



MEMO

To: Board of Commissioners
From: Carol Ventura
Date: November 19, 2020
Subject: FY 2021 Budget

Attached for your review and approval is the proposed fiscal year 2021 budget detailing projected revenues and expenses for the upcoming year.

The highlights in this year's budget are:

- Re-stabilized tax-exempt bond market indicating continued financing of Single Family Homeownership loans through the issuance of bonds vs. sale of loans in the To-Be-Announced (TBA) market.
- A reduction in estimates for Homeownership loan production based on current market conditions.
- Engagement of consultant regarding diversity initiatives; increase in technology budget for expanded work from home and virtual options; reduction in staffing levels.

The proposed budget for FY21 projects bottom line Net Revenue of \$7.7 million. This is a slight increase over the prior year Net Revenue budget of \$7.4 million and a decrease from the actual Net Revenue for FY20 of \$15.2 million.

Net Interest Income (the spread between our mortgage rates and our borrowing rates) is the largest component of revenues and reflects a slight increase from prior year budget. Single family production is estimated at \$306 million with the majority funded through tax-exempt bond financing. This results in lower current year earnings (reflected in the Gain on Sale of Loans) but an increase in Net Interest Income over the life of the loan providing a future annuity and increased portfolio base.

Fee income reflects a decrease due to Federal mandates prohibiting fees on delinquent loans as well as the projected decrease in single family production.

Provision for loan losses is stable anticipating some increased delinquency or deterioration of the real estate market.

Program Expenses are down slightly due to a shift in programs and utilization of other funding sources, ie. grant from FHLB for rental assistance.

Operating Expenses reflect an increase compared to prior year budget. The prior year budget had the benefit of reduced costs in employee retirement due to cumulative forfeiture funds. The current year budget reflects a full year of these costs. The current year budget also includes reductions in various line items such as seminars, trainings and overall marketing expense as well as a significant increase in technology expenses.

RIHousing
Program Budget FY21

	<u>Budget 2020</u>	<u>Actual 2020</u>	<u>Budget 2021</u>	<u>2021 Budget vs. 2020 Budget</u>	
Preventing Homelessness					
State Rental Assistance and Operating Subsidies	260,000	212,323	215,000	(45,000)	-17.3%
Road Home Rental Assistance	1,300,000	1,086,586	1,100,000	(200,000)	-15.4%
Neighborhood Opportunities Program	400,000	228,986	200,000	(200,000)	-50.0%
HomeSafe	-	-	500,000	500,000	100.0%
"New Lease" Program	50,000	-	50,000	-	0.0%
	<u>2,010,000</u>	<u>1,527,895</u>	<u>2,065,000</u>	<u>55,000</u>	<u>2.7%</u>
Support for Community Development Activities					
LISC NDF	300,000	300,000	300,000	-	0.0%
Housing Study	50,000	3,000	-	(50,000)	-100.0%
	<u>350,000</u>	<u>303,000</u>	<u>300,000</u>	<u>(50,000)</u>	<u>-14.3%</u>
Community Support Programs					
Digital Equity Initiative	-	-	250,000	250,000	100.0%
Financial Literacy; Post Purchase Counseling	250,000	-	250,000	-	0.0%
Housing Program - Asset Management	200,000	581,636	250,000	50,000	25.0%
	<u>450,000</u>	<u>581,636</u>	<u>750,000</u>	<u>300,000</u>	<u>66.7%</u>
Homeownership					
Homeownership Reserve Program	-	-	500,000	500,000	100.0%
Deed Restricted Loan Product	2,000,000	2,000,000	-	(2,000,000)	-100.0%
	<u>2,000,000</u>	<u>2,000,000</u>	<u>500,000</u>	<u>(1,500,000)</u>	<u>-75.0%</u>
MultiFamily					
Zero Energy for Ocean State (ZEOS)	-	-	750,000	750,000	100.0%
	<u>-</u>	<u>-</u>	<u>750,000</u>	<u>750,000</u>	<u>100.0%</u>
Total Programs	<u>\$ 4,810,000</u>	<u>\$ 4,412,531</u>	<u>\$ 4,365,000</u>	<u>\$ (445,000)</u>	<u>-9.3%</u>

2021 Program Budget Descriptions

Preventing Homelessness

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

Operating Subsidies: Difference between tax credit rents and PHA rents for Sutterfield Apartments. The subsidy was a condition of Sutterfield's purchase of the property.

RoadHome: Rental assistance to house homeless families and individuals.

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.

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

New Lease Program: Funding for the launch 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

Digital Equity Initiative: Funding for research and implementation of a program to increase digital equity for low income Rhode Islanders.

Financial Literacy: Post purchase financial and budgeting counseling for first-time homeowners.

Housing Program - Asset Management and Community Development: Technical support for management agents and funding for community development projects that support RIHousing funded developments.

Homeownership

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

Multifamily

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

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

	Budget 2020	Actual 2020	Budget 2021	2021 Budget vs. 2020 Budget		2021 Budget vs. 2020 Actual		Comments Below
				\$	%	\$	%	
Net Interest Income (includes other bond related costs)	\$ 28,737	\$ 28,022	\$ 29,300	\$ 563	2%	\$ 1,278	5%	1
Fee Income	20,540	21,054	19,480	(1,060)	-5%	(1,574)	-7%	2
Gain on Sale of Loans	2,000	8,949	3,478	1,478	74%	(5,472)	-61%	3
Sub Total Revenue	51,277	58,025	52,257	980	2%	(5,768)	-10%	
Loan Losses and Expenses	(3,000)	(3,790)	(3,000)	-	0%	790	-21%	4
Programmatic Expenses	(4,810)	(4,413)	(4,365)	445	-9%	48	-1%	5
Operating Expenses	(36,067)	(34,617)	(37,229)	(1,162)	3%	(2,612)	8%	6
Net Revenue	\$ 7,401	\$ 15,205	\$ 7,663	\$ 263	4%	\$ (7,542)	-50%	
Transfer to State	\$ 1,500	1,500	1,100	\$ (400)	-27%	\$ (400)	-27%	7

- 1** Slight increase as a result of bonds refinanced at lower rates
- 2** Reduction due to Federal moratorium on certain servicing fees and estimated decrease in single family production
- 3** FY20 actuals reflect an increase in loans sales during muni market disruptions due to COVID; FY21 budget is based on a more balanced strategy of retaining loans on the balance sheet versus selling in the TBA market
- 4** Allowance is anticipated to be adequate for potential increase in delinquencies
- 5** Slight decrease due to program adjustments and alternative funding sources
- 6** Significant increases in technology costs; reductions in seminars, training, travel
- 7** Budget reflects the proposed transfer to State

RIHousing FY21 Operating Expenses

Budget Year:	Budget 2020	Actuals 2020	Budget 2021	2021 Budget vs. 2020 Budget		2021 Budget vs. 2020 Actual	
				\$ Incr (decr)	% Incr (decr)	\$ Incr (decr)	% Incr (decr)
(8201) Salary	16,193,868	16,091,156	16,432,130	238,262	1.47%	340,974	2.12%
(8202) Employee Retirement Plan Exp	1,098,540	947,018	1,630,566	532,026	48.43%	683,548	72.18%
(8205) Temporary Help	500,000	196,743	100,100	-399,900	-79.98%	-96,643	-49.12%
(8206) Payroll Taxes	1,235,790	1,170,222	1,257,080	21,290	1.72%	86,858	7.42%
(8207) Unemployment Benefits	175,000	191,805	276,000	101,000	57.71%	84,195	43.90%
(8208) Overtime	75,000	37,658	46,000	-29,000	-38.67%	8,342	22.15%
(8209) Medical/Dental Benefits	2,873,148	2,889,255	3,170,742	297,594	10.36%	281,487	9.74%
(8210) Employee Insurance Benefits	238,579	182,991	177,735	-60,844	-25.50%	-5,257	-2.87%
(8211) Employee Benefit Rebates	20,000	57,432	57,600	37,600	188.00%	168	0.29%
(8212) Employee Education Expense	40,000	33,846	40,000	0	0.00%	6,154	18.18%
(8213) Employee Transportation Exp	302,592	284,699	300,352	-2,240	-0.74%	15,653	5.50%
(8214) Post retirement benefits Exp	650,000	744,161	724,000	74,000	11.38%	-20,161	-2.71%
(8215) Commission Expense	115,200	98,090	105,600	-9,600	-8.33%	7,510	7.66%
(8216) Severance		52,290	83,000	83,000	-	30,710	58.73%
Personnel Services	23,517,717	22,977,366	24,400,905	883,188	3.76%	1,423,540	6.20%
(8301) Trustee/Bank Fees	370,200	373,412	390,800	20,600	5.56%	17,388	4.66%
(8302) Consulting Services	1,119,500	937,480	1,226,944	107,444	9.60%	289,464	30.88%
(8303) Legal: Services and Other	503,500	184,951	400,000	-103,500	-20.56%	215,049	116.27%
(8304) Accounting & Auditing	321,000	197,284	275,475	-45,525	-14.18%	78,191	39.63%
(8305) Appraisals/Inspect/Title, etc	201,300	90,924	101,695	-99,605	-49.48%	10,771	11.85%
(8308) State Reportable Bus Exp.	50,900	18,841	24,225	-26,675	-52.41%	5,384	28.57%
(8309) Office Premises/Maintenance	362,000	257,052	290,000	-72,000	-19.89%	32,948	12.82%
(8310) Dues/Membership	111,495	97,104	133,800	22,305	20.01%	36,696	37.79%
(8311) Publications/Subscriptions	80,974	82,215	100,825	19,851	24.52%	18,610	22.64%
(8312) Seminars/Conferences	142,600	104,179	108,639	-33,961	-23.82%	4,459	4.28%
(8313) Utilities	236,200	178,406	181,300	-54,900	-23.24%	2,894	1.62%
(8315) Storage Rent/Deposit Boxes	93,939	61,752	73,290	-20,649	-21.98%	11,538	18.68%
(8316) Telecommunications	386,335	283,161	207,271	-179,064	-46.35%	-75,890	-26.80%
(8318) Automobile Expenses	48,435	20,682	28,690	-19,745	-40.77%	8,008	38.72%
(8319) Postage/Express Mailings	171,425	120,848	175,385	3,960	2.31%	54,537	45.13%
(8320) Advertising, Promotions, etc.	312,650	199,964	233,050	-79,600	-25.46%	33,086	16.55%
(8321) Printing/Binding	257,900	163,805	163,700	-94,200	-36.53%	-105	-0.06%
(8322) Corporate Insurance Policies	295,000	268,944	320,150	25,150	8.53%	51,206	19.04%
(8323) Equipment Rental/Maintenance	6,500	334,988	339,500	333,000	5123.04%	4,512	1.35%
(8324) IT Expenses	721,552	745,584	711,800	-9,752	-1.35%	-33,784	-4.53%
(8326) Office Supplies	54,300	38,804	65,100	10,800	19.89%	26,296	67.77%
(8327) Vending/Lunchroom Supplies	41,000	29,898	31,000	-10,000	-24.39%	1,102	3.69%
(8328) Building and IT Security	185,200	68,821	192,469	7,269	3.92%	123,647	179.66%
(8332) Public Outreach	77,800	53,148	106,150	28,350	36.44%	53,002	99.72%
(8338) Homebuyer Education Expense	-40,000	-28,596	-30,000	10,000	-25.00%	-1,404	4.91%
(8342) Scholarship/Fellowship Cost			10,000	10,000	-	10,000	-
(8343) Data Support Services		11,926	47,000	47,000	-	35,074	294.11%
(8345) Brochures - Collateral	2,200		950	-1,250	-56.82%	950	-
(8346) Marketing - Positioning	75,000	82,147	75,000	0	0.00%	-7,147	-8.70%
(8347) Promotional Items	61,450	44,329	46,525	-14,925	-24.29%	2,196	4.95%
(8351) Training	133,500	62,125	120,100	-13,400	-10.04%	57,975	93.32%
(8352) Hiring Expenses	60,000	11,390	61,200	1,200	2.00%	49,810	437.33%
(8353) Outside Services	1,221,767	1,304,138	1,354,500	132,733	10.86%	50,362	3.86%
(8354) Loan Servicing LPS	1,055,000	994,944	958,500	-96,500	-9.15%	-36,444	-3.66%
(8355) Monthly Statements	320,000	379,186	333,000	13,000	4.06%	-46,186	-12.18%
(8357) Employee Relations	33,500	25,685	26,360	-7,140	-21.31%	675	2.63%
(8359) Credit Reports- HO	69,944	97,689	63,800	-6,144	-8.78%	-33,889	-34.69%
(8362) Photography/Videos	135,000	22,102	100,000	-35,000	-25.93%	77,898	352.45%
(8363) Graphic Design	45,000		0	-45,000	-100.00%	0	-
(8364) Travel Expenses	137,700	40,210	97,975	-39,725	-28.85%	57,765	143.66%
(8365) Meals	16,850	8,064	13,990	-2,860	-16.97%	5,926	73.49%
(8366) Software	1,100,459	1,340,231	1,622,205	521,746	47.41%	281,974	21.04%
(8413) State Hsg. Appeals Board	35,000		36,000	1,000	2.86%	658	1.86%
(8454) Housing Locator Web Service		33,510	17,724	17,724	-	-15,786	-47.11%
Administrative Costs	10,614,076	9,376,669	10,836,087	222,011	2.09%	1,459,418	15.56%
(8712) Amort exp - adverse mkt fee		10,867	5,088	5,088	-	-5,779	-53.18%
(8721) Amortization-Furniture	80,000	71,822	78,332	-1,668	-2.09%	6,510	9.06%
(8722) Amortization-Office Equipment	20,000	13,260		-20,000	-100.00%	-13,260	-100.00%
(8723) Amortization-Computers	335,000	202,346	69,744	-265,256	-79.18%	-132,602	-65.53%
(8724) Amortization-Office Premises	450,000	436,492	492,244	42,244	9.39%	55,752	12.77%
(8731) Amortization-PMSR	650,000	761,804	688,632	38,632	5.94%	-73,172	-9.61%
(8735) Amortization-Excess Serv.	400,000	766,651	657,852	257,852	64.46%	-108,799	-14.19%
Depr/Amort of Capital Disb.	1,935,000	2,263,242	1,991,892	56,892	2.94%	-271,350	-11.99%
Total Budget for All Divisions	36,066,793	34,617,276	37,228,884	1,162,091	3.22%	2,611,608	7.54%