as other federal programs that we administer.

Operating expenses reflect decreases relating to the close out of certain federal grant programs administered by the agency. The budget also reflects various capital expenses including HVAC system design and IT equipment replacements. Personnel expenses also include a merit increase for staff.

Attached hereto as Attachment A is a detailed presentation of the FY 2024 operating budget.

C. Recommendation

The attached resolution pertaining to the approval of the FY 2024 operating budget is recommended for adoption.

D. Attachments

- A. FY 2024 Operating Budget Presentation
- B. Resolution



Attachment A

MEMO

To: Board of Commissioners
From: Carol Ventura
Date: August 17, 2023
Subject: FY 2024 Budget

Attached for your review and approval is the proposed fiscal year 2024 budget detailing projected revenues and expenses for the upcoming year.

The highlights in this year's budget are:

- Continued administration of Federal ARPA funded programs
- Increase in Multifamily Development activity
- Steady Homeownership loan production due to State DPA grant

The proposed budget for FY24 projects bottom line Net Revenue of \$9.4 million. This is an increase over the FY23 Net Revenue budget of \$5.4 million.

Net Interest Income for FY24 (the spread between our mortgage rates and our borrowing rates) reflects an increase from the FY23 budget. This is due to continued financing of Homeownership loans through the issuance of bonds. Single family production is estimated at \$430 million with 80% funded through bond financing and 20% through the TBA market.

Fee income, the largest component of revenue, reflects a \$1.2 million increase relating to an increase in Multifamily Development activity and an increase in Loan Servicing fees.

The budget includes an increase in the provision for loan losses of \$2 million. This is primarily to offset the uninsured portion of new Multifamily Development loans.

We continue to fund critical housing programs that include rental assistance, community development programs and downpayment assistance.

The focus for the upcoming year will be the administration of Federal grant programs including the Homeownership Down Payment Assistance Grant, and various programs related to the Development of Affordable Housing. Our operating expenses will be lower in FY24 due to the expected close out of the Emergency Rental Assistance Program and Homeownership Assistance Fund Program. The budget reflects various staffing and operating expense changes based on the administration of these programs. Our operating budget reflects a merit increase for staff, as well as increases in amortization relating to mortgage servicing rights.

**RIHousing
Program Budget FY24**

	Budget 2023	Forecast 2023	Budget 2024	2024 Budget vs 2023 Budget	
				\$	%
Preventing Homelessness					
State Rental Assistance and Operating Subsidies	150,000	170,000	170,000	20,000	13.3%
Road Home Rental Assistance	800,000	530,000	600,000	(200,000)	-25.0%
Home Safe	-	162,500	-	-	0.0%
Neighborhood Opportunities Program	200,000	172,984	200,000	-	0.0%
New Lease Program	-	-	30,000	30,000	100%
	1,150,000	1,035,484	1,000,000	(150,000)	-13.0%
Support for Community Development Activities					
LISC NDF	300,000	300,000	500,000	200,000	66.7%
	300,000	300,000	500,000	200,000	66.7%
Community Support Programs					
Healthy Housing, Healthy Communities	-	1,000,000	-	-	100.0%
Community and Housing Development Program	500,000	374,470	500,000	-	0.0%
	500,000	1,374,470	500,000	-	0.0%
Homeownership					
Homeownership Reserve Program	-	200,716	250,000	250,000	100.0%
Down Payment Assistance	500,000	400,000	500,000	-	0.0%
	500,000	600,716	750,000	250,000	50.0%
MultiFamily					
Zero Energy for Ocean State (ZEOS)	250,000	19,236	250,000	-	0.0%
	250,000	19,236	250,000	-	0.0%
Total Programs	\$ 2,700,000	\$ 3,329,906	\$ 3,000,000	\$ 300,000	11.1%



2024 Program Budget Descriptions

Preventing Homelessness

State Rental Assistance and Operating Subsidies: Rental assistance payments on behalf of residents of developments with prior commitments from the State of Rhode Island.

RoadHome: Rental assistance to house homeless families and individuals.

Home Safe: Funding to assist individuals and families experiencing a housing crisis.

Neighborhood Opportunities Program: Operating subsidies for developments that provide discounted rents to tenants with very low income and/or special needs. Previously funded by the State.

New Lease Program: Funding for support of New Lease for Homeless Families in Rhode Island.

Support for Community Development Activities

LISC/NDF: Funding for the LISC Neighborhood Development Fund which provides assistance to Community Development Corporations.

Community Support Programs

Healthy Housing, Healthy Communities: Funding for predevelopment to increase the supply of permanent supportive housing.

Community Development and Housing Program: Technical support for management agents, funding for resident services and projects that support RIHousing funded developments, and financial and budgeting counseling for first-time homeowners.

Homeownership

Homeownership Reserve Program: Reserve fund for eligible first-time homeowners to avoid mortgage delinquency during a temporary short-term event.

Downpayment Assistance: Funding for \$10K Downpayment Assistance program for first time homebuyers not funded through mortgage revenue bonds.

Multifamily

Zero Energy for Ocean State (ZEOS): Program to promote cost effective energy conservation in housing units in coordination with the RI Office of Energy Resources

RIHousing
Revenue and Expenses
(\$'s in thousands)

	Budget	Forecast	Budget	2024 Budget vs.		2024 Budget vs.		Comments
	2023	2023	2024	2023 Budget	%	2023 Forecast	%	
Net Interest Income (includes other bond related costs)	\$ 26,793	\$ 29,550	\$ 28,027	\$ 1,234	5%	\$ (1,523)	-5%	1
Fee Income	28,103	35,550	29,320	1,217	4%	(6,230)	-18%	2
Gain on Sale of Loans	4,018	4,726	3,949	(69)	-2%	(777)	-16%	3
Sub Total Revenue	58,914	69,825	61,296	2,382	4%	(8,529)	-12%	
Loan Losses and Expenses	(1,000)	(3,076)	(2,000)	(1,000)	100%	1,076	-35%	4
Programmatic Expenses	(2,700)	(3,330)	(3,000)	(300)	11%	330	-10%	5
Operating Expenses	(49,843)	(49,266)	(46,893)	2,950	-6%	2,373	-5%	6
Net Revenue	\$ 5,371	\$ 14,153	\$ 9,403	\$ 4,032	75%	\$ (4,750)	-34%	

1 Increase from continued bond financing

2 Fluctuations due to administration of Federal Grant programs and non-recurring fee received in FY23

3 Decrease from fewer loan sales, based on secondary market conditions

4 Increase for uninsured portion of Multifamily Development loans

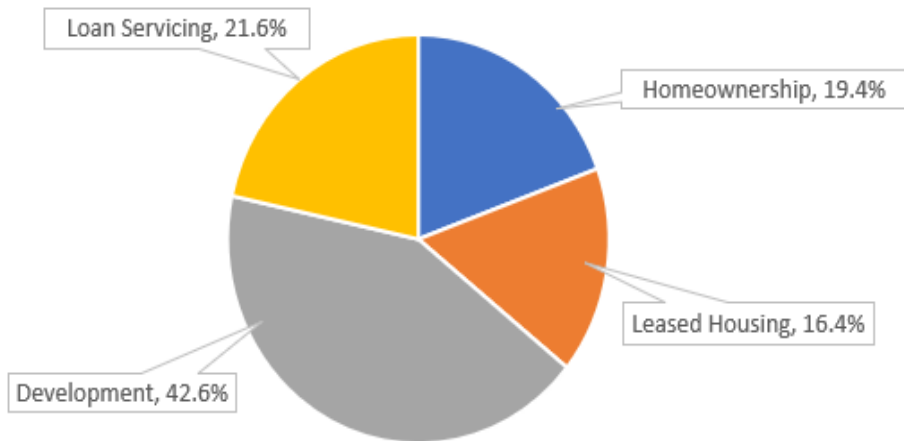
5 Consistent year over year

6 Fluctuations due to administration of Federal Grant Programs

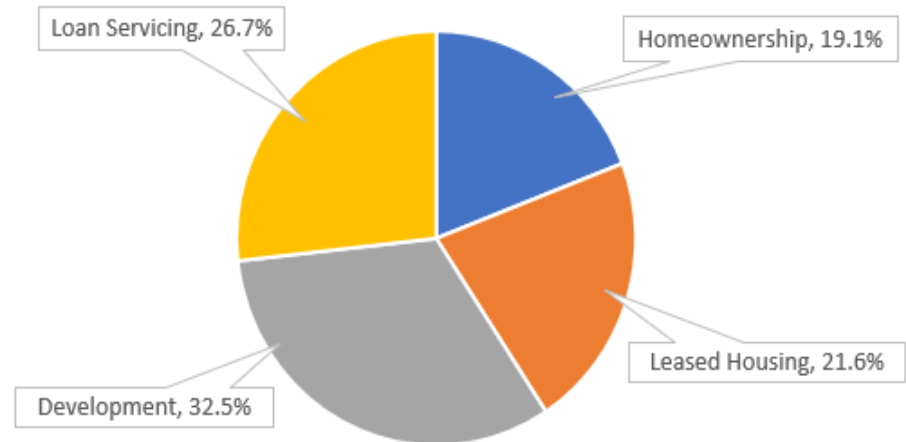
FY 2024

Revenue/Expense by Division

Total Revenue



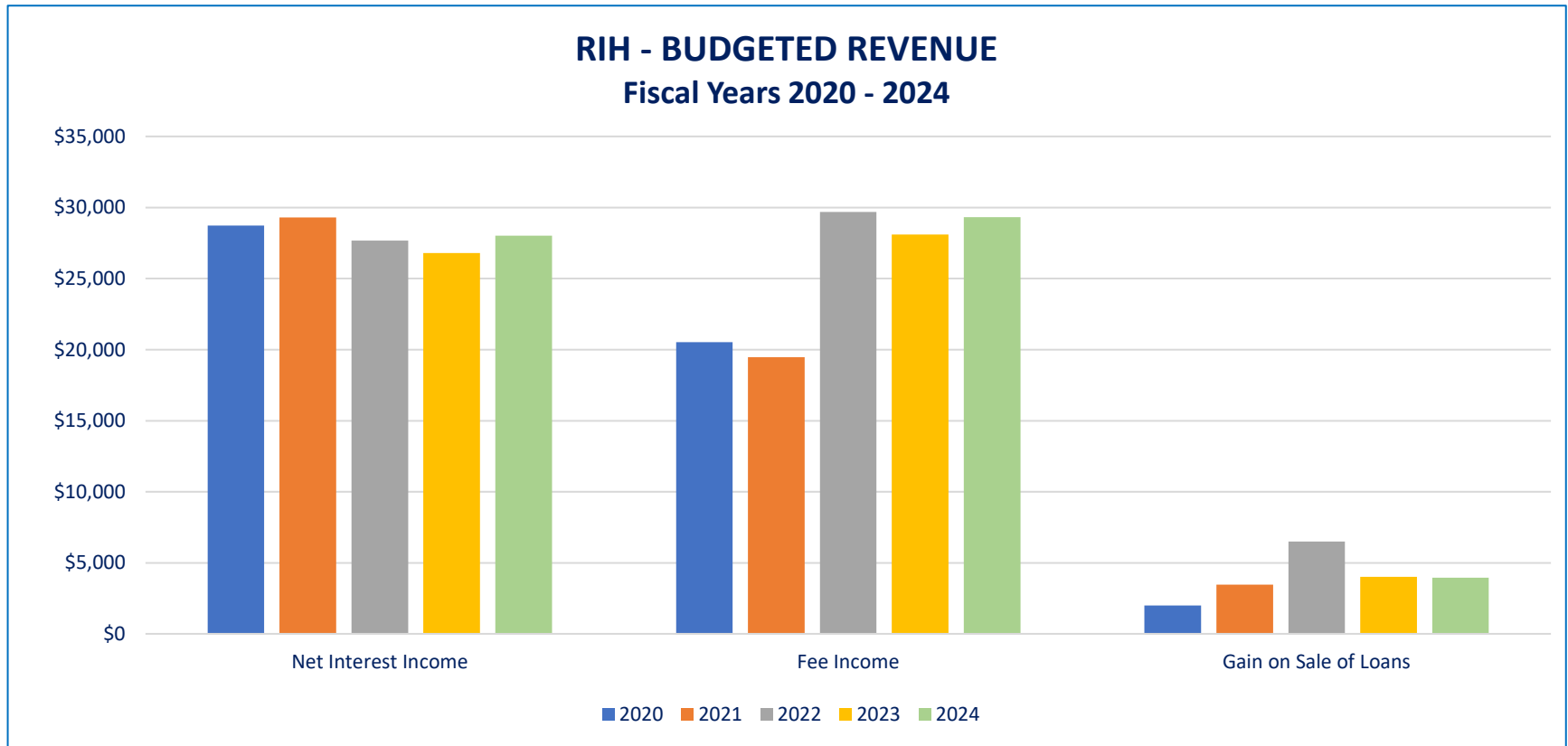
Total Expense



■ Homeownership ■ Leased Housing ■ Development ■ Loan Servicing

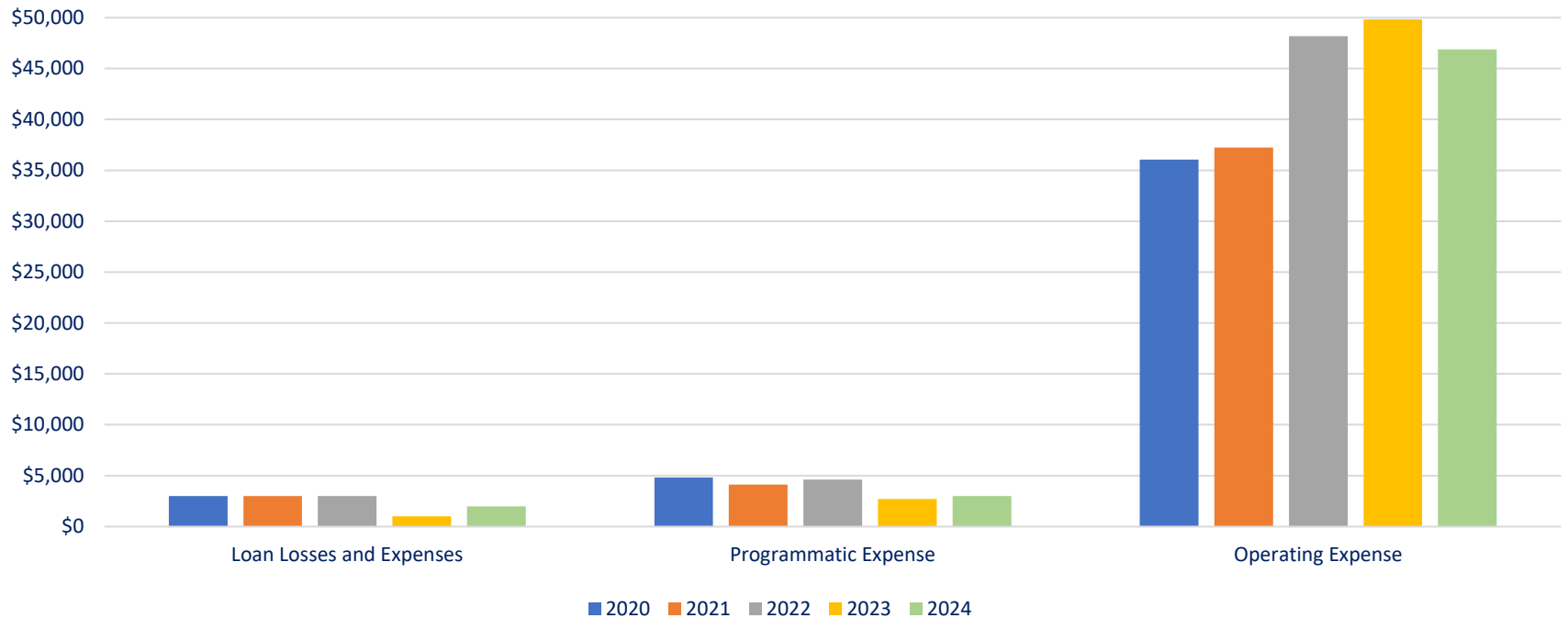


Budgeted Revenue



Budgeted Expense

RIH - BUDGETED EXPENSE
Fiscal Years 2020 - 2024



Attachment B

Resolution of the Board of Commissioners of Rhode Island Housing and Mortgage Finance Corporation

- Whereas,** Pursuant to the provisions of the Rhode Island Housing and Mortgage Finance Corporation Act, Chapter 55 of Title 42 of the Rhode Island General Laws, Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”) has the authority to adopt an annual budget and disburse funds; and
- Whereas,** the Management Committee of the Board of Commissioners (the “Committee”) provided the opportunity for staff to present and discuss the proposed FY 2024 operating budget; and
- Whereas,** staff recommends that the proposed FY 2024 operating budget be presented to the Board of Commissioners for approval and adoption.

NOW, THEREFORE, IT IS HEREBY:

- Resolved,** that the proposed FY 2024 Operating Budget of RIHousing as presented to the Committee and as set forth at Attachment A is hereby approved; and
- Resolved,** that the Executive Director, the Deputy Executive Director, and the Chief Financial Officer, each acting singly, be and hereby are authorized, empowered, and directed to take any and all actions they shall deem necessary or advisable to carry out the foregoing resolution.