



August 08, 2016

INTERNAL MEMORAUNDUM

TO: Gregg Fortner, Executive Director

From: Olukayode Adetayo, CFO

RE: HANO Fiscal Year 2017 Budget

The Housing Authority of New Orleans (HANO) hereby submits for approval the Comprehensive Budget for fiscal year (FY) 2017. The HANO's comprehensive budget includes revenues and expenditures for the Central Office Cost Center (COCC), Low Income Public Housing (LIPH) Operations, Housing Choice Voucher Program (HCVP), Capital Fund Program (CFP/RHF/CNI) and all anticipated planned programs for FY2017. The budget will fund all of the aforementioned programs and require a reserve contribution of \$1,951,998 to balance the budget. The contribution from the reserve is necessary to allow management time to restructure and re-align Agency programs and personnel, to achieve costs savings and promote overall efficiency of HANO operations in the coming fiscal year.

The FY 2017 operating budget has revenues of \$217,677,518 after the reserve contribution and expenses of \$217,677,518. This budget is balanced and includes all of the HANO's known and projected expenses.

The revenue assumptions were conservative. For the LIPH program the current 86% proration factor was applied and for the HCVP program the 80% proration factor was applied. Grant revenues are based on current projects and the projected expenditures during FY 2017. The HCVP program assumes a 98% lease up rate throughout the fiscal period.

BUDGET RESOLUTION SUMMARY
A Resolution Approving the 2017 Budget of the
Housing Authority of New Orleans

The fiscal year 2017 budget of the Housing Authority of New Orleans (HANO) was developed over the course of the past 3 months, and required the collaboration and input of all of the Authority's various departments and sites. Each department and site took part in training sessions and one-on-one meetings with finance personnel that assisted them in formulating their forecasts for their fiscal year 2017 funding needs. These budget requests were created based largely on historical trend and past experience, as well as actual financial information from the current fiscal year and the expectation of certain assumptions in fiscal year 2017. Some of these assumptions include: an expectation that the Authority will receive 86% of its total subsidy eligibility in the Low Income Public Housing Program (LIPH) and 80% in HCVP for its administrative fees. The average adjusted occupancy rate will be 99% in the public housing program, including both HANO-managed and privately managed communities.

This information, as well as information derived from both internal reporting and external HUD documentation along with industry advocacies publications, was combined and used in conjunction with the requirements of HUD's OFR (Operating Fund Rule) and Site Based Management requirements, in order to create our total Authority budget.

The operations of the Authority include the core business of leasing and managing low-income public housing developments, as well as administering a large housing voucher program within the city of New Orleans. This also includes the various support departments that are necessary to conduct the seamless and transparent functions necessary to facilitate that core business. The operating budget can be subdivided into three main sections: Low income public housing sites (LIPH), the COCC (Central Office Cost Center) and the Housing Choice Voucher Program (commonly referred to as Section 8). In addition to these operational components is the Authority's Capital Fund Programs, which is the fourth major component of this operations budget.

The LIPH program contains the Authority's 11 public housing communities and the 20 mixed finance (MF) communities of which 3 projects will be coming online in FY2017. The program has total budgeted revenue of \$13.86M and total budgeted expenditures of \$15.17M. A contribution from the reserves is anticipated for \$1.31M. There are two main sources of funding for this program, the largest being operating subsidy received from HUD and the other coming from the rents that are received from the tenants in the various communities.

The second component of the total operating budget is the Housing Choice Voucher program. This program manages approximately 18,161 vouchers (all types of vouchers) with funding provided to the Authority by HUD that enable our residents in the program to secure housing in the general rental market, as opposed to only HANO's communities. This gives our residents more choices to meet their individual housing needs. This program is funded by HUD based upon program funding rules. For fiscal year 2017, we projected total funding of approximately \$159.44M. The anticipated expenses from this program are

\$159.44 million. These figures generally comprise \$147.55M in housing assistance payments (HAP) to landlords, and \$11.89M in operational expenditures to operate and administer the program. The HCV Program has presented a balanced budget contingent on the restructure and re-alignment of the program to achieve necessary costs savings, eliminate existing deficit and improve efficiency during the Fiscal Year 2017.

The third major component of the total operating budget is the HANO Central Office Cost Center, or COCC, which consists of the support departments within the Authority that provide services to both our internal and external customers and support the two major programs. (HCVP and LIPH) The COCC has total budgeted revenue of \$10.71M and total budgeted expenditures of \$11.36M. A contribution from the reserves is anticipated for \$0.65M to balance the budget. In order to facilitate and properly support the activities of the authority, the COCC will focus on improving interdepartmental communications as well as improved communications with our external partners. The funds needed to support the COCC come from the fees that the Central Office receives from the LIPH and the HCVP Programs based upon guidelines set forth by HUD under the Operating Fund Rule. During the coming fiscal year 2017 management intend to conduct comprehensive review and assessment of the support departments to achieve necessary costs savings and promote efficiency within the Authority.

The fourth and final component of the budget is the \$41.95M of grants funds related to the Capital Modernization and Development activity that the Authority intends to embark upon in the coming fiscal year. Major development activity is planned in the communities of Iberville, Lafitte, and Guste III, with smaller development activity planned at Florida. Also included in the total capital budget is the modernization activity that the Authority deems necessary to keep its housing stock both compliant with regulations as well as physical up keeping to current market standards.

Budget Summary and Highlights

FY 2017 Comprehensive Budget Overview

Highlights and assumptions used in developing HANO's FY 2017 Operating Budget are as follows:

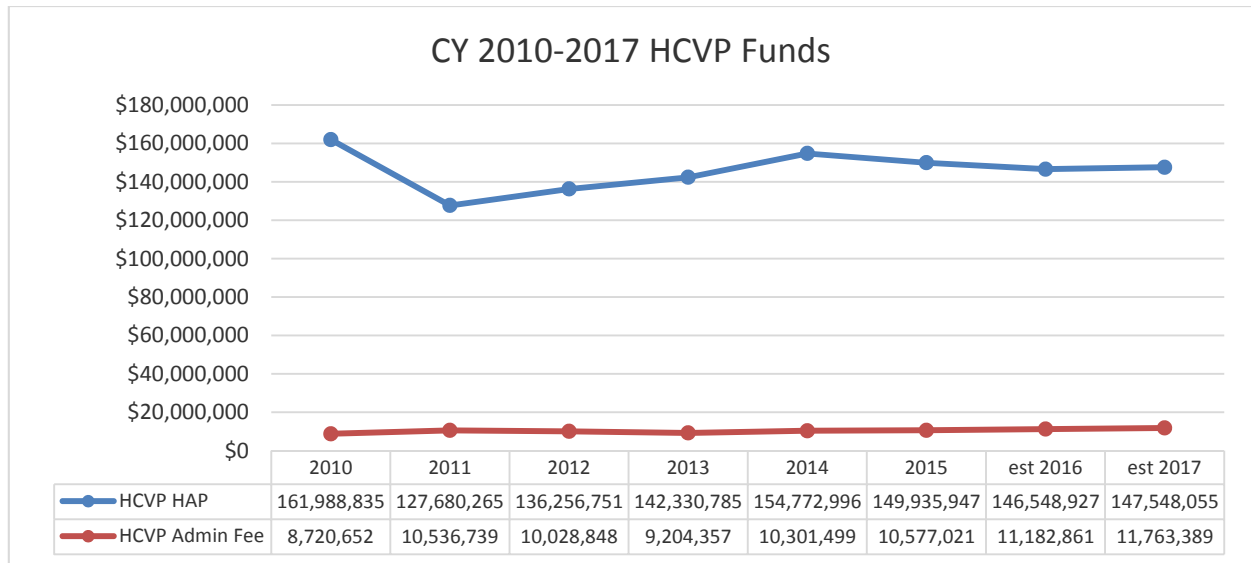
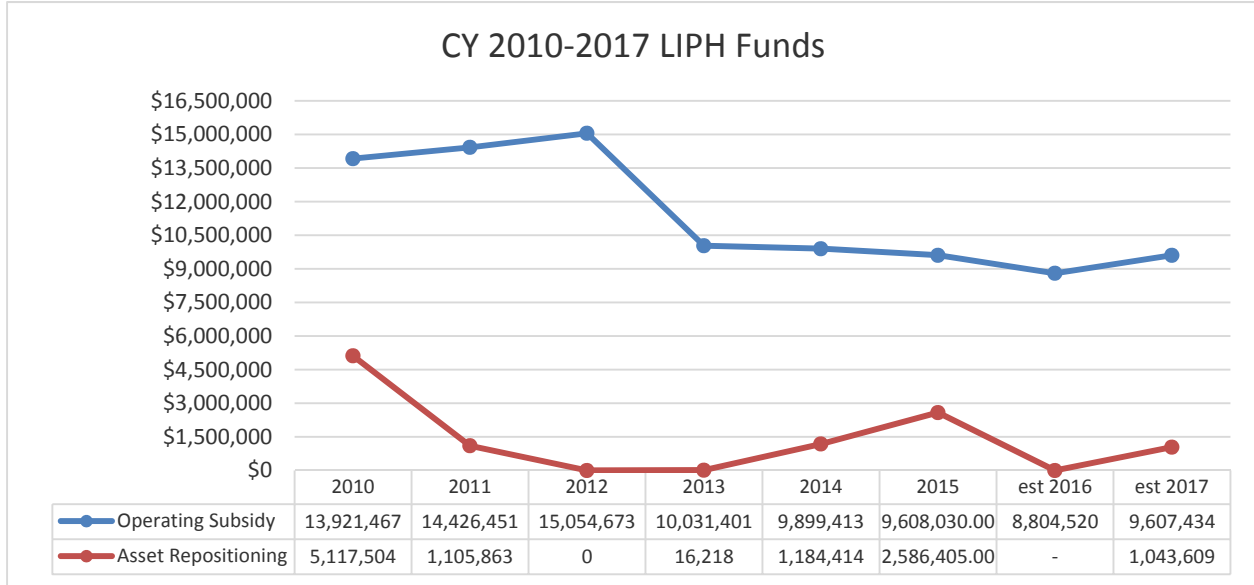
- HANO's FY 2017 Budget is compiled in accordance with the requirements of HUD's asset management budgeting requirements.
- Core Functional Areas:
 - Low Income Public Housing
 - Housing Choice Voucher Program
 - Development and Modernization Activity
 - Central Office Cost Center
- HUD grants totaling \$11.46 million will support capital improvements and redevelopment efforts at the Iberville, Guste, Lafitte, BW Cooper (Marrero Commons), and Interior/Exterior repairs, site improvements at Guste High Rise, and demolition at Cooper and Florida and Scattered Sites communities.
- FEMA funding of \$23.8M will support capital improvements and redevelopment efforts at the Guste Phase III, Lafitte Elderly and scatters sites communities.
- HANO continues implementation of the Choice Neighborhood Initiative Grant to revitalize the Iberville/Treme community. Initial funding was provided by HUD in the amount of \$30M. Planned expenditures for FY 2017 are \$6.69M.
- Operating subsidy is based on an estimated 3,130 units (Active PH and ARF units) in PIC beginning at FY 2017 Budget cycle for the public housing program and budgeted at \$10.55M. HUD permits a transfer of Capital Funds to be used for Operations up to a limited amount. The FY 2017 contribution to operations totals \$1.2M.
- HANO will administer 18,161 Housing Choice Vouchers in FY 2017 with projected HAP subsidy of \$147.55M. HANO uses the HCVP reserves held at HUD for any congressional budget shortfall.
- We anticipate a continuation in the substantial reductions in congressional appropriations for affordable housing programs. The following have been kept the same or slightly increased/decreased due to these factors:
 1. Public Housing Subsidy – funded currently at 86.0% at the same current CY 2016 proration rate. To begin the outlook towards next year's budget, less Assets Reposition Fees (ARF) will be received, and HANO may review how much of the scarce resources from the Capital Fund program will have to be pulled in for operations beyond FY 2017. The new Capital Fund rule permits HANO to take up to 20% of its allocation to subsidize the proration loss from operating subsidy from the LIPH program.

2. Housing Choice Voucher Administrative Fees – currently funded at 84% proration. HANO anticipates that Congress will decrease the funding proration to the 80% proration as a result of the July 6, 2016 release of the HCVP New Administrative Fee Formula Proposed Rule. The report suggested a 95% coverage of costs. HANO actively follows the appropriation act for FY 2017.

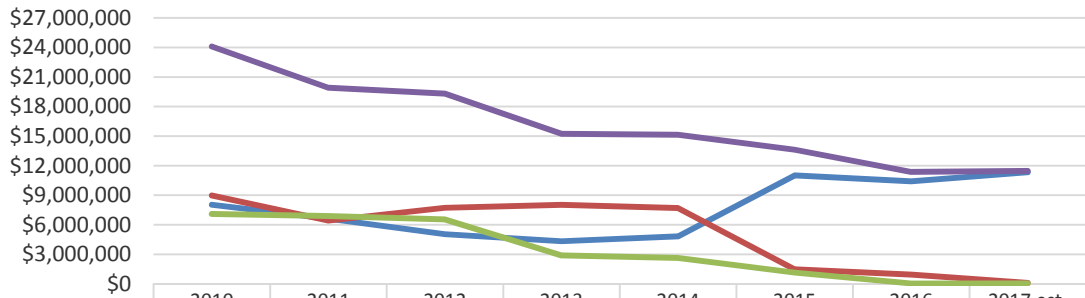
3. Capital Fund Program – reductions of 43.5% from 2010 to 2016, with corresponding reductions in capital administrative funds for COCC and Management Improvement Opportunities. The reduction from 2014 to 2016 allocation was 9.97%. We are uncertain at this point if the formula has stabilized as we are still demolishing old structures while at the same time we are adding new structures.

➤ The FY 2014 had 287 staff positions budgeted, FY 2015 budget was approved for 245 positions, FY 2016 was approved for 237 positions, and the FY 2017 proposes 228 budgeted positions. This is an overall reduction of 9 positions of which 6 positions are vacant.

CY/FY 2010 – 2017 Funding Trends



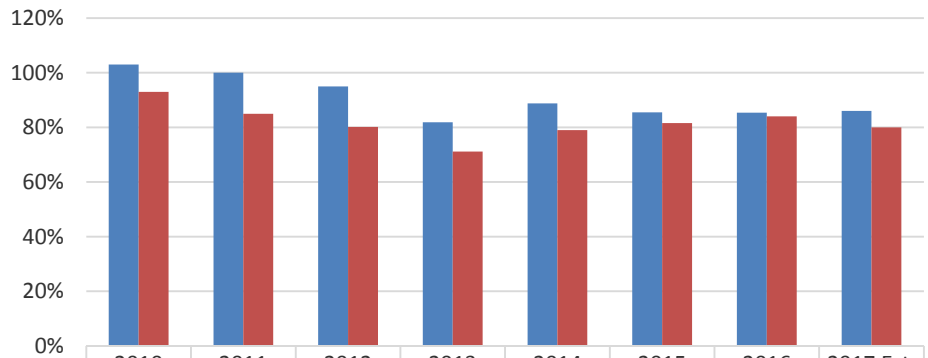
FY 2010 - 2017 Capital Funds



	2010	2011	2012	2013	2014	2015	2016	2017 est.
CFP	8,022,952	6,610,938	5,048,031	4,333,444	4,817,901	10,997,903	10,396,585	11,325,062
RHF 1st Increment	8,977,409	6,419,172	7,720,666	8,016,766	7,689,188	1,470,989	930,090	104,354
RHF 2nd Increment	7,095,356	6,876,242	6,534,091	2,879,369	2,614,286	1,144,866	33,321	32,960
Total Total Funds	24,095,717	19,906,352	19,302,788	15,229,579	15,121,375	13,613,758	11,359,996	11,462,376

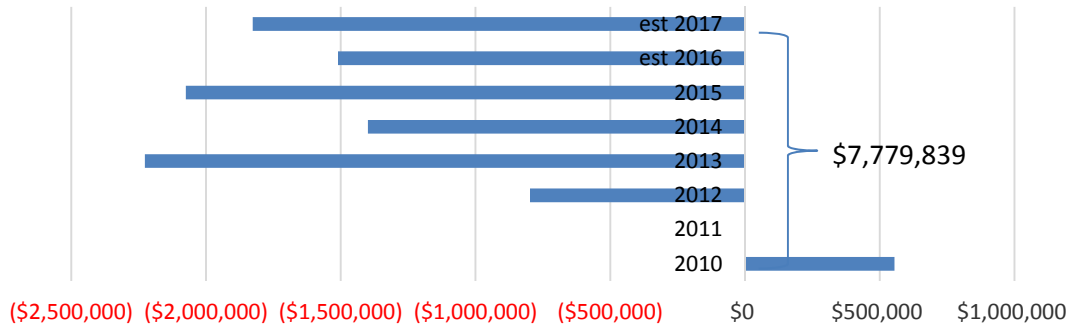
CY 2010 – 2017 Proration in % and \$'s

CY 2010 - 2017 HUD Proration for LIPH and HCVP



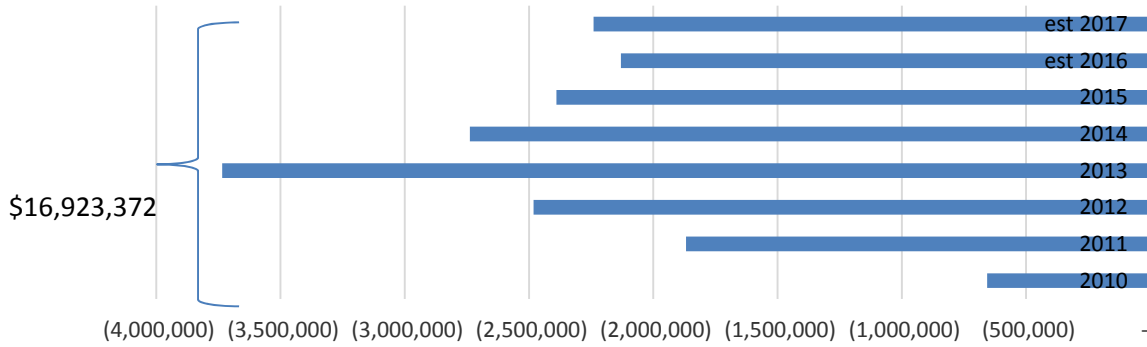
	2010	2011	2012	2013	2014	2015	2016	2017 Est.
HUD Proration on LIPH	103.00%	100.00%	94.97%	81.86%	88.79%	85.46%	85.36%	86.00%
HCVP Proration on Admin Fee	93.00%	84.94%	80.16%	71.14%	79.00%	81.57%	84.00%	80.00%

CY 2010 - 2017 LIPH Proraton Loss In \$'s



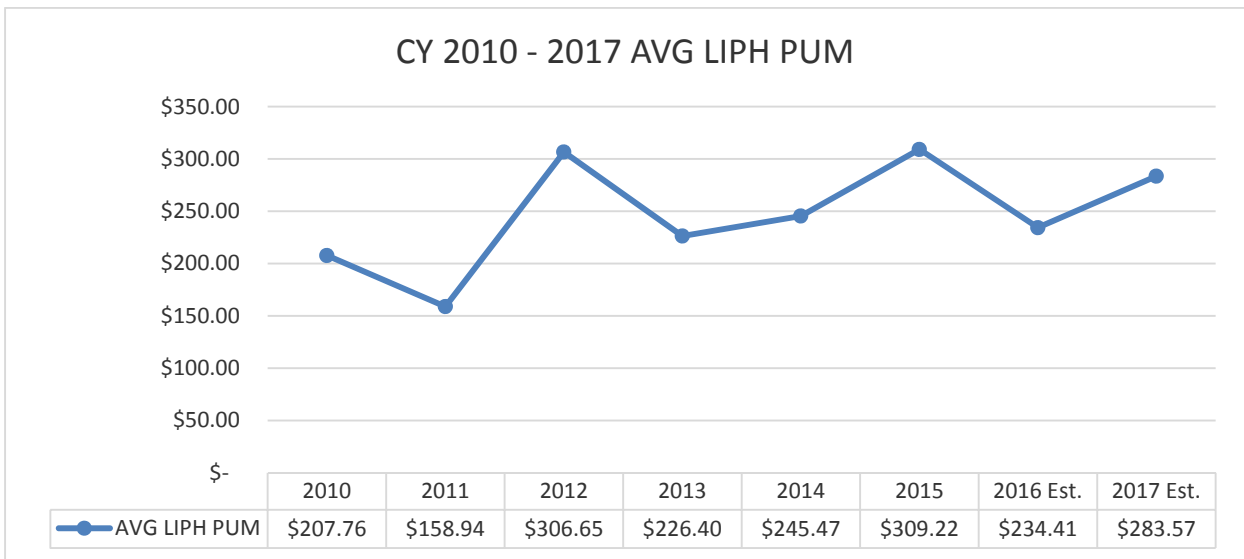
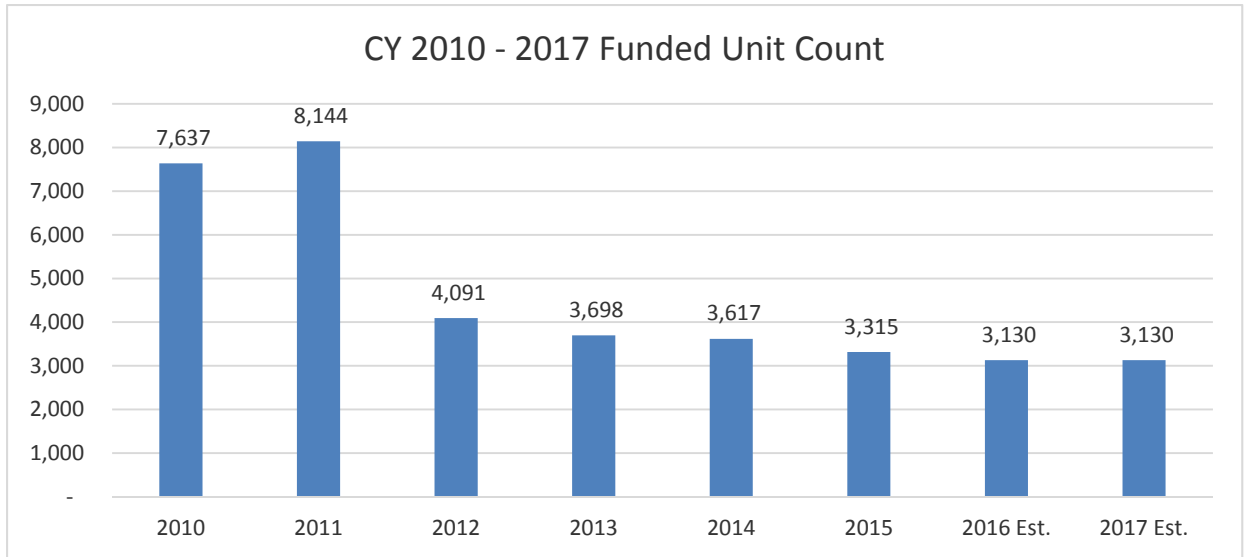
	2010	2011	2012	2013	2014	2015	est 2016	est 2017
■ Proraton Loss	554,533	-	(797,691)	(2,226,531)	(1,399,366)	(2,074,738)	(1,510,054)	(1,826,749)

CY 2010 - 2017 HCVP Admin Fee Proration Loss in \$'s

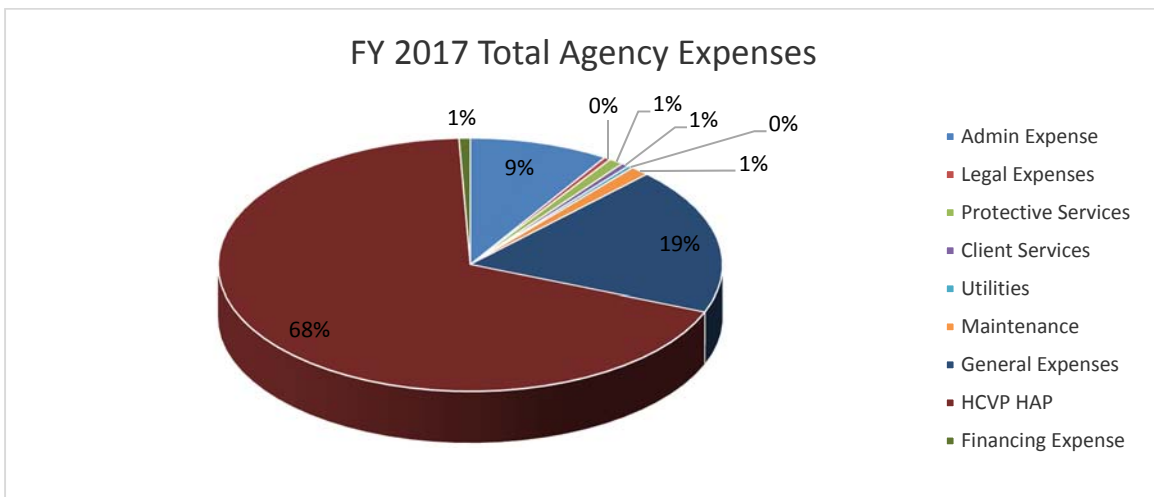
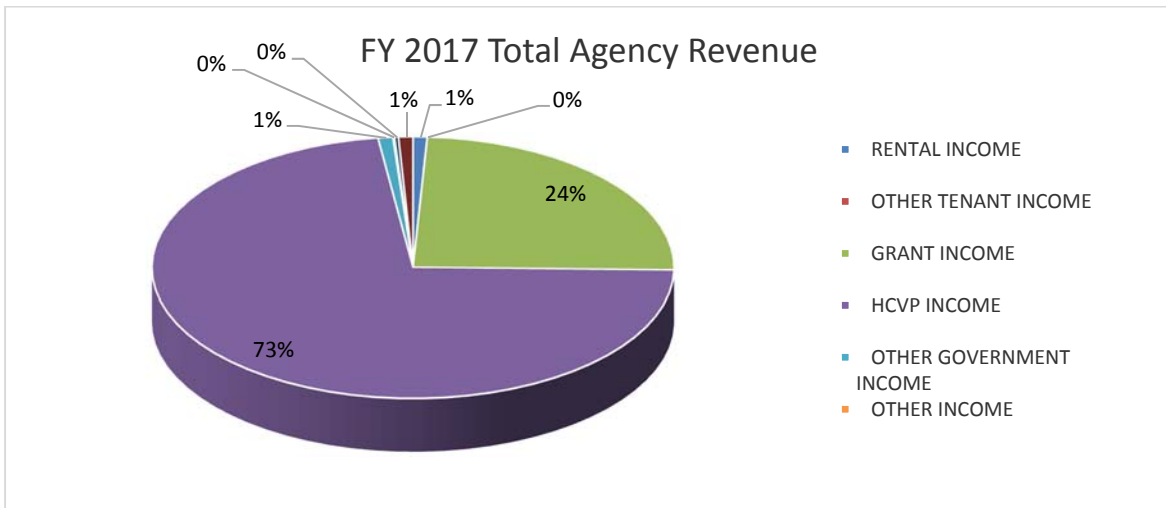


	2010	2011	2012	2013	2014	2015	est 2016	est 2017
■ Proraton Loss	(656,393)	(1,868,473)	(2,481,722)	(3,734,650)	(2,738,208)	(2,389,782)	(2,130,069)	(2,240,646)

LIPH Unit Funding Information



Where do the funds come from and how are they spent?



Development and Modernization Activity

Completed:

- Iberville Phase I and II total of 227 units of which 81 are PH and the remainder are tax credit and market rate \$66M
- Iberville Phase III total of 105 units of which 36 are PH and the remainders are tax credit and market rate \$31M
- Florida Demolition \$500,000
- BW Cooper Demolition \$1.6M
- Lafitte Senior for a total of 100 units \$27M
- Iberville Off-site 176 project-based voucher replacement units

In Progress and funded during FY16-17:

- Various MOD Projects at Fischer, Guste and Scattered Sites for \$1M
- Lafitte Homeownership approx. 45 units \$16M
- Guste III 155 units \$45M
- Florida total of 52 units all PH \$13M
- Scattered Sites Demolition \$1 M
- Iberville IV-VI On-Site for approx. \$84M 79 PH Units, 67 PBV, 148 Market Rate and Affordable Housing
- St. Bernard IV Infrastructure \$3.2M
- Iberville Off-site 162 project-based voucher replacement units
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Planned projects:

- Iberville VII On-Site for approx. \$20M approx. 80 units total, unit mix TBD
- BW Cooper Phase II for approx. \$4.5M (capital fund contribution)
- Various MOD Projects at Fischer, Guste and Scattered Sites for \$6M
- Scattered sites redevelopment \$4M (capital fund contribution)
- Iberville Off-site 179 project-based voucher replacement units

Total Agency FY2017 Budget with Detail Line Items

Housing Authority of New Orleans									
FY 2017 Budget									
Revenue	Total COCC	Total LIPH	Affiliates	Total Other Government Grants	ADMIN (HCVP, SRO, & Mainstream)	HAP (HCVP, SRO, & Mainstream)	Subtotal	Elimination	Total Agency Revenue/ Expenses
RENTAL INCOME	-	1,293,710	607,750				1,901,460		1,901,460
OTHER TENANT INCOME	-	9,950	12,600				22,550		22,550
GRANT INCOME	-	11,338,523	432,520	41,957,231			53,728,274		53,728,274
HCVP INCOME	-				11,763,389	147,548,055	159,311,443		159,311,443
OTHER GOVERNMENT INCOME	-	-	-				-		-
OTHER INCOME	16,000	163,400	1,740		30,000	-	211,140		211,140
FEE INCOME-COCC	9,162,217	-	-				9,162,217	(9,162,217)	-
MISCELLANEOUS INCOME	1,534,253	-	-		100,000	-	1,634,253	(1,083,600)	550,653
TOTAL REVENUE	10,712,470	12,805,583	1,054,610	41,957,231	11,893,389	147,548,055	225,971,337	(10,245,817)	215,725,520
Expenses									
ADMINISTRATIVE SALARIES	4,512,704	175,889	54,163	236,333	3,778,365	-	8,757,454		8,757,454
ADMINISTRATIVE BENEFITS	712,156	38,776	12,254	32,723	1,174,163	-	1,970,072		1,970,072
LEGAL EXPENSE	461,000	360,800	1,900		105,000	-	928,700		928,700
ADMIN OFFICE EXPENSES	513,621	67,219	13,760		408,025	-	1,002,624		1,002,624
FEE EXPENSES-COCC	-	746,133	-		4,225,603	-	4,971,736	(4,971,736)	-
CONSULTING & OTHER CONTR	893,972	6,984,512	50,600		545,085	-	8,474,169	(965,864)	7,508,305
OTHER ADMIN EXPENSES	149,872	17,764	6,686		44,500	-	218,822		218,822
TS-SALARIES/BENEFITS	568,830	53,438	35,251		229,590	-	887,110		887,110
TS-RESIDENT SERVICES	71,144	482,554	48,885				602,583	(522,739)	79,844
PROGRAM & ACTIVITIES	75,000	5,397	1,484		-	-	81,880		81,880
UTILITIES	186,700	370,548	190,120				747,368		747,368
MAINTENANCE SALARIES	716,034	293,104	85,626				1,094,763		1,094,763
MAINTENANCE BENEFITS	160,486	63,200	14,122				237,808		237,808
MAINT GENERAL	61,600	1,100,830	80,370		22,000	-	1,264,800	(1,083,600)	181,200
MAINT MATERIALS	72,020	117,937	45,135				235,092		235,092
MAINT CONTRACT COSTS	322,835	443,162	150,024				916,021		916,021
PROTECTIVE SERVICES (PS)	1,196,065	161,398	97,792		188,225	-	1,643,480		1,643,480
PS-BENEFITS	231,282	26,450	16,027		49,921	-	323,680		323,680
PS-OTHER EXPENSES	61,100	1,535,930	156,433				1,753,463	(1,692,363)	61,100
GENERAL EXPENSES	307,581	804,803	165,213		194,255	-	1,471,851		1,471,851
GENERAL EXPENSES-OTHER	83,500	50,000	41,475	40,111,621			40,286,596	(1,009,516)	39,277,080
HOUSING ASSISTANCE PAYMENTS	-	-	-		928,656	147,548,055	148,476,711		148,476,711
FINANCING EXPENSE	-	-	-	1,576,554	-	-	1,576,554		1,576,554
TOTAL EXPENSES	11,357,500	13,899,844	1,267,318	41,957,231	11,893,388	147,548,055	227,923,336	(10,245,818)	217,677,518
SURPLUS(DEFICIT)	(645,030)	(1,094,261)	(212,708)	-	0	-	(1,951,999)	0	(1,951,999)
CONTRIBUTION (TO) FROM RESERVES	645,030	1,094,261	212,708		(0)	-	1,951,999	(0)	1,951,999
SURPLUS(DEFICIT)	-	-	-	-	-	-	-	-	-

We are pleased to present the fiscal year 2017 Housing Authority of New Orleans Budget, which will allow the Authority to continue to work towards its mission of being the flagship agency providing property management and real estate development services in the City of New Orleans, thereby creating environments that will improve the quality of life for HANO customers and the surrounding communities. We believe that this budget provides the Authority the opportunity to address its long-term strategic goals, as well as to meet the needs and best interests of its residents.

**FY 2017 Operating Budget
Comparative Staffing Summary
FY2015-2017**

Division	Department	FY15 Approved Budget	FY16 Approved Budget	FY17 Proposed Budget	16 - 17 Variance	Reduction from vacancies
Executive & Administration						
	Executive	4	4	4	0	0
	Legal	7	6	5	-1	-1
	Strategic Planning	2	2	2	0	0
	CNI	1	2	1	-1	-1
	Real Estate	13	13	13	0	0
	Finance	15	14	14	0	0
	Procurement	4	4	3	-1	-1
	Info Technology	6	6	6	0	0
	Human Resources	3	3	3	0	0
	Communications	<u>2</u>	<u>2</u>	<u>2</u>	0	<u>0</u>
Subtotal		57	56	53	-3	-3
Operations						
	Asset Management	12	11	11	0	0
	Facilities	6	6	6	0	0
	Maintenance	16	18	18	0	0
	Client Services*	11	12	12	0	0
	HANO Police	19	22	22	0	0
	Compliance & Investigation*	<u>2</u>	<u>6</u>	<u>6</u>	0	<u>0</u>
Subtotal		66	75	75	0	0
HCVP						
	Housing Choice Voucher*	<u>122</u>	<u>106</u>	* <u>100</u>	<u>-6</u>	<u>-3</u>
Subtotal		122	106	100	-6	-3
Total		245	237	228	-9	-6

*Pending Restructure and Re-Alignment Sal Budget

Sal Budget FY15 \$12,393,670

Sal Budget FY16 \$12,379,987

Sal Budget FY17 \$12,118,059

Net decr. in Salaries \$261,928 (number is net after salary savings from layoff, vacancies, and step increases)

Housing Authority of New Orleans

FY 2017 Original Operating Budget Timeline

Date	Description
May 3, 2016	Budget Kickoff Meeting with all Directors, Budget packets distributed to department heads in hard copy during budget kickoff meeting and electronic formats forwarded on same day.
May 3 – May 20, 2016	Departments prepared budgets in the provided templates
May 25 - June 09, 2016	Finance met with each Division head and/or designee in preparation of required submittals and supporting documents.
June 20 – June 28, 2016	Finance department reviewed all documents and compiled First Draft of budget; presented to and reviewed with Executive Director.
June 28 – July 5, 2016	Finance and Department Heads meet to review budgets and make necessary revisions based on fund availability.
July 7, 2016	Second Draft of Budget prepared and reviewed with Executive Director.
July 11– August 4, 2016	Individual departmental budget meetings were held with the Executive Director and all changes were process. Final Revisions made to budget and final Budget Prepared.
August 5, 2016	A final budget was presented to the Executive Director
August 9, 2016	FY 2017 Budget packet is submitted and presented to the Finance Committee.
August 30, 2016	Present the FY 2017 Budget Resolution to the Board
October 1, 2016	Start of FY 2017