




NEW YORK CITY
HOUSING DEVELOPMENT
CORPORATION

MEMORANDUM

To: The Chairperson and Members

From: Eric Enderlin 
President

Subject: Proposed FY 2019 Operating Budget

Date: November 20, 2018

I am pleased to present the Corporation's proposed operating budget for Fiscal Year 2019 ("FY 2019") for the Members approval. The attached budget contains a summary of revenues and expenditures for the Corporation's general operating fund, Corporate Services. The operating budget demonstrates responsible and strategic fiscal planning, which allows HDC the flexibility to reach its goals while also containing administrative costs through operational innovations and efficient managerial controls.

This memorandum, which accompanies the proposed operating budget schedules and notes in Appendix A, provides a complete discussion of the variance from the FY 2018 budget to the projected actuals as well as the Corporation's FY 2019 expected fee and investment income and anticipated line-item expenses. Detailed explanations for each revenue and expense budget line are provided in the budget notes.

Summary of FY 2018 Budget Results and FY 2019 Proposed Budget (attached schedules in Appendix A)

The Corporation ended FY 2018 with an excess of revenues over expenses, on a cash basis, of \$110.44 million, an increase of \$27.67 million over the budgeted amount of \$82.77 million. This improvement was largely due to higher than expected investment income, servicing fees, and fees received on loan originations and refinancings, as well as better-than-expected performance in the Multifamily Housing Revenue Bonds program ("Open Resolution") surplus.

The Corporation's most significant revenue source, the Open Resolution surplus, is expected to generate similar amounts of cash as it did in FY 2018 due to the over-collateralization of mortgages over bonds, the increased spread between underlying mortgage rates and the currently low interest rates on the variable rate debt in the Open Resolution. Investment income on corporate reserves is forecast to increase significantly from FY 2018 due to more funds under management and higher interest rates on short term investments. The Corporation's Investment Committee has sought to prudently maximize the rates of return on investments in the current markets and take advantage of interest rate hikes that have occurred this past year.

As indicated on the chart below, staff projects total cash revenues to be \$146.19 million for FY 2019, an increase of 28.00% from the approved FY 2018 budget of \$114.21 million and an increase of 3.12% from the 2018 actual, a variance to be explained later in this memo. At the same time, operating expenses are budgeted to increase to \$33.59 million, an increase of 6.84% from the FY 2018 budget.

An excess of revenue over expenses of \$112.6 million is budgeted for FY 2019. The chart following summarizes these results, which are briefly discussed in the following section and presented in greater detail in the attached schedules and notes of revenues and expenditures in Appendix A.

Summary of Revenues And Expenditures (Cash Basis)	Adopted Budget FY 2018	Actual FY 2018	Variance FY 2018	Proposed Budget FY 2019
Operating Revenues:				
Investment and Loan Income	64,150,000	87,724,804	23,574,804	89,192,000
Servicing Fees	33,065,000	35,625,910	2,560,910	35,285,000
Loan and Other Fees	16,995,000	18,420,526	1,425,526	21,717,000
Total Revenues	114,210,000	141,771,240	27,561,240	146,194,000
Operating Expenses:				
Salaries and Related	24,836,000	24,527,520	308,480	26,770,000
Contract Services	903,000	1,494,972	(591,972)	817,600
Other Expenses	5,700,000	5,303,650	396,350	6,002,400
Total Expenses	31,439,000	31,326,143	112,857	33,590,000
Excess of Revenues Over Expenses	\$82,771,000	\$110,445,097	\$27,674,097	\$112,604,000

FY 2018 Unaudited Budget Results

Operating Revenues

The Corporation's FY 2018 budget projected revenues of \$114.21 million, and HDC realized revenues of \$141.77 million, a variance of \$27.56 million or 24.13%. This result was attributable to five main positive variances:

- Investment income on corporate reserves was \$23.69 million higher than budgeted due to higher funds under management as well as increases in interest rates during 2018.
- Servicing fees from HDC financed loans were \$1.74 million higher than budgeted. The increase was mainly due to an increase in the number of loans in the pipeline that converted to permanent, as well as loans purchased from the City of New York ("City") during a securitization transaction approved by the Members in 2018.
- Credit enhancement fees related to enhancing the Open Resolution's 2018 Series B-1 and 2018 Series B-2 bonds were almost \$1 million higher than budgeted due to the issuance of the new bond series in May 2018.
- Servicing fees on HPD loans was \$830,728 higher due to an increase in HPD loans being serviced as well as higher investment earnings on funds under administration from which to take the servicing fees for construction loans.
- The Open Resolution surplus was \$622,859 greater than anticipated because of the over-collateralization of mortgages over bonds, as well as increased spread between underlying mortgage rates and the currently low interest rates on the variable rate debt in the Open Resolution.

Offsetting these positive variances was one negative variance:

- Corporate owned mortgage income was \$737,812 lower than budgeted due to loan securitizations out of Corporate Services that became characterized as assets under the Open Resolution.

The attached Revenue Summary in Appendix A provides further budget and actual details on these and other, smaller variances.

Operating Expenses

The Corporation's adopted FY 2018 operating expense budget was \$31.44 million. Actual FY 2018 expenses were \$31.33 million, a variance of \$112,857 or 0.36%. Although total costs essentially matched the budget there were the following variances.

Three major positive variances:

- Wages – \$380,242. This line item was under budget due to vacancies during the year and smaller savings in overtime between what was spent and what was budgeted.
- Fringe Benefits – \$391,412. This line was under budget due to staff vacancies and lower than anticipated funds needed for hospital insurance, whose premium increases were

slightly lower than anticipated. Deferred compensation, dental, and unemployment insurances were also lower than anticipated.

- Interagency Expenses – \$250,000. This line item was under budget due to last year’s payment to the New York City Department of Investigation (“DOI”) covering not only 2017 investigative services but 2018 services as well.

Offsetting these positive variances were three negative variances:

- Other Consultants – \$597,919. This line item was over budget due to payments made on the City’s behalf for a Department of Homeless Services consultant and a NYCHA Compliance department audit review. The NYCHA Compliance expenses are anticipated to be reimbursed at a later date. Both expenses are explained in further detail later in the memo under “Details of Operating Expenses”.
- Equipment and Maintenance – \$115,024. Due to an excess of funds in the 2018 budget, the Corporation used some excess funds to get a jump start on some of the 2019 information technology initiatives. Please see the “Equipment and Maintenance” expense section in Appendix A of the memo for further details.
- NYCERS – \$470,821. This line item was over budget. Due to an excess of funds in the 2018 budget, the Corporation paid its FY 2019 NYCERS appropriation to cover staff’s participation in NYCERS.

The attached Expense Summary in Appendix A provides further budget and actual details on these and other, smaller variances.

FY 2019 Proposed Budget

The FY 2019 budget reflects a growing organization that is undergoing noteworthy changes as a result of its past successes. First, as HDC has continuously grown as one of the nation’s leading multi-family housing finance agencies, the City has requested that the Members authorize HDC to use its lending strength and reputation to assist the New York City Housing Authority (“NYCHA”) to help preserve and finance the rehabilitation of housing developments in the NYCHA portfolio to provide safe, decent, and affordable housing to New Yorkers. Debt issuance through HDC will finance extensive capital improvements which are essential to preserve, modernize and improve the developments and to ensure their viability for current and future generations of NYCHA residents. As a result of this initiative, HDC will create a new department (“NYCHA lending”) within the Corporation to develop and lead this undertaking. This will correlate to an increase in staff and operating costs to be described in further detail later in the memo under “Details of Operating Expenses”.

Another initiative of the Corporation during 2018 was related to a strategic assessment of the corporate technology for HDC. Through an RFP process Spruce Technology was selected to assess the current state of the information technology (“IT”) at the Corporation, including business and technology alignment, disaster recovery, cyber security, strategic planning and staffing. The assessment was completed during 2018 and a detailed report was issued with recommendations and a road map for the next three to five years. The road map consists of three underlying themes to advance the use of technology at HDC: (1) focus on the foundation; (2)

optimize the use of current systems; and (3) plan and deploy new digital technologies. Executive management has reviewed the recommendations and has begun to implement some of the top ten suggested initiatives. This budget contains the funds needed for some of those items, which include strengthening the staff, hardening the IT environment, create IT governance structure, strengthen the cyber security program, and re-engineer business processes to be more efficient through technology.

And finally as the organization has grown over the years, developed more complex financing structures and leveraged federal legislation for business initiatives, it has led to the necessity of reorganizing some other departments within HDC. The most notable restructure related to this growth is at the executive staff level. During the September 2018 board meeting the Members approved the creation of the new position of the First Executive Vice President, as well as hiring a new Senior Vice President and General Counsel in light of a promotion of the previous General Counsel. By creating these separate positions, it gives each of those executive staff members the time to dedicate their strengths fully to their individual responsibilities as well as work towards the Corporation's mission and goals.

Operating Revenues

The Corporation's revenues are budgeted at \$146.19 million in FY 2019. This is a \$31.98 million increase from the FY 2018 adopted budget and a \$4.42 million increase from the FY 2018 actuals. The attached schedule shows revenue projections by line item for FY 2019. The projected increase from the FY 2018 budgeted amounts derives from four key factors: (1) a forecasted increase in investment earnings due to more funds under management as well as an increase in interest rates; (2) a forecasted increase in the Open Resolution surplus due to an increase in both issuance and investment interest rates; (3) a forecasted increase in HDC servicing fees due to more construction loans converting to permanent, thereby allowing for the collection of monthly servicing fees, as well as more loans in the portfolio; and (4) an increase in loan origination fees expected with more deals closing under the Mayor's *Housing New York 2.0* plan.

Each revenue source is discussed in detail in Appendix A.

Operating Expenses

The Corporation's proposed FY 2019 operating expense budget was based on FY 2018 actual expenditures, adjusted for identified changes in staffing, technology, office space and other costs.

The Corporation's expenses are budgeted at \$33.59 million in FY 2019. This is a \$2.15 million or 6.84% increase from the FY 2018 adopted budget. The increase from the FY 2018 budgeted amounts revolves around certain budget lines decreasing or increasing from last year. It is important to note that the three major initiatives that the Corporation is moving forward with in FY 2019 as described above have been a major part of the operating expense increase for the year. If not for the formation of the NYCHA lending department, the implementation of the IT recommendations and the reorganization of the executive team, the operating expense budget would only have increased 1.48%.

Expense projections by line item are discussed in detail in Appendix A.

Projections for FY 2019

The Corporation remains cautiously optimistic about its 2019 financial outlook. The proposed FY 2019 development pipeline is strong, with great interest in the Corporation's programs. The Corporation has had a strong financial performance over the years, despite the low interest rate environment of the past decade and now that interest rates are beginning to slowly rise there is a continued expectation of strong financial performance. This budget reflects a conservative expectation of future income, balanced against the needs of supporting the Mayor's housing program and the growing needs of the Corporation as explained above.

Action by the Members

The Members are requested to approve the Corporation's FY 2019 Operating Budget.

Appendix A

FY 2019 Proposed Budget – Notes and Schedules

Overview of Corporation Revenues and Cash Receipts

The Corporation's operating budget is presented and tracked on a cash basis. Before reviewing the details of the FY 2018 results and FY 2019 proposed budget, it will be useful to delineate the various categories of cash received by HDC in its operations.

It is important to note the distinction between Corporation revenues on a cash basis, as used in budgeting, and on a generally accepted accounting principles (GAAP) basis, as used in our financial reporting. For cash-based budgeting, revenues and expenditures are reported when received or paid, respectively. The GAAP figure matches revenues and expenses to the period to which they can be attributed, which may differ from the period in which they were received or billed.

Prior to FY 2013, one large difference in the Corporation's revenues between GAAP and cash accounting was that loan origination fees were recognized under GAAP over the life of the mortgage loan, typically 30 years, rather than when collected. However in 2012 the Governmental Accounting Standards Board ("GASB") issued Statement No. 65 which states that loan origination fees are now to be recognized when received, a more realistic standard. Therefore the Corporation early adopted GASB 65 at the end of FY 2012, and now recognizes loan origination fees when collected. As a result there is now no distinction between cash basis and accrual basis for loan origination fees. Also, income categories used for the Corporation's budget are different from the categories required under GAAP for our financial reporting.

Certain cash receipts are not considered revenues at all under GAAP and therefore are excluded entirely from the Corporation's budget, though they do figure into cash flow analyses and affect our ability to lend corporate reserves to subsidize development. These non-revenue cash receipts include (1) principal repayments of corporate loans, (2) bond sale proceeds from the placement of corporate loans in securitizations into the Open Resolution, and (3) transfers of corporate reserves between the Open Resolution and the corporate services fund.

Details of Operating Revenues

The Corporation's revenues are budgeted at \$146.19 million in FY 2019. Each revenue source is discussed in detail below.

Investment and Loan Income

Investment of Corporate Reserves and Other Funds. The Corporation currently has \$5.2 billion of cash and investments under management, but HDC retains the earnings on only a portion of those funds. Earnings on bond proceeds, monies of the New York City Department of Housing

Preservation and Development (“HPD”), reserves for replacement accounts, and bond revenue funds outside the open resolution (and in three cases, in the open resolution) are all returned to the related party or credited against interest payments due. The Corporation keeps the earnings on our corporate funds and on most of the loan-related escrows it maintains. (The Corporation also keeps most of the earnings on open resolution bond revenue deposits, but those earnings are covered below in “Open Resolution Surplus”). Earnings are affected by the level of interest rates, the term of investments and the funds available for investment. In FY 2018, the Corporation realized \$32.99 million on investments of corporate reserves and other funds due to more funds under management and higher interest rates. Staff forecasts investment earnings in FY 2019 will be much higher from the 2018 budget, and more aligned with the 2018 actuals, at \$31.5 million based on a combination of more funds under management as well as a projected increase in interest rates. If rates do rise the Corporation will make higher income than projected but will also pay higher interest costs on its floating rate debt that may reduce the income difference, or spread. In the near term most of the Corporation’s spread income on bond deals closed over the last seven years are locked in for a period of time and will continue to be a source of income for the Corporation irrespective of interest rate rises in the next year.

Corporate-Owned Mortgage Interest. Although the Corporation has used over \$2.72 billion total of corporate reserves to make subsidy loans since 2004, the Corporation currently has a \$341 million portfolio of loans as corporate owned mortgages, due to securitizations that have yielded around \$1.38 billion over the past few years, as well as \$743 million of loans transferred into the Open Resolution and Federal Financing Bank (“FFB”) program. The loans have varying repayment terms, often with deferred amortization or balloon mortgages, and most are at very low interest rates. Of the 138 individual loans in the portfolio, 57 loans are at 0%, 21 are at 1% interest, and the remaining 60 loans range between 0.70% to 6.90%, for a total weighted average of 1.86%. Interest payments on the corporate-owned loans totaled \$4.27 million in FY 2018, a decrease from the budgeted amount due to securitization of loans into the Open Resolution thereby removing the loans from the Corporate Services Fund. Current portfolio loan schedules indicate \$4.5 million interest revenue in FY 2019, a slight decrease from the FY 2018 budget based on the current pipeline and the aforementioned securitization.

Open Resolution Surplus. The Corporation’s highly rated Open Resolution is the mainstay of our affordable housing production. Because the resolution pools a wide range of credits and cash flows, individual risks are mitigated and surplus cash flows from some loans provide needed coverage for the pool as a whole. The amount of surplus fluctuates depending on interest rates, varying mortgage and bond payment schedules, the redemption of bonds, and the unpredictable prepayment of mortgages after the designated lockout period. Asset/liability ratios and debt service coverage are monitored closely by the ratings agencies and are modeled for the Corporation by JPMorgan Securities in conjunction with cfX, which prepares a full cash flow each time the Corporation issues bonds under the Open Resolution.

Based on the cash flow model, and adjusted upward as discussed below, \$53.19 million of Open Resolution surplus is included in the FY 2019 budget. This is due to the Corporation’s ongoing financing activities in the Open Resolution and an expected increase in investment income, as well expected low interest rates on the variable rate debt backed by fixed rate mortgages, creating an additional interest spread as income. Interest rate caps and swaps, approved by the

Members, in addition to the Corporation's large short term investment portfolio, are hedges should interest rates rise greatly. The FY 2018 cash surplus was \$50.47 million, a slight increase from the budgeted amount of \$49.85 million due to the surplus from the Federal Financing Bank mortgage loan participation program with three additional loans added to the pool.

The Open Resolution cash surplus is generated by (a) the spread between mortgage rates that HDC charges its borrowers and bond rates paid to HDC's investors, which varies widely depending on the bond series and, for some series, the level of variable interest rates; and (b) interest earnings on monies held under the resolution, including debt service reserve funds, principal and interest monies held prior to debt service payment, and mortgage prepayment funds held prior to bond call. A few series may temporarily run at a small deficit, typically when the underlying loans have stayed in construction longer than scheduled and so have not started making principal amortization payments.

Servicing Fees

The Corporation earns servicing fees from three major areas of work: (1) servicing HDC loans (originated or purchased by HDC); (2) tax credit monitoring fees; (3) and servicing HPD construction and permanent loans.

HDC Loan Servicing. Most loan servicing fees range from 0.11% to 0.25%. Servicing fees for many variable rate projects in recent years have been set on a sliding scale to vary inversely with the interest rate on the bonds. Loan servicing fee income is projected to increase from the FY 2018 budget of \$25.3 million to about \$27.3 million due to more loans converting after construction completion to permanent status (when servicing fees become due on a monthly basis), as well as an increase in collections on the servicing fees in the Open Resolution bond programs. Additionally, this line includes income from servicing fees associated with the Corporation's Preservation Lending Pilot Program, mortgage satisfaction fees, and regulatory and compliance monitoring fees.

The FY 2018 actual collection of HDC servicing fees was \$27.04 million, which was \$1.74 million over the budgeted amount. This variance was due to more loans converting to permanent than anticipated as well as the securitization of City loans during FY 2018 which brought more permanent loans into the HDC portfolio.

Tax Credit Monitoring Fees. Pursuant to a memorandum of understanding ("MOU") with HPD, HDC is responsible for monitoring low income housing tax credit compliance in accordance with Section 42 of the IRS code for properties financed by HDC that have allocations of 4% tax credits from HPD. Currently, the Corporation is monitoring over 330 HDC financed developments. In total, HDC is responsible for tax credit monitoring for developments containing approximately 57,400 units as of FY 2019.

The FY 2018 actual collection of tax credit monitoring fees came in on budget. The FY 2019 budgeted amount is based on projections related to the FY 2018 actuals.

HPD Financed Loans. HPD servicing fees are paid solely from investment earnings on funds under administration or, for permanent loans, debt service collections. As most construction loan fees are payable only out of investment income on associated HPD funds, fee income can vary widely depending on the level of HPD funds on hand, as loans are drawn down and new loan funds are sent over to be administered. Fee income is also affected by the overall level of interest rates. The FY 2019 budgeted amount of \$5.47 million is slightly higher than the FY 2018 budgeted amount due to an anticipated increase in the conversion of loans from construction to permanent as well as an increase in investment earnings, as reflected in the FY 2019 actuals.

The FY 2018 actual collection of HPD servicing fees was \$6.26 million, which was \$830,728 over the budgeted amount due to an increase in the conversion of loans from construction to permanent and the increase in investment earnings allowing for the collection of servicing fees previously accrued on the construction loans.

Other Fees

Credit Enhancement Fee. In 2018 the Corporation issued its Multi-Family Housing Revenue Bonds, 2018 Series B-1 and 2018 Series B-2, a securitization of a participation interest in pools of HPD loans previously purchased by the Corporation. HDC also agreed to continue to provide credit support for a debt service reserve fund for such bonds. The Corporation secures its pledge with a set-aside of corporate funds, currently \$12.5 million. To compensate for this pledge, as well as its general enhancement of the 2018 Series B bonds, HDC earns a fee of 1.25% of the outstanding bonds. In FY 2019 the Corporation is projecting to collect \$2.32 million as a credit enhancement fee.

Loan Origination and Refinancing Fees. The Corporation's commitment fees range from 0.75% to 1.0% for its loans. In FY 2018, total fees collected in this category were \$15.66 million, which was on target to what was budgeted last year. The proposed FY 2019 budget amount is \$18.0 million to reflect the anticipated pipeline for the Mayor's *Housing New York 2.0* plan for FY 2019, and some anticipated refinancing fees.

REMIC Administration Fee. The Corporation is paid a fee by its subsidiary, the New York City Residential Mortgage Insurance Corporation ("REMIC"), to cover the cost of staffing and overhead. The REMIC administration fee for FY 2019 is \$566,000. The fee is comprised of the direct cost of salary and fringe related to the REMIC staff members, plus a percentage of operating expenses based on headcount of REMIC staff versus total headcount in the Corporation. REMIC revenues consist of investment income on its principal plus income from insurance premiums and fees. It uses a small portion of this revenue to pay the administration fee to HDC.

CDBG-DR Funds. The Corporation is participating in the New York City Build It Back program funded through the Federal Community Development Block Grant – Disaster Relief ("CDBG-DR") Build It Back Multifamily Repair Program. The program was established to assist homeowners, landlords, and tenants in the five boroughs whose homes and properties were damaged by Superstorm Sandy. HPD is the Grantee of these funds and HDC is a Sub-Recipient engaged to assist HPD in utilizing these funds. HDC's participation is limited to projects in

HDC's portfolio of projects expecting to refinance with HDC. The Build It Back program provides forgivable loans or grants for repairs and resiliency improvements to buildings with five or more units that sustained damage during Superstorm Sandy. The Corporation projected that the expenditures related to staff time and such for FY 2018 to be \$200,000. Actual costs for reimbursement totaled \$565,577 for FY 2018. This year as the resiliency work is winding down, the Corporation is budgeting \$130,000.

NYCHA Lending Administration Fee. The Corporation is anticipating being paid a fee for a newly formed NYCHA Lending department within the Corporation. The fee is comprised of the direct cost of salary and fringe related to the NYCHA Lending department staff members, plus a percentage of operating expenses based on headcount of NYCHA Lending staff versus total headcount in the Corporation. It is anticipated that the NYCHA Lending department will begin operations with a start up staff in January 2019, with additional staff being added in Spring 2019. Therefore the administration fee for FY 2019 is based on a partial year. NYCHA Lending department revenues will consist of investment income on its principal plus income from originating loans and servicing fee income. It will use a small portion of this revenue to pay the administration fee to HDC. The excess revenues are expected to stay in the NYCHA lending program to be used for future lending.

Details of Operating Expenses

The Corporation's expenses are budgeted at \$33.59 million in FY 2019. Each expense line item is discussed in detail below.

Salaries and Related Expenses

The Corporation's dedicated and hardworking staff remains the foundation of our success. Careful attention will continue to be paid to ensure that hiring meets the strategic needs of the Corporation for today, and for the future. During the last few years, HDC has maintained a steady headcount based on attrition and increased efficiencies in technology, which has been reflected in its financial results. This year's budget continues that same approach across most of the Corporation while also balancing the demands of the Mayor's Housing Plan, as well as a growing organization whose success has led to increased demands placed upon it such as the proposed NYCHA Lending department, the IT initiatives, and the restructuring of other departments within the Corporation to respond to that growth.

Wages. This budget line provides for 198 staff positions, including the four staff participating in the HPD/HDC Fellowship program. The headcount for this year's budget includes an increase of 11 positions, half of which are related to the proposed new NYCHA Lending department and the other half are scattered throughout other departments in the Corporation due to the growth of the organization. The Corporation over the years has strategically had small increases in headcount as a result of a pattern of targeted hiring to reinforce core functions and to increase efficiencies. The Corporation regularly evaluates staff hires throughout the year as some staff members leave or retire during the year. The assessments sometimes resulted in some instances where the replacement of that same position wasn't immediately necessary due to the expected

implementation of technologies that could result in increased efficiencies. There are other instances where an open position in one department was reallocated to another department based on need, mostly relating to the increase in the size of the loan portfolio. However, this year the growths and demands on the Corporation have led to a larger increase in headcount in key areas.

The soon to be formed NYCHA Lending department is a transactional unit that will require five new hires initially. A senior director and an attorney are budgeted for January 2019 hires and the remaining three positions, an engineer and two project managers are scheduled for May 2019 hire dates. Staffing needs will be assessed again by executive management before next year's budget, once we have considered the complexity of transactions to date and the volume of additional transactions anticipated per year going forward.

The budget also includes two hires in the IT department that include a Chief Information Officer ("CIO") and a Project Management Officer ("PMO"). Executive management had realized a need to have a CIO who was capable of defining and delivering an IT strategy across the organization as well as be a strong partner with the business unit leaders. There was also a need for a newly created position of PMO to lead and direct a project management office that builds, maintains, and executes business process and project management roadmaps which are aligned with organizational strategies, priorities and goals. The Spruce Technology assessment confirmed those needs and as a result funds are budgeted for these two positions.

The Asset Management department will require two positions in the Compliance/Marketing area to assist with the marked increase in the number of properties monitored by HDC. The success of the Mayor's Housing Plan has increased the workload of the Compliance/Marketing division by over 30%. Additionally, the Human Resources department needs an additional staff member to not only meet the needs of an increasing staff but also the growth in technology within the department itself due to the new payroll and human resource systems, thereby allowing for more efficient use of the technology. And lastly, the Communications department is requesting an assistant to help senior staff with the growing demands of press inquiries, briefings, and reporting.

Similar to last year, the proposed budget does not include any specific line amount for staff raises. However, there is a small amount of money available for discretionary promotions, and possibly some merit increases, including senior staff, subject to approval from the Governance Committee. In trying to find a balance between maintaining a high level of performance for a dedicated, highly skilled staff versus the challenge of fiscal austerity at all levels of government, the Corporation's senior management believes that a discretionary amount used for specific promotions and increases again this year is a prudent, necessary approach.

Actual wage expenses came in under budget for FY 2018 due to staff vacancies during the year.

Fringe Benefits. Included in this category are sufficient funds to cover Health, Life, Dental, Disability and Vision benefits. This budget line also includes funds for HDC's matching contributions to the employees' Tax Sheltered Annuity (403(b) Retirement) Plan ("TSA"). Also budgeted in this category are funds to cover the employer's share of payroll taxes, Workmen's Compensation Insurance, Unemployment Insurance, etc.

An ongoing challenge for most American companies is the escalating expense related to health care costs, and HDC is no exception; such expenses have been built into our expectations for FY 2019, although the Corporation has made other efforts to reduce costs in the areas that it can control.

The fringe benefit line shows a 10% increase over last year's budget. The increase is mainly attributable to the anticipated increase in staff along with an expected higher premium in health insurance. The Corporation participates in the New York State Health Insurance Plan ("NYSHIP") and therefore benefits from the group rates and although much less costlier than other health insurance plans, there is a potential increase of between 7.5% and 9% this year. All other insurance carriers have informed us that the rates will remain stable for 2019. Every year the Corporation's senior managers diligently monitor the fringe benefit budget line and look to reduce costs where possible. Life, dental and vision insurance policies were reworked a few years ago and led to reductions in premiums, which have continued in the proposed budget as well. TSA expenses have remained somewhat steady from last year, with a slight uptick of 4% from last year's budget due to the new budgeted hires. The Corporation revamped its retirement policy in 2010 whereby new staff must elect to join either NYCERS or the TSA deferred compensation plan. Most choose the latter which has resulted in the NYCERS payment allocation remaining steady the past few years. FICA costs are budgeted to increase 11% this year due to a recent trend whereby new hires are now electing to join the social security system regardless of which retirement option they select upon joining HDC. The increase in this budget line is in sync with the anticipated increase in the salary line. The Corporation will continue to look for ways to contain costs related to fringe benefits in the upcoming year and beyond.

Although staff did its best to estimate the areas of increases for 2019 stated above, the actual costs of these line items, as well as the NYCERS appropriation amount described next in this memo, could possibly be even higher than budgeted.

Actual expenditures for this line item, in total, were under budget in FY 2018 due to savings in all the detailed line items due to vacancies, especially in health insurance, TSA expenses and dental. Additionally, there were lower than expected increases to premiums at the beginning of the year.

New York City Employees' Retirement System ("NYCERS"). This line provides funds for the required employer contribution for its employees who are enrolled in NYCERS. This line is over budget this year due to the Corporation paying its 2019 NYCERS appropriation due in December 2018 with the excess of funds available in last year's budget.

Metropolitan Commuter Transportation Mobility Tax ("MCTM Tax"). The Metropolitan Commuter Transportation Mobility Tax ("MCTM Tax") is a tax that was imposed beginning March 1, 2009 on certain employers engaged in business within the metropolitan commuter transportation district. The tax is 0.34% of the payroll expense for employees. This year the tax is budgeted at \$64,000.

Actual expenditures for this line item for FY 2018 were slightly under budget due to staff vacancies.

Temporary Staff. This budget line (0.18% of the total budget) has decreased almost 29% from last year's budget. This line item includes funds for vacation coverage in targeted positions and for potential coverage that may be needed due to unanticipated turnover or employee leave. When possible the Corporation prefers to have other staff members fill in for coverage, thereby saving on the use of temporary staffing, however some specific positions need to be filled with temps during staff absences or when the absences are prolonged. For this year the decrease is mainly attributable to a reduced need at the administrative level in a department affected by the implementation of a new system a few years ago. This budget line also includes \$20,000 for the summer intern program.

Actual expenditures for this line item came in under budget in FY 2018. The variance is due to less funds being used in the Corporation's summer intern program this past year.

Contract Services

Auditing and Accounting. The figure of \$242,000 represents a contracted amount for auditing services from Ernst & Young for the annual financial audit of the Corporation. There is an increase of \$8,000 from last year based on the contractual amount.

Actual expenditures for this line item for FY 2018 were on budget.

Legal Consultants. This line item provides funds for potential fees from outside counsels for the upcoming year. Those include Hawkins, Delafield and Wood, for general advice; Epstein, Becker & Green as employee benefits counsel; Seyfarth & Shaw for advice on the Corporation's TSA 403b Plan; and NYC Corporation Counsel for labor litigation. This year's line item is being held steady from last year's budget.

The FY 2018 actual expenditures were under budget due to lower than anticipated funds needed for advice on the TSA 403b Plan.

Annual Report. This budget line provides funds for the design and production of the annual report. This year the budget line has decreased by \$10,000 or 25% from last year due to last year's additional budgeted funds needed in anticipation of issuing a special 45th anniversary edition of the annual report as well as reduced costs as a result of the RFP process. The Corporation also continues to reduce costs in this budget line as part of its "going green" efforts and publishing on-line on the Corporation's website as opposed to printing hard copies.

The FY 2018 actual expenditures were higher this year due to a final payment made at the beginning of the year for the previous year's (2016) annual report edition.

Other Consultants. This budget line, representing 1.45% of the budget, provides for any special studies or services which cannot be performed efficiently by the in-house staff, or are short-term in nature and better suited to outside consultants. The consulting budget line has decreased from last year's budget by approximately 15%. This is mainly due to a decrease in the IT consulting line. Last year funds were budgeted for technology consulting services that were needed to

perform a comprehensive evaluation of the interaction among the Corporation's existing technology systems, as well as the Corporation's disaster recovery and backup systems, and cybersecurity. As previously mentioned, that review was completed and recommendations were made to executive management.

The budget line this year includes funds to hire a consultant to work with HDC's new CIO in the cybersecurity area. The goal is to assess HDC's current cybersecurity efforts, create key policies, establish a risk management process, ensure that HDC is meeting regulatory compliance, and adopt a security framework. This consulting role is forecasted to be a four to six-month assignment at which time the continued assessment of HDC's cybersecurity can be handled by in-house staff. The Corporation may require additional services on an as-needed basis from year to year to advise the CIO and executive leadership on upcoming regulations, best practices and threats. This budget also includes some ancillary funds for additional consulting work as a follow up to the recommendations made during the IT assessment last year.

Throughout the years HDC has had up to four IT consultants in-house to help maintain the old loan servicing system and reporting issues that came with the antiquated system. Over the past few years that number has decreased since the implementation of the new loan servicing system two years ago. This year's budget includes funds for the one remaining IT consultant who is expected to assist IT staff in creating reports out of the new loan servicing system, as well as bridging reports between all of the Corporation's systems.

The budget also includes \$65,000 for a part time consultant to assist the Asset Management department in the ongoing implementation a new software that will help the staff more efficiently evaluate and review the compliance of properties in the portfolio as well as expand its portfolio management database. The budget also includes \$75,000 for consulting services to work with the Corporation and provide advisory services on best ways to engage government leaders to implement federal policies and funding strategies that will enable HDC to preserve New York's public and assisted housing stock.

Similar to last year, this line also includes \$35,000 for a Christo Rey High School student job-share employee, continuing an educational intern program that is providing clerical help to the HDC staff. This line also includes \$2,800 for the yearly fee for our insurance consultant.

This budget line also includes \$8,000 to provide funds to perform actuarial services for the Other Post Employment Benefits ("OPEB") liability as required by the Governmental Accounting Standards Board ("GASB"). This year's services include performing rollforwards from last year's valuation that were performed under the new GASB Statement #75 which requires all governmental agencies to have their OPEB valuations performed every two years instead of three years. As this is the off year of a full blown valuation, the budgeted costs are much lower than last year.

Finally, this budget line also includes funds for a consultant to assist the Corporation in revamping its website to make it more user friendly and compatible with mobile devices as well as funds for a consultant to provide translating services for ads that HDC publishes during housing lotteries.

The actual expenditures for FY 2018 came in over budget due to payments made on the City's behalf for a Department of Homeless Services ("DHS") consultant and as well as a consultant to assist NYCHA. The DHS consultant was used to assist DHS in identifying and strategizing the utilization of sites for homeless housing. The DHS assessment may include opportunities for collaborative HDC financing such as leveraging 501(c)(3) bonds to build or preserve housing on these sites. The consultant for NYCHA was needed to assist them in organizing a new compliance department which will prioritize staffing and workflows in order to properly operationalize the multilayered framework of federal, state and city regulations governing their programs. This is an essential priority for the City's administration, and also for HDC specifically given the existing overlap in our portfolios as well as the growing business relationship between our two agencies as we endeavor to preserve and rehabilitate much of the city's public housing stock. The NYCHA consultant expenses are anticipated to be reimbursed at a later date.

Other Expenses

Rent and Utilities. This line, representing 7.2% of the budget, primarily reflects rental payments, including escalations, for the Corporation's space at 110 William Street. Base rent, operating costs and real estate taxes on the current space on the 9th and 10th floors totals \$190,264 per month. This is a slight increase from last year as a rent increase per the lease took effect as of November 2018. Funds, forecasted at \$35,000, are also included in this budget line to cover estimated escalation costs, which are adjusted annually. The total amount requested also includes \$80,130 for electricity for the year, which has been held steady from last year's decrease of \$10,000 as the savings from switching over to LED lighting throughout the office space, a project that was completed last year, continues to lead to savings and energy conservation.

Additionally, \$13,500 of the total amount requested for this budget line provides for rent payments and document retrieval costs related to off-site storage space. This is a slight increase from last year due to an increase in storage rates. This line has been kept steady for a few years and reflects the continued efforts to reduce the number of old boxes sitting in storage that can be destroyed in accordance with records retention laws. To date the monthly storage fees have been reduced by 66% due to the staff efforts since 2015. This effort will continue again this year so that offsite storage costs can continue to be reduced or kept steady in the future, and as the Corporation moves to electronic document storage.

The actual expenditures for FY 2018 came in over budget due to higher escalation costs than expected.

Office Expenses. This line, which represents 0.95% of our total budget, provides funds for:

Office Supplies	\$80,000
Printing	13,200
Postage	10,000
Office Repairs	24,000
Cleaning Services	52,000

Messenger Service	12,600
Telephone	34,000
Wireless Services	47,200
Working Meals	43,000
Petty Cash	3,000

Overall this line has declined a little over 1% this year. About half the individual budget lines have either decreased or remained the same. The other half of the budget lines have only slightly increased. Postage expense, after a large decrease of 33% from last year due to the implementation of the new loan servicing system which allows monthly mortgage bills to be emailed to the projects as opposed to mailing them under the old system, remains the same this year even though there was an increase in the cost of postage in 2018 and another anticipated in 2019. Office supplies, printing, telephone, wireless services, and petty cash line items have been held steady or decreased from last year's budget and to reflect actual expenditures from FY 2018. The Corporation performs a comprehensive review of office expenses each year and, as a result, continues to look for ways to reduce costs and decreases line items where it can.

The actual expenditures for FY 2018 came in under budget on every line listed above.

Equipment and Maintenance. The Corporation remains focused on productivity and technical enhancements for its employees to ensure they have the tools needed to accomplish their work and the Corporation has the capacity to effectively manage its complex balance sheet. With this in mind, the Equipment and Maintenance budget includes important investments in technologies that will continue to strengthen our information systems capabilities and efficiencies, as well as its resiliency, in years to come, for use by all HDC employees. In addition, as previously mentioned, the Corporation also engaged Spruce Technology last year to perform a comprehensive assessment of HDC's IT systems, disaster recovery and backup systems. During this fiscal year, the CIO and executive management plan to implement some of the recommendations from the Spruce report and the increase in this year's budget line is a direct result of some of those initiatives.

Overall, this line represents 6.8% of the budget, and has increased by \$286,400 or 14.34% from last year's budget. The majority of this line item is related to IT equipment and maintenance, which amounts to \$2,100,000 this year, which has increased by 17.25% from last year. There are two major areas within the IT budget line that make up this line and warrant further description which include the following: (1) new investments in technology; and (2) renewals of ongoing IT maintenance agreements.

The investments in new technology and upgrades for FY 2019 total \$900,000, an increase of \$274,000 from last year. With the staff's heavy reliance on information systems to assist them in managing a large portfolio it is imperative that technology and information systems are the most up to date and most efficient across the Corporation.

About \$100,000 of the new technology funds will be used to upgrade all desktops and laptops to Windows 2010 and Microsoft Office 2016. This upgrade began during last fiscal year and this is the second phase of the project. Along with the upgrade to Windows 2010 another \$100,000 has

been included for the migration and upgrade to Office 365, as well as the backup systems to this software. And a final investment that goes along with the Windows 2010 and Office 365 upgrade includes \$70,000 to upgrade the Citrix licenses for the laptops and PCs that are used while out of the office, and also to help manage the rollout of Microsoft patches to all users with ease.

About \$150,000 of the new technology funds this year will be used to migrate our current reporting software, which will no longer be supported within the next few years, over to a new reporting software. Staff have reviewed options and have selected a software that is compatible with our current systems, and will upgrade during the fiscal year.

Last year the Corporation budgeted for and began the implementation of a new asset management software that will help the staff more efficiently evaluate and review the compliance of properties in the portfolio as well as expand its portfolio management database. Additional funds have been budgeted at \$18,500 this year to complete the project. Staff anticipates one of the modules to be up and running by the end of calendar year 2018, and the other two modules to be up and running in the late spring or early summer of 2019.

Additionally, \$142,000 has been budgeted for a variety of security related upgrades including prevention against cyber security threats, data loss prevention and encryption, network penetration tests and mobile device security upgrades. Another \$121,000 is being budgeted for various cloud readiness assessments, services and licenses to begin the Corporation's migration over to cloud solutions for its hardware and backup solutions.

And finally, about \$197,000 of the new technology funds has been budgeted for other smaller items which include the website redesign, upgrades to Sharepoint, UPS battery replacements, a possible upgrade to video conferencing, and other miscellaneous initiatives that the new CIO, working with executive management, will implement based on the IT assessment recommendations report.

The last major IT area pertains to all renewals of current softwares and hardwares. The bulk of the costs, \$1,090,000, relates to ongoing software licensing, maintenance agreements and equipment repairs on current management information systems and internet related services, including our disaster recovery services. An additional \$110,000 has been provided to upgrade hardware such as PCs, printers, laptops, parts and accessories, phones and mobile devices, fax machines, right fax and network security to maintain efficiencies, as well as the purchase of tapes used for backups of the systems.

Over the years, the Corporation has systemically invested in its hardware and software. With the vast amount of data that accompanies the management of a growing portfolio (relating to debt outstanding, asset management and compliance, as well as all other activities), and the high demands of reporting on that data, as well as the risk of cyber threats in the world today, the Corporation must continually improve its information technology systems. The Spruce Technology assessment report confirmed the necessity of that strategy. These investments enable the Corporation to report on that data, manage our processes, promote efficiencies, and strengthen our analytical abilities and cyber security strategies.

With respect to other services in this budget line item not related to IT, \$167,500 has been budgeted for maintenance agreements on office equipment and copiers, user licenses on the Tradeweb software that allows our Cash Management department to manage the Corporation's investments, and lease payments for eight cars, as well as parking, gas and tolls for such cars. Finally, this line item includes \$16,000 for replacement of portable HVACs, water pumps and condenser units in the server room and various computer utility rooms throughout the office to prevent overheating of the computer equipment.

FY 2018 expenditures were originally under budget due to savings in office and automobile maintenances, however with an excess of funds available in last year's budget the Corporation launched an early start to some of its cloud and data protection initiatives as well as an enhancement to its investment subsystem.

Insurance. This line item includes premiums on policies for Property, Liability, Errors & Omissions, Umbrella Liability, Crime and Automobile. This budget line item has increased 20% from last year's budget due to the crime policy. The crime policy is a two year policy, which means it wasn't included in last year's budget and is paid every other year. The policy purchased this year will cover fiscal years 2019 and 2020. The line item also covers funds for cyber insurance. This is a line item that was added last year, but not used, as senior management decided to wait until the IT systems assessment was complete and a new CIO was brought on board to assess HDC's cybersecurity measures and what insurance coverages are needed. Cyber insurance would cover HDC in the event of a cyber-incident such as hacking incidents, viruses, worms and malware, just to name a few. Any of these examples could result in HDC needing to respond internally in the form of data reconstruction, or the need to require external forensic specialists to determine the cause and to help reconstruct data and systems. If outside assistance is needed cyber insurance can cover these costs.

FY 2018 actual expenditures came in under budget as the funds for cyber insurance were not used and have been pushed to this year as explained above.

Books and Publications. This line item, representing only 0.16% of the total budget, ensures that the staff maintains updated resources and continues to stay current on industry trends. This line includes funds for S&P Ratings Direct subscription for our Credit Risk Department, as well as Lexis Nexis for the Legal Department, and other subscriptions for our Communications Department. This budget line has decreased about 3.5% from last year's budget to reflect FY 2018 actuals. Over the past few years the Corporation has, where practical, switched over to electronic subscriptions to save money, and some have also been discontinued in areas where the staff can efficiently share recent issues of publications across departments.

The actual expenditures for FY 2018 came in under budget.

Transportation. This item, 0.09% of the budget, covers travel to site visits and project inspections, as well as in-town conferences and seminars. This line also includes funds for car service within the five boroughs for employees who work late. This line item has decreased about 3.33% from last year's budget mainly due to the continued reduction of staff using their

personal automobiles after the Corporation increased its car fleet by two additional cars three years ago.

The actual expenditures for FY 2018 came in under budget due to the expansion of the office fleet as well as decreased usage of car service in a department that has reduced its overtime due to efficiencies in technology.

Training and Conferences. This line, representing 0.85% of the total budget, provides funds for continued staff training and costs associated with the National Association of Local Housing Finance Agencies (“NALHFA”) and National Council of State Housing Agencies (“NCSHA”) conferences, as well as other conferences and seminars. Also included in this line item is \$18,000 for legislative travel to Washington D.C. for the President, Executive Vice Presidents, and other specific staff members. The positive returns of participating in a coalition with other agencies with a similar regulatory and legislative agenda, just within the past few years, such as bond recycling, the Federal bond purchase program, the tax credit assistance program, income averaging, and HDC’s selection as the pilot agency for the Federal Financing Board (“FFB”) initiative have far out-weighed the cost in related travel expenses. HDC senior staff will continue to pay particular attention to legislative and programmatic matters in Washington.

This line also includes \$136,000 for HDC’s employee development program to assist the staff in their professional growth. This includes funds for tuition reimbursements and professional credit requirements, as well as funds for employee and technical skills development through classes both on- and off-site. This line allows for specific on-site departmental wide training in financial statement analysis and tax credit training, as well as corporate wide training in broad areas such as communications, management and leadership, and EEO, just to name a few. The Corporation proactively conducts corporate-wide training in a variety of subjects and senior staff firmly believes that time must be put aside from busy schedules to conduct training. HDC’s external auditors have highly recommended further investment in staff development through continuing professional education. This budget line has increased 7.52% this year due to the increase in training that will be needed as a result of the IT assessment and recommendations report from this past year as well as the increase in staff headcount.

FY 2018 expenditures were under budget due to savings in employee development, and conference and seminar spending.

Memberships. This number (0.25% of budget) provides funds for annual membership fees for NCSHA, NALHFA, National Low Income Housing Coalition, National Leased Housing Association, the National Low Income Housing Coalition, the National Association of Affordable Housing Lenders, the Citizens Housing and Planning Council, the New York Housing Conference, and various other organizations to assist the staff in their professional growth, and maintain HDC’s position in the policy discussions surrounding affordable housing.

FY 2018 expenditures came in under budget mainly due to the timing of some membership payments with the end of the fiscal year.

Employment Agency Fees/Ads. This line is being maintained the same as last year's budget. This line provides funds needed to fill positions through newspaper, trade journal and internet advertising.

Furniture. This line provides funds for furniture for cubicles, as well as filing cabinets, bookcases and chairs. This line also provides funds for some smaller miscellaneous furniture throughout the entire office space. This budget line has decreased 60% from last year's budget as improvements made from the previous few years' budgeted funds have been completed throughout the office space.

FY 2018 expenditures for this line item were on budget as the funds were used to complete the furnishing of the 9th floor file room with file cabinets and reorganizing two storage areas with shelving to better utilize those areas more efficiently.

Leasehold Improvements. This budget line, representing 0.07% of the budget, provides funds for smaller renovations throughout the office space during the year to maximize space when needed or to make any major repairs to the infrastructure. This budget line has decreased 67% from last year's budget as improvements made from the previous few years' budgeted funds, as well as tenant improvement funds provided by the landlord during lease negotiations, have been completed throughout the once aging office space. The leasehold projects during 2018 included the build out of some additional work stations needed for staff in a department that is expanding due to the growth of the portfolio, as well as some repairs made to the infrastructure including the replacement of a door and water heater. The small amount of budgeted funds for FY 2019 is expected to be used for similar unexpected repairs to the infrastructure.

FY 2018 actual expenditures came in under budget as funds weren't needed for major renovations.

Interagency Expenses. The New York City Department of Investigation ("DOI") has agreed to provide investigative services for the Corporation pursuant to a Memorandum of Understanding. This line provides funds for the anticipated cost of those services which are billed annually.

FY 2018 actual expenditures came in under budget due to the previous year's payment to DOI covering not only 2017 investigative services but 2018 services as well.

Marketing. This budget line provides funds for the printing of brochures, site signs and banners, and miscellaneous marketing costs associated with promoting HDC and for public events. The site signs, banners, and other marketing items are used to promote the Corporation and its mission of providing affordable housing as part of the Mayor's Housing New York plan.

The FY 2018 actual expenditures came in under budget last year due to the postponement of purchasing site signs and banners until this fiscal year.

Corporate Events. This year's request (0.19% of budget) has increased only about 3% from last year's budget. This budget line includes \$10,000 in funds to accommodate some ancillary expenses for our collaborative work with HPD. Some of these expenses include orientation costs

for HPD/HDC Fellows, training, attendance at housing functions, and other HPD staff appreciation events. This line is also used to fund HDC sponsored events such as the annual holiday party and the annual summer outing. Additionally, a total of \$23,500 is budgeted for other items such as bus tours to project sites, staff attendance at housing related events, token recognitions of appreciation for retiring employees, flu shots, Take Our Daughters and Sons to Work day, and flowers and donations in connection with employee hospitalizations and bereavements.

The FY 2018 actual expenditures came in under budget.

Bank and Other Service Charges. This budget line item provides funds for payroll charges, as well as the potential for some electronic banking products that work with the Corporation's current systems and could help to increase efficiencies. This budget line has been held steady from last year, and would have otherwise decreased but this year we have included funds to outsource the management of the flex spending account program ("FSA") offered to HDC employees. Currently the FSA program is handled manually by payroll staff. Outsourcing to a vendor will be cost effective to HDC and will make it easier to administer and manage the benefits, and enroll more participants.

FY 2018 expenditures came in on budget as the implementation of a new payroll and human resource system was successfully launched during the fiscal year. The new software offers a fuller suite of modules that links time and attendance with payroll as well as including a human resource administration module within the software.

Appendix A Schedules

**New York City Housing Development Corporation
Requested Budget Summary
Fiscal Year 2018/2019**

	Adopted Budget FY 2018	Projected Actual FY 2018	Variance FY 2018	Requested Budget FY 2019
<u>REVENUES</u>				
Fees	\$ 50,060,000	\$ 54,046,436	\$ 3,986,436	\$ 57,002,000
Investment and Loan Income	64,150,000	87,724,804	23,574,804	89,192,000
TOTAL REVENUES	\$ 114,210,000	\$ 141,771,240	\$ 27,561,240	\$ 146,194,000
<u>EXPENSES</u>				
Salaries and Related Expenses	\$ 24,836,000	\$ 24,527,520	\$ 308,480	\$ 26,770,000
Contract Services	903,000	1,494,972	(591,972)	817,600
Other Expenses	5,700,000	5,303,650	396,350	6,002,400
TOTAL EXPENSES	\$ 31,439,000	\$ 31,326,143	\$ 112,857	\$ 33,590,000
EXCESS OF REVENUES OVER EXPENSES	\$ 82,771,000	\$ 110,445,097	\$ 27,674,097	\$ 112,604,000

New York City Housing Development Corporation
Revenue Budget Summary
Fiscal Year 2018/2019

<u>Revenues</u>	Adopted Budget FY 2018	Actual FY 2018	Variance FY 2018	Requested Budget FY 2019
Fee Income				
Servicing Fees				
HDC Financed Mortgage Loans	\$ 25,300,000	\$ 27,035,205	\$ 1,735,205	\$ 27,300,000
Tax Credit Monitoring Fees	2,332,000	2,326,977	(5,023)	2,515,000
HPD Financed Loans	5,433,000	6,263,728	830,728	5,470,000
Sub-total Servicing Fees	<u>33,065,000</u>	<u>35,625,910</u>	<u>2,560,910</u>	<u>35,285,000</u>
Other Fees				
Credit Enhancement Fees	650,000	1,648,511	998,511	2,322,000
Loan Originations & Refinancings	15,600,000	15,661,438	61,438	18,000,000
REMIC Administration Fee	545,000	545,000	0	566,000
CDBG-DR Funds	200,000	565,577	365,577	130,000
NYCHA Lending Admin Fee	0	0	0	699,000
Sub-total Other Fees	<u>16,995,000</u>	<u>18,420,525</u>	<u>1,425,525</u>	<u>21,717,000</u>
Total Fees	<u>\$ 50,060,000</u>	<u>\$ 54,046,436</u>	<u>\$ 3,986,436</u>	<u>\$ 57,002,000</u>
Investment and Loan Income				
Investment of Corporate Reserves	\$ 9,300,000	\$ 32,989,756	\$ 23,689,756	\$ 31,500,000
Corporate Owned Mortgages	5,000,000	4,262,188	(737,812)	4,500,000
Open Resolution Surplus, net of expenses	49,850,000	50,472,859	622,859	53,192,000
Total Investment and Loan Income	<u>\$ 64,150,000</u>	<u>\$ 87,724,804</u>	<u>\$ 23,574,804</u>	<u>\$ 89,192,000</u>
TOTAL REVENUES	<u>\$ 114,210,000</u>	<u>\$ 141,771,240</u>	<u>\$ 27,561,240</u>	<u>\$ 146,194,000</u>

New York City Housing Development Corporation
Expense Budget Summary
Fiscal Year 2018/2019

	Adopted Budget FY 2018	Actual FY 2018	Variance FY 2018	Requested Budget FY 2019
SALARIES & RELATED EXPENSES				
WAGES	17,183,000	16,802,758	380,242	18,966,800
FRINGE BENEFITS	6,162,000	5,770,588	391,412	6,780,000
NYCERS	1,350,000	1,820,821	(470,821)	900,000
MCTM TAX	58,000	55,460	2,540	64,000
TEMPORARY STAFF	83,000	77,893	5,107	59,200
SUBTOTAL	<u>24,836,000</u>	<u>24,527,520</u>	<u>308,480</u>	<u>26,770,000</u>
CONTRACT SERVICES				
AUDITING & ACCOUNTING	234,000	234,000	-	242,000
LEGAL CONSULTANTS	60,000	49,037	10,963	60,000
ANNUAL REPORT	40,000	45,016	(5,016)	30,000
OTHER CONSULTANTS	569,000	1,166,919	(597,919)	485,600
SUBTOTAL	<u>903,000</u>	<u>1,494,972</u>	<u>(591,972)</u>	<u>817,600</u>
OTHER EXPENSES				
RENT & UTILITIES	2,365,000	2,389,460	(24,460)	2,413,500
OFFICE EXPENSES	322,600	259,778	62,822	319,000
EQUIPMENT & MAINTENANCE	1,997,100	2,112,124	(115,024)	2,283,500
INSURANCE	75,000	43,735	31,265	90,000
BOOKS & PUBLICATIONS	55,800	43,042	12,758	53,900
TRANSPORTATION	30,000	6,301	23,699	29,000
TRAINING & CONFERENCE	266,000	209,970	56,030	286,000
MEMBERSHIPS	81,000	72,677	8,323	83,000
EMPLOYMENT AGENCY FEES/ADS	15,000	2,664	12,336	15,000
FURNITURE	25,000	23,387	1,613	10,000
LEASEHOLD IMPROVEMENTS	75,000	19,300	55,700	25,000
INTERAGENCY EXPENSES	250,000	-	250,000	250,000
MARKETING	11,500	6,012	5,488	11,500
CORPORATE EVENTS	61,000	45,790	15,210	63,000
BANK & OTHER SERVICE FEES	70,000	69,410	590	70,000
SUBTOTAL	<u>5,700,000</u>	<u>5,303,650</u>	<u>396,350</u>	<u>6,002,400</u>
TOTAL OPERATING EXPENSES	<u><u>31,439,000</u></u>	<u><u>31,326,143</u></u>	<u><u>112,857</u></u>	<u><u>33,590,000</u></u>

"MCTM Tax" = Metropolitan Commuter Transportation Mobility Tax