NEW YORK CITY
HOUSING DEVELOPMENT
CORPORATION

MEMORANDUM

To: The Chairperson and Members

From: Eric Enderlin
President

Subject: Proposed FY 2024 Operating Budget

Date: November 21, 2023

I am pleased to present the Corporation's proposed operating budget for Fiscal Year 2024 ("FY 2024") for the Members' approval. The attached budget contains a summary of revenues and expenditures for the Corporation's general operating fund, Corporate Services. Amid economic uncertainties stemming from high inflation and geopolitical matters far outside of our control, this operating budget demonstrates HDC's responsible and strategic fiscal planning. By containing administrative costs through operational innovations and efficient managerial controls, HDC will maintain its flexibility as we reach our goals of increased productivity.

This memorandum, which accompanies the proposed operating budget schedules and notes in Appendix A, provides a complete discussion of the variance from the FY 2023 budget to the projected actuals as well as the Corporation's FY 2024 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 2023 Budget Results and FY 2024 Proposed Budget (attached schedules in Appendix A)

The Corporation ended FY 2023 with an excess of revenues over expenses, on a cash basis, of $130.35 million, an increase of $24.29 million over the budgeted amount of $106.06 million. This increase was mainly due to higher-than-expected investment earnings as a result of rising interest rates, and higher than expected servicing fees. The rise in interest rates also resulted in better-than-expected performance in the Multifamily Housing Revenue Bonds program ("Open Resolution") surplus.

The Open Resolution surplus is the Corporation's most significant revenue source, and despite the uncertainties in the economy, mortgage repayments have remained strong. The Open Resolution is still expected to generate similar amounts of cash as it did in FY 2023 due to the over-collateralization of mortgages over bonds, despite rising interest rates on variable rate debt, and the increase in the cost of new borrowing.

As indicated on the chart below, staff projects total cash revenues to be $176.56 million for FY 2024, an increase of 16.22% from the approved FY 2023 budget of $151.92 million and an increase of 1.05% from the 2023 actual. At the same time, operating expenses are budgeted to decrease slightly to $45.77 million, a decrease of 0.20% from the FY 2023 budget, a variance to be explained later in this memo.

An excess of revenue over expenses of $130.79 million is budgeted for FY 2024. The chart below 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 2023**	**Actual FY 2023**	**Variance FY 2023**	**Proposed Budget FY 2024**
Operating Revenues:				
Investment and Loan Income	86,067,000	101,548,092	15,481,092	103,244,000
Servicing Fees	41,845,000	47,503,279	5,658,279	45,931,000
Loan and Other Fees	24,009,000	25,669,936	1,660,936	27,381,000
Total Revenues	**151,921,000**	**174,721,307**	**22,800,307**	**176,556,000**
Operating Expenses:				
Salaries and Related Expenses	33,993,000	33,806,481	186,519	39,587,000
Contract Services	1,517,300	1,449,502	67,798	1,781,900
Other Expenses	10,349,700	9,114,019	1,235,681	4,401,100
Total Expenses	**45,860,000**	**44,370,002**	**1,489,998**	**45,770,000**
Excess of Revenues Over Expenses	**$106,061,000**	**$130,351,305**	**$24,290,305**	**$130,786,000**

FY 2023 Unaudited Budget Results

Operating Revenues

The Corporation's FY 2023 budget projected revenues of $151.92 million, and HDC realized revenues of $174.72 million, a variance of $22.8 million or 15%. This result was attributable to four main positive variances:

- Investment income of corporate reserves was $12.31 million higher than budgeted due to an increase in short term interest rates throughout the year as the Federal Reserve continued to raise rates as a means of combating inflation.
- Servicing fees on HDC loans were $5.03 million higher than budgeted due to an increase in the number of loans in the pipeline that converted to permanent and an increase in other HDC servicing fees received during the year.
- The Open Resolution surplus was $3.0 million greater than anticipated because of the over-collateralization of mortgages over bonds, as well as increased spread between underlying mortgage rates.
- The NYCHA PACT Administration fee was $1.59 million greater than budgeted due to an increase in staff resources working on the PACT portfolio, as well as growth in the portfolio itself as HDC closes more NYCHA PACT deals.

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 2023 operating expense budget was $45.86 million. Actual FY 2023 expenses were $44.37 million, a variance of $1.49 million or 3.25%. This result was attributable to the following variances.

Three major positive variances:

- Wages – $1,835,803. This line item was under budget due to vacancies during the year.
- Fringe Benefits – $599,185. This line was under budget due to the related staff vacancies and lower than expected increases in some of the insurance premiums.
- Leasehold Improvements – $932,645. This line item was under budget due to the landlord covering the majority of the buildout costs related to the new office space.

Offsetting these positive variances was one major negative variance:

- NYCERS – $2,276,596. This line item was over budget. Due to an excess of funds in the 2023 budget, the Corporation paid its FY 2024 NYCERS estimated appropriation to cover staff's participation in the New York City Employees Retirement System ("NYCERS").

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

FY 2024 Proposed Budget

The economy showed signs of improvement during fiscal year 2023. The rate of inflation has slowed after two years at elevated levels, but it remains well above the Federal Reserve's target rate of 2%. Consequently, financial markets continue to experience increased volatility as the Federal Reserve has not signaled a complete halt to interest rate hikes. Despite all the uncertainty, the Corporation had a successful year in the market with bond issuances of $2.0 billion in the fiscal year. However, the cost of borrowing capital to fund the Corporation's ever-increasing pipeline has increased significantly and presents challenges in the ability to provide low interest rate mortgages for affordable housing. In addition to providing loans that reflect the higher cost of borrowing, the Corporation also continues to provide additional subsidy loans at a rate of 1% to assist our borrowers. In fiscal year 2023, HDC committed $249 million in subsidy for new construction loans closed during the year, bringing the total corporate subsidy provided over the past 20 years to $3.8 billion.

Despite the economic environment, the Corporation's mortgage portfolio also continues to perform well. The delinquency rate has remained below 3% as staff remain vigilant in monitoring the portfolio. For the limited number of developments that are experiencing financial difficulties, HDC's Asset Management team continues to work with the borrowers, providing refinancing opportunities with manageable monthly payments to keep them current.

The Corporation's balance sheet remains strong. In fiscal year 2023 total assets in the Enterprise Fund increased to $24.5 billion, a $2.9 billion, or 13.6% increase, from last fiscal year. This increase was primarily due to a $2.2 billion increase in the mortgage portfolio and a $566.4 million increase in the investment portfolio. Additionally, net assets increased to $4.1 billion.

The FY 2024 budget reflects a successful organization that continues to flourish in order to meet all of the demands that is placed upon it. As HDC has continued to solidify its status as one of the nation's leading multi-family housing finance agencies, the City's affordable housing crisis, compounded by the migrant crisis, has also had an impact on the numerous demands the Corporation faces to further its affordable housing mission. The most prevalent of which is the Corporation's continued work as the key financing partner under the *NYCHA 2.0 Permanent Affordability Commitment Together* ("PACT") program, a ten-year plan to rehabilitate and preserve 62,000 units of the New York City Housing Authority ("NYCHA") portfolio. In January 2020, HDC launched the Housing Impact Bond Resolution, which was created exclusively to finance loans specifically for the benefit of New York City's public housing stock. To date, HDC has contributed $1.87 billion in financing, supporting repairs and upgrades at 41 NYCHA campuses comprising 14,549 homes under the PACT program. In addition to assembling the financing, HDC joins NYCHA in providing ongoing asset management for PACT transactions to ensure the ongoing physical and financial health of the developments. This initiative has had the largest impact on the Corporation's workload over the past couple of years and is the key driver to the increase in headcount in the FY 2024 budget.

The Corporation also continues its longstanding partnership with the New York City Department of Housing Preservation and Development ("HPD") including bringing additional debt and properties into the portfolio, increased loan servicing, and working on streamlining procedures and processes to enable applicants and shelter residents to move into their new homes more expediently. There has also been an increase in the joint efforts in underwriting for workouts, which is no easy task during this period of rising expenses and high interest rates. Additionally, the Corporation is continuing its efforts to help improve *Housing Connect 2.0*, with those efforts expected to increase in the upcoming year. *Housing Connect* is a critical resource for a large and growing number of New Yorkers looking to secure affordable housing financed by HPD and HDC. There are numerous issues regarding the functionality of *Housing Connect* that impact the processing of applications, communicating with applicants, and ultimately leasing up projects in a timely and efficient manner. It is critical that HDC work with HPD to address the backlog of fixes needed to improve the efficiency and transparency of the system.

These great partnerships and concerted efforts by the agencies to revitalize neighborhoods and increase the supply of affordable housing come with increased workloads on staff and other costs. The Corporation over the years has strategically implemented small increases in headcount through targeted hiring to reinforce core functions and increased technological efficiencies. Attrition of staff has also contributed to smaller increases in headcount over the past few years. However, this year, like last year, we need to once again build up the staff size to meet all the aforementioned demands and to prepare for the anticipated workload in the near future. It is critical that the Corporation is fortified to perform at the high standards and professionalism that bestows HDC's reputation and warrants its AA credit rating. It is also critical that the Corporation continues to prepare for succession planning and build on its future. This year's budget, similar to last year, includes new hire requests throughout all of the departments, including support staff, to maintain an efficient and productive work force and work product.

The Corporation continuously pays close attention to cost management, balancing expenses while maintaining efficiencies, keeping pace with the continuously expanding portfolio its staff is required to oversee, and seeking to maximize its contributions to the City's housing effort. The budget proposed by senior management for FY 2024 reflects our balanced and measured response to this challenge, along with a conservative expectation of income, all while operating under these challenging economic times. As a result, the Corporation remains optimistic about its 2024 financial outlook.

Operating Revenues

The Corporation's revenues are budgeted at $176.56 million in FY 2024. This is a $24.64 million increase from the FY 2023 adopted budget and a $1.83 million increase from the FY 2023 actual budget. The attached schedule shows revenue projections by line item for FY 2024.

The budget-to-budget increase is largely attributable to an increase in investment income as the staff expects interest rates to remain high throughout at least the first half of fiscal year 2024 as the Federal Reserve continues to attempt to stabilize the economy and cool down inflation.

Each revenue source is discussed in detail in Appendix A.

Operating Expenses

The Corporation's expenses are budgeted at $45.77 million in FY 2024. This is a $90,000 or 0.20% decrease from the FY 2023 adopted budget. The attached schedule shows expense projections by line item for FY 2024. The slight decrease from the FY 2023 budgeted amounts revolves around certain budget lines decreasing or increasing from last year. The projected increase due to the growth in work and related growth in staff and related costs is offset by the decrease in costs associated with the move to the new office space last year.

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

Action by the Members

The Members are requested to approve the Corporation's FY 2024 Operating Budget.

Appendix A

FY 2024 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 2023 results and FY 2024 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. 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 operating budget, though they do figure into cash flow analyses and affect our ability to lend corporate reserves to subsidize developments. 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 $176.56 million in FY 2024. Each revenue source is discussed below.

Investment and Loan Income

Investment of Corporate Reserves and Other Funds. The Corporation currently has $5.8 billion of cash and investments under management at fiscal year-end, but HDC retains the earnings on only a portion of those funds. Earnings on bond proceeds, monies of 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 its 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 2023, the Corporation realized $33.3 million on investments of corporate reserves and other funds, which was over budget due to the rising interest rate environment. There was also an increase of $580 million in funds under management. In FY 2023, the average rate of return on the corporate reserve investments was 2.65% compared to a return of 1.6% in FY 2022. Although some corporate reserve funds are invested in long term securities that are intended to be held to maturity, some corporate reserves are invested in demand deposit accounts, currently earning higher interest income. Due to the liquidity needs of the Corporation more than 44% of the total funds under management are invested in demand deposits whose weighted average rate of return was 5.15% in FY 2023 compared to 2.13% in FY 2022.

Staff forecasts investment earnings in FY 2024 to be $38 million, a significant increase from the 2023 budget, but more aligned to 2023 actual income due to higher interest rates. The Corporation's Investment Committee has sought to prudently maximize the rates of return on investments in the current markets and expects the possibility of another rate increase by the Federal Reserve during the early part of FY 2024. Although, the Corporation projects to make higher investment income, it also expects to pay higher interest costs on its floating rate debt that may affect the income in the next year.

Corporate-Owned Mortgage Interest. The Corporation has used over $3.8 billion total of corporate reserves to make subsidy loans since 2003 and the Corporation currently has a $330 million portfolio of loans as corporate owned mortgages. This lower amount is due to securitizations that have yielded around $1.17 billion in proceeds and $1.58 billion of loans have been transferred into the Open Resolution and the 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. Interest payments on the corporate-owned loans totaled $3.27 million in FY 2023, an increase from the budgeted amount. Current portfolio loan schedules indicate $3.3 million interest revenue in FY 2024, an increase from the FY 2023 budget.

Open Resolution Surplus. The Corporation's highly rated Open Resolution is the mainstay of its 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 in-house by the Corporation's staff using cfX software. A full cash flow demonstrating capacity to pay scheduled debt service is prepared each time the Corporation issues bonds under the Open Resolution.

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.

Based on the cash flow model, and adjusted upward as discussed above, $61.94 million of Open Resolution surplus is included in the FY 2024 budget. This is due to the Corporation's ongoing financing activities in the Open Resolution, as well as expected higher investment 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 higher rates on the variable rate debt will be offset by payments received from the interest rate swap counter parties creating additional cash surplus in the Resolution. The FY 2023 cash surplus withdrawal from the Open Resolution was $64.97 million, a $3.00 million increase from the budgeted amount of $61.97 million due to the surplus from the Federal Financing Bank mortgage loan participation program, as well as an additional loan added to the pool.

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 2023 budget of $34.7 million to about $38.2 million due to more loans converting after construction completion to permanent status (when servicing fees become due monthly). As part of its ongoing financing of the NYCHA PACT program, the Corporation collects servicing fees immediately upon closing on the loans that are fully funded. Servicing fees projected for the PACT portfolio are estimated to be $7 million in FY 2024. Additionally, this budget line includes income from servicing fees associated with the Corporation's Preservation Lending Program, mortgage satisfaction fees, and regulatory and compliance monitoring fees.

The FY 2023 actual collection of HDC servicing fees was $39.8 million, including $5.8 million from the PACT loans financed to date. The FY 2023 total was $5.0 million over the budgeted amount and was due to more loans converting to permanent than anticipated, as well as an increase in HDC standby letter of credit fees, mortgage satisfaction and refinancing fees.

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. Fees are collected during the 15-year compliance period. Currently, the Corporation is collecting fees for 350 HDC financed developments, containing 64,800 units as of FY 2023. In total, including developments in their Extended Use period, HDC is responsible for tax credit monitoring for 494 developments containing approximately 77,900 units as of FY 2023.

The FY 2023 actual collection of tax credit monitoring fees came in on budget. The FY 2024 budgeted amount is based on projections related to the FY 2023 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 transmitted to HDC to be administered. Fee income is also affected by the overall level of interest rates. The FY 2024 budgeted amount of $4.23 million is slightly higher than the FY 2023 budgeted amount due to an increase in the collection of fees on the construction loans.

The FY 2023 actual collection of HPD servicing fees was $4.38 million, which was $566,356 over the budgeted amount due to an increase of investment earnings on the unadvanced funds held for construction loan advances 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 corporate funds set-aside, currently $9.8 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. For FY 2024, the Corporation is projecting to collect $430,000 as a credit enhancement fee.

Loan Origination and Refinancing Fees. The Corporation's commitment fees have historically ranged from 0.75% to 1.0% for its loans. In FY 2023, total fees collected in this category were $21.0 million which was $40,461 more than budgeted due to an increase in bond financing fees collected to cover debt issuance costs. The increase in bond financing fees was offset by a decrease in loan origination fees which is recorded net of fees collected on the PACT portfolio. Starting in FY 2024, the Corporation will begin charging a 1.0% commitment fee on all its loans, except for commitment fees on loans originated in the PACT portfolio which will remain at 0.75%. The proposed budget amount is $23.0 million to reflect this 25-basis points increase on the anticipated pipeline for the Housing Plan for FY 2024, 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 2024 is $693,500. 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 or 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 in 2012. The Corporation projected that the expenditures related to staff time and such for FY 2023 to be $30,000. Actual costs for reimbursement totaled $66,881 for FY 2023, the difference being related to the timing of invoices for reimbursement with HPD. As this resiliency work is winding down, the Corporation is budgeting only $15,000 for FY 2024.

NYCHA PACT Administration Fee. HDC is using its lending strength, capital markets capacity and staff to assist NYCHA to help preserve and finance the rehabilitation of housing developments in the NYCHA portfolio in order to provide safe, decent, and affordable housing to thousands of New Yorkers. Debt issuance through HDC finances 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 while also still protecting tenants' rights. As a result of this initiative, HDC created a Public Housing Finance unit within its Development department and has also dedicated current staff throughout the Corporation to arrange financing, asset manage, and ensure compliance.

The Corporation is paid a fee related to this work to cover the direct cost of HDC staff's salary and fringe proportional to their time spent working on NYCHA transactions, plus a percentage of operating expenses based on headcount (similar to the REMIC fee discussed above). The Corporation generates fee revenue from originating loans, loan servicing and credit enhancement as well as revenue raised in the bond resolution. The Corporation will use the related portion of this revenue to pay the administration fee to HDC. Corporation revenues related to the lending program in excess of the related fee, net of the credit enhancement and servicing fees, are expected to stay with the Corporation in a reserve to support the NYCHA lending program and may be used for future PACT administration fees, lending or related credit enhancement. The actual administration fees collected in FY 2023 were almost $3.24 million and are forecasted to be similar in FY 2024.

Details of Operating Expenses

The Corporation's expenses are budgeted at $45.77 million in FY 2024. Each expense line item is discussed 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 many years past, HDC has maintained a steady headcount based on attrition and increased efficiencies in technology, which has been reflected in its financial results. The Corporation over the years has strategically had small increases in headcount because of a pattern of targeted hiring to reinforce core functions and to increase efficiencies. However, as we started to see the past couple of years, and continues again this year, there has been an increased demand placed upon many departments throughout the Corporation. Due to our success, as well as planning for future demands on our staff and succession planning for the organization, an increased headcount is necessary.

Wages. This budget line provides for 252 staff positions, including the nine staff participating in the NYC Housing and Planning Fellowship program. The headcount for this year's operating budget includes an increase of 22 positions. This increase continues a pattern of targeted hiring to meet the increased workload, reinforce core functions and to increase efficiencies. The Corporation regularly evaluates staff hires throughout the year as some staff members leave or retire. The assessments over the years have sometimes resulted in instances where the replacement of that same position wasn't immediately necessary due to the increased technological efficiencies. There are other instances, including this year, 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 and the demands of reporting on that portfolio.

This year's budget addresses the continuing need to right size the staff for the demands placed on it during the past few years. The budgeted hires will be additions to existing staff positions to support the increased workload across the agency. The NYCHA PACT portfolio, for instance, has had a significant impact on staff resources over the past couple of years and this has continued to increase this year as well. We anticipate this demand on staff resources to continue for years to come and senior management needs to ensure that HDC is fully staffed to meet those demands. In addition, the rest of the loan portfolio continues to grow. Asset Management is the Corporation's largest department and, as such, has been hit exponentially harder than other departments with the increased workload from an expanded portfolio. In addition to NYCHA PACT, there are increased inspections and monitoring of the construction and preservation portfolio, the city loan portfolio, the aging Mitchell-Lama portfolio and the addition of Low-Income Housing Tax Credit ("LIHTC") unit inspections. There has also been an increase in underwriting for workouts which is no easy task during this period of high interest rates. Additional departments in the Corporation such as Legal and Development have also been significantly impacted with their work on the NYCHA PACT portfolio, and the impact it has had on their other work outside of the PACT portfolio. As staff resources throughout the Corporation are redeployed to work on the PACT portfolio, there needs to be a backfill of additional staff to work on the Corporation's business outside of the PACT portfolio.

The IT department, one of the Corporation's key service departments, requires additional staff to support HDC's growing technology needs. This includes supporting IT equipment and technology for all staff; supporting software tools where opportunities have been identified to automate time sensitive tasks; supporting business applications for pipeline and management of real estate deals; and supporting our continued work on a data warehouse for reporting and analysis. The IT department also requires two budgeted hires to work on *Housing Connect 2.0*, a critical resource for a large and growing number of New Yorkers looking to secure affordable housing. As HPD has encountered challenges with *Housing Connect*, it is now imperative that HDC staffing is added to the solution. One budgeted hire will oversee the day-to-day management of this project while another will focus on user experience, which is essential to ensuring the improvements translate into a better system for our partners, staff, and the public.

Finally, as the staff and office space footprint have grown, other departments within the Corporation require incremental increases to their staff as well to support a growing headcount and to ensure efficient productivity and operations throughout the Corporation.

Similar to last year, the proposed budget does not include any specific line amount for staff raises. However, with excess funds available on the salary line in FY 2023 due to vacancies, increases were given to HDC staff who performed exceptionally well and/or who needed to be compensated for pay parity to recent new hires. These increases were important to retain highly performing staff.

This year there is a small amount of money available for discretionary promotions, and possibly some merit increases, including senior staff, subject to approval from the HDC Governance Committee and ratification by the Members. In trying to find a balance between maintaining a high level of performance for a dedicated, highly skilled staff versus the challenge of fiscal responsibility 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 prudent and necessary.

Actual wage expenses came in under budget for FY 2023 due to staff vacancies during the year and the delayed hiring of six budgeted positions from the 2023 budget.

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 2024 although the Corporation has made other efforts to reduce costs in the areas that it can control.

The fringe benefit line shows an increase of 24.38% over last year's budget. The increase is related to the increase in the staff headcount expected for this year combined with expected increases in premiums for most of the insurance benefits. The Corporation participates in the New York State Health Insurance Plan ("NYSHIP") and therefore benefits from the group rates and, although much less costly than other health insurance plans, there is a potential increase of 8% to 9% this year. Last year there was an expectation of an increase of between 8% and 9% and the increase actually averaged about 10%. This budget line also includes assumed increases of between 8% and 9% to dental, vision, disability, and life insurances.

Every year the Corporation's senior managers diligently monitor its fringe benefit budget and look to reduce costs where possible, including obtaining bids from different insurance carriers through a broker. 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 2024 stated above, the actual costs of these line items, as well as the NYCERS appropriation amount described next in this memo, could possibly be higher than budgeted.

Actual expenditures for this line item, in total, were under budget in FY 2023 due to savings in all the detailed line items due to vacancies, especially in health, FICA and TSA expenses. Additionally, there were lower than expected increases to some of the insurance premiums at the beginning of the calendar 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 paying the Corporation's 2024 NYCERS estimated appropriation due in December 2023 with the excess of funds available in last year's budget. The 2024 budget includes funds to pay any additional amount due to NYCERS once the Actuary completes its final appropriation during the year.

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 $95,500.

Temporary Staff. This line item includes funds for vacation coverage in targeted positions throughout the Corporation and for potential coverage that may be needed due to unanticipated turnover or employee leave. This year's increase is attributable to an extension of an MOU between HDC and HPD to cover temporary staff.

An MOU between HDC and HPD, originally signed in May 2021, extended in 2022, and extended again in 2023, covers funds to pay for five temporary staff for HPD's Homeless Placement Services ("HPS") Unit. In May 2021 HPD had requested that HDC take over the homeless placement process for HDC financed homeless set-aside units becoming available. HDC researched alternatives to address HPD's staffing capacity issue which included creating a new division at HDC modeled after HPD's HPS group, contracting with a third-party vendor, or increasing capacity at HPD through the hiring of temporary staff. It was determined that funding the temporary staff was the best solution. The FY 2024 budget includes $374,000 to pay for another one-year extension of the MOU, which expires on November 30, 2023. This amount is an increase from the previous year to cover an increase in wages and temp agency fees.

To meet HDC's diversity, equity, and inclusion ("DEI") goals, specifically the goal to place a focused DEI lens on recruitment and retention, last year HDC expanded its internship recruitment program and practices. The Corporation's Human Resources department made a concerted, intentional effort to connect with teams across HDC to create opportunities for local NYC students, exposing them to careers in the government and not-for-profit sectors, while simultaneously creating a pool for potential future hires for HDC. It is a proud moment to say that this effort proved to be very successful and led to some junior staff hires throughout last year. This year's budget provides $114,000 for the Corporation's internship program for the Fall and Spring semesters in addition to the summer program.

And lastly, this line also includes $50,000 to cover the Corporation's participation in the Christo Rey High School student job-share program, an educational intern program whose student participants provide clerical help to HDC staff.

Actual expenditures for this line item were under budget in FY 2023. The variance is due to less funds being used in the Corporation's internship program this past year.

Contract Services

Auditing and Accounting. The figure of $289,800 represents a contracted amount for auditing services from Ernst & Young for the annual financial audit of the Corporation. There is an increase of $13,800 from last year based on the contractual amount.

Actual expenditures for this line item for FY 2023 were within 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 legal advice; Epstein, Becker & Green for advice on employment law matters; Seyfarth & Shaw for advice on the Corporation's TSA 403b Plan; Venable LLP as leasing counsel on the new office space lease; and NYC Corporation Counsel for litigation. This year's line item has increased from last year's budget due to an increase in funds for employment law counsel and counsel on the 403b Plan due to the Secure 2.0 Act. The Secure 2.0 Act added over 90 additional potential new retirement plan provisions. The Corporation will work with outside counsel to determine which provisions are needed that benefit both HDC and its employees.

The FY 2023 actual expenditures were over budget due to higher-than-expected fees incurred for both the leasing counsel and on the 403b Plan counsel. The leasing counsel made huge strides during the year to draft and negotiate the leasehold condominium documents to allow the Corporation to take advantage of tax exemptions in the near future related to the new office space. Extra funds were also needed for outside counsel to review the 403b Plan.

Annual Report. This budget line provides funds for the design and production of the annual report. This year the budget line has remained steady from last year's budgeted amount. The Corporation continues to keep costs low 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 2023 actual expenditures were over budget for the year as a deposit for the 2023 annual report was made with excess funds in the total budget.

Other Consultants. This budget line, representing 2.64% of the total budget, provides for any special studies or services which cannot be performed by staff or are short-term in nature and better suited to outside consultants. The consulting budget line has increased 23% from last year mainly due to four new endeavors this year, three of which are IT related.

Last year HDC completed a major IT consulting project to convert our library of reports from an outdated Oracle reporting tool to the current reporting platform Oracle Business Intelligence

Enterprise Edition. This year $300,000 is budgeted for consulting services for a separate but related project. Oracle is removing support for a software used by staff to program data extracts and workflows to create databases for reporting. The requested funds will be used for consulting services to migrate these data extracts and workflows to a new Oracle cloud tool. Last year's project focused on the software that runs and displays the reports. This year's project will focus on the software that populates data into the databases, which is a prerequisite to running and presenting the report. A team of consultants will work full-time on this project, and in addition there are a handful of HDC IT department staff members who will assist them in order to learn the new software and be able to support it once the project has been completed.

The second new initiative this year is related to *Housing Connect 2.0*. *Housing Connect* is a critical resource for a large and growing number of New Yorkers looking to secure affordable housing. Much of the work to enhance the functionality of *Housing Connect 2.0* has therefore understandably focused on the public-facing portal and has resulted in notable improvements to the public user experience. However, *Housing Connect* has several distinct users, including the marketing agents and marketing staff at the housing agencies who are relying on the system to connect New Yorkers to affordable housing as quickly and as fairly as possible. This goal is both critical to HDC's mission and a top priority of the City, which made speeding up the marketing process an explicit mandate in the Mayor's housing blueprint.

Currently, there are numerous issues regarding the functionality of *Housing Connect* that impacts the ability to process applications, communicate with applicants, and ultimately lease up projects in a timely and efficient manner. Since the platform launched in 2020, HDC and HPD have received consistent feedback from marketing agents on changes needed to improve the system. HPD has financed and built the system using City funds, and unfortunately there were delays in getting an ongoing maintenance contract in place. However, a new maintenance contract has been signed by the City, and there is now a mechanism to address the backlog of fixes needed to improve the efficiency and transparency of the system. The Corporation, pending a Memorandum of Understanding ("MOU") between HDC and HPD, is budgeting $113,000 for funds needed towards technical consulting in this project for 2024. And it is expected that the same amount will be needed in 2025 as well.

HDC has also budgeted $40,000 for consulting and advisory services to support our corporate wide data governance initiative. During the upcoming year we expect to release a Request for Proposal ("RFP") requesting services and input on strategy, creation of a data governance roadmap, and a technical review of data architecture, data cataloging and executive dashboards. Earlier in 2023, with support from the HDC executive team, the IT, and Policy and Analytics groups kicked off the agency's Data Governance Initiative. The goal of data governance is to provide the structure and guidance that HDC needs to use data and information effectively and efficiently. The team has made excellent progress in staffing the initiative, drafting policies and standards, and preparing for the next major phase of work, which will be to deliver a data set with several standardized high quality data points in key subject areas. HDC is fully committed to this multi-year effort and seeks to invest in additional expertise to guide the data governance team through the next phases of the project.

The last new initiative in this budget line includes $185,250 for contract services for a housing supply study aimed at bolstering the supply of affordable housing in New York City. This amount was approved by the Members at the October 10, 2023 board meeting and is a shared cost with the New York City Economic Development Corporation. The consultant was selected to provide a range of supportive services, including the preparation of a gap analysis to identify potential impactful programmatic and policy suggestions to significantly increase housing supply, while ensuring efficient use of scarce financial and land resources through a land use and development feasibility study for priority development sites.

Funds added to last year's budget line, but pushed out to 2024, are related to a management consultant to evaluate HDC's Asset Management department to ensure that they are adequately staffed and properly situated to handle the expected increase in the NYCHA portfolio. Asset Management is tasked with monitoring the continued financial and physical viability of the developments. They also provide limited oversight and guidance during the rehabilitation process. Ensuring that the Corporation's Asset Management department is appropriately staffed and proper procedures in place will mitigate potential financial and public exposure, in addition to our primary goals of residents having safe and improved living conditions. Historically, the rating agencies have placed strong value in the Corporation's asset management and to have confidence that this will continue $100,000 has been budgeted for this study.

Two consultants that were newly engaged last year will need to continue their projects into this fiscal year. The first initiative was a homeless placement evaluation to map potential streamlining in the lottery process. As the volume of homeless placements increases, HDC engaged with a consultant last year to evaluate the current process for placing homeless households in HDC and HPD financed housing. HDC and HPD, in conjunction with our partners, are making significant strides in housing homeless New Yorkers. This year $100,000 has been budgeted to continue that work in looking for ways to streamline the process, make improvements, and guide the team through the implementation phase.

The other consulting service continuing into this year is related to a DEI consultant to assist the Corporation with its continued DEI initiatives. As HDC's mission directly impacts New York City residents, it is imperative as an organization that we sustain and support a diverse, equitable and inclusive workforce, one that reflects the population we serve. In 2020, HDC collected feedback from staff through Employee Voice Sessions, DEI trainings, and pulse surveys, to capture critical themes and points of feedback pertaining to diversity, equity, and inclusion in the workplace. The DEI consultant will work with HDC's leadership team and the HDC DEI Council to create a roadmap of next steps and to help HDC integrate DEI principles and best practices into our culture, operations, and practices. $35,000 has been budgeted to continue this initiative with the DEI consultant.

A DEI related initiative this year is to engage a compensation strategy consultant to ensure impactful corporate diversity, equity and inclusion strategies around pay equity and pay transparency. With the expert advice and guidance of the consultant, HDC's goal is to elevate the importance of compensation as a central pillar of talent management and a successful business strategy. HDC's human resource leadership team will examine what changes need to be made to remain competitive when it comes to managing sustainable fair pay practices for HDC's workforce. This amount, $50,000, had been budgeted last year but staff wanted to continue working more closely with the DEI consultant during the year before engaging in this other initiative.

This budget line also includes funds 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 strategically support the preservation of New York's public and assisted housing stock. Funds are budgeted at $150,000 for this service. In addition, $80,000 has been budgeted for the Legal department, if needed, to hire attorneys or a law firm to assist with closings in case there is shortage of resources or a deluge of work during the busy closing seasons.

The budget line this year also includes some ancillary funds to continue work with a cybersecurity consultant. The consultant will be used intermittently throughout the year as advice is needed or issues arise with cybersecurity efforts and ensuring that HDC continues to meet regulatory compliance. The consultant will also work closely with HDC's new cyber security analyst. Funds are budgeted at $5,000 for this line item. 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 line also includes $40,000 to provide funds to perform actuarial services for the Other Post Employment Benefits ("OPEB") liability as required by the Governmental Accounting Standards Board ("GASB"). The valuation will be performed under GASB Statement #75 which requires all governmental agencies to have their OPEB valuations performed every two years. As this is the alternate year of a full-scale valuation, the budgeted costs are higher than last year when only a rollforward of the valuation was needed. This line also includes ancillary funds for the yearly fees for our insurance consultant and HDC's affirmative action plan.

The actual expenditures for FY 2023 came in under budget due the postponement of the Asset Management consultant project as well as some other smaller projects not being fully spent.

Other Expenses

Rent and Utilities. This line primarily reflects rental payments, including escalations and electricity, for the Corporation's office space, currently at 120 Broadway. The lease on the office space was signed in July 2022 and encompasses the entire 2nd and 3rd floors of the building. Staff officially moved into the space on June 16, 2023. During initial lease negotiations HDC and Silverstein Properties, Inc. agreed, after execution of the operating lease, to negotiate in good faith to transfer the operating lease to a leasehold condominium to allow the Corporation, a 501(c)(3) entity, to take advantage of a tax exemption each year. The expectation is that this transfer will occur sometime in mid-2024.

The funds for this budget line usually include base rent, operating costs and real estate taxes as well as electricity. This year's budget line has decreased close to 92% from last year's budget. The reason for the decrease is the Corporation is currently in a free rent period that was negotiated during lease negotiations with Silverstein Properties, Inc. The budgeted amount is related to electric costs as well as the Corporation's expected share of operating costs in the building.

Additionally, $19,000 of the total amount requested for this budget line provides for rent payments and document retrieval costs related to off-site storage space. 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. 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. Additionally, in preparation for the office move, staff spent time throughout the year reducing paper by scanning documents sitting in file cabinets into electronic files, thereby eliminating files that need to be physically stored offsite.

The actual expenditures for FY 2023 came in under budget for the year due to less funds needed for operating costs and electricity at the former office building where HDC's offices were located.

Office Expenses. This budget line, representing 0.69% of the total budget, provides funds for office supplies, printing, postage, working meals, telephone and wireless services, office repairs and cleaning services, and petty cash. Overall, this line has increased slightly by 7.6% this year mainly due to inflation. The Corporation performs a comprehensive review of office expenses each year and, as a result, continues to look for ways to contain costs and decreases line items where it can.

The actual expenditures for FY 2023 came in under budget for the year due to a reduction in supply orders as we prepared for the office move.

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, fortify our cybersecurity systems, and continue to enhance our information systems capabilities and efficiencies, as well as its resiliency, in years to come.

Overall, this line represents 5.12% of the budget, and has decreased significantly from last year's budget which will be explained below. The majority of this line item is related to IT equipment and maintenance, which amounts to $2,149,882 this year, and represents a 34% decrease from last year. As planned, the significant decrease is due to the outfitting of the new office space having been completed during last fiscal year. This IT budget line has two major areas that warrant further description: (1) new investments in technology; and (2) renewals of ongoing IT maintenance and support agreements.

The investments in new technology and upgrades for FY 2024 total $322,000, as compared to $320,000 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, most secure, and most efficient across the Corporation. The following paragraphs touch upon the proposed new initiatives planned for FY 2024, however some projects could be substituted for other initiatives depending on planning or other needs that may occur during the fiscal year.

About $100,000 of the new technology funds will be used to upgrade our desktop computers from Windows 10 to the latest version of Windows 11. This project will include replacing many older desktop computers with new machines and procuring professional services from a specialized vendor to help IT staff standardize the implementation of Windows 11, advise on new Windows 11 features, and assist in resolving any technical issues. It is important that this project is completed in 2024 as Microsoft will be ending support for Windows 10 in the following year, and equipment manufacturers are already shipping new computers and laptops with Windows 11 only.

HDC's main cybersecurity project for the coming year, budgeted at $50,000, is needed to procure and implement Cisco Identity Services Engine to enhance the new network at 120 Broadway. This software will provide enhanced network security to prevent unauthorized devices from accessing the network by physically plugging into a data jack on the wall (for example, when visitors bring their laptops). It will also enhance Wi-Fi security by not having to rely on a shared password. These security enhancements are features that our external auditors include on their questionnaires and implementing them will improve the Corporation's overall security posture, allowing us to receive more favorable ratings.

About $102,000 of the new technology funds have been budgeted for three technology solutions to assist the Development, Asset Management and Loan Servicing departments, and ultimately the whole corporation, in terms of developing a central data repository. HDC continues to use its affordable housing development pipeline management and underwriting system with much success. New and potential housing projects are tracked through the system from project intake, through credit approval and underwriting. Funds are budgeted for system customizations and services not included in the base SaaS agreement, based on feedback from the users. For Asset Management, we will be moving forward with a case management solution to assist HDC staff in leasing, marketing and compliance to manage tenant applications in the system and allow for collaboration with external managing agents through a web portal. This project has been delayed due to changes in housing policies but is now ready to move forward. Finally, funds have been budgeted to improve the process used by Loan Servicing to track insurance certificates for renewal and evaluate the insurance coverage against HDC standards. Over the past 6 months staff have been piloting internally built automation tools with the Loan Servicing department to automate time consuming tasks. The funds that have been budgeted for additional software and data processing tools may be needed as staff work towards a long-term solution.

Three years ago, HDC launched its newly redesigned public website (www.nychdc.com). This year $50,000 of funds have been budgeted for upgrades, including branding updates, new designs for certain pages and accessibility improvements. It is also time to upgrade the underlying software running the website to the next version.

And finally, $20,000 of the new technology funds have been budgeted to procure and implement an in-house check writing solution. The Corporation has outsourced the majority of payments to a payment processing vendor, but there are still cases where it is necessary to print checks in-house, such as for expedited payment. The solution for those instances that is currently used is being discontinued by the vendor.

The next major IT budget area pertains to renewals of current softwares and hardwares. The bulk of the costs, $1,827,900, relates to ongoing software licensing, maintenance agreements and equipment repairs on current management information systems and internet related services, including cloud computing services. This amount also includes $105,000 that has been provided to upgrade hardware such as PCs, printers, laptops, parts and accessories to accommodate new hires and keep the equipment up to date.

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. These investments enable the Corporation to continue strengthening the systems, improve defenses against cybersecurity threats, promote efficiencies, and report on the data.

With respect to other services in this budget line item not related to IT, $175,200 has been budgeted for maintenance agreements on office equipment and copiers, user licenses on the Tradeweb software that allows the Cash Management department to manage the Corporation's investments, and lease payments for ten cars, as well as parking, gas and tolls for such cars.

FY 2023 expenditures came in over budget due to the purchase of desktops and laptops at year-end with excess funds in the total budget. This will allow the IT staff to get a head start in upgrading all staff IT equipment to the latest version of Windows 11.

<u>Insurance</u>. This line item, representing 0.66% of the total budget, includes premiums on policies for Property, Liability, Errors & Omissions, Umbrella Liability, Crime and Automobile. Beginning in FY 2020 this line item also started to cover funds for cyber insurance. The budget line item has been kept steady from last year's budget as the cyber insurance market has started to show signs of stabilization. HDC's CIO has worked with our cybersecurity consultant in evaluating HDC's cybersecurity measures and what insurance coverages are needed. Cyber insurance covers 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 2023 actual expenditures came in under budget as the amount incurred for cyber insurance during the year came in below what was anticipated. Last year's budget expected an increase to cyber insurance premiums and the actual premiums were kept steady from the previous year. This is a result of the Corporation's tireless efforts to strengthen our ongoing cybersecurity program, including staff training, and continuously working on improving our situational awareness and cyber defenses. This, combined with a stabilized cyber insurance market, led to steady premiums last year.

Books and Publications. This line item, representing 0.15% of the total budget, ensures that the staff maintains updated resources and continues to stay current on industry trends. This budget line has decreased almost 10% from last year's budget. Last year HDC's Legal department transitioned to more robust and intuitive on-line legal research tools, which led to an overlap of expenses between two different tools. The new research tools also offer unlimited continuing legal education for the attorneys to complete their bi-annual requirements. As part of the process of upgrading the research tools many of the hardcopy legal research books that the Legal department had been receiving for many years were not renewed as the subscriptions expired and led to the reduction of budgeted costs this year. Over the years the Corporation has, where practical, switched over to electronic subscriptions to save money.

The actual expenditures for FY 2023 came in under budget due to the timing of some subscriptions with the end of the budget year, and the costs related to the overlap of the legal subscriptions were less than budgeted.

Transportation. This budget line 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 increased slightly due to inflation.

The actual expenditures for FY 2023 came in significantly under budget due to a reduction in travel and overtime during the year.

Training and Conferences. This budget line, representing 0.8% 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 $5,000 for legislative travel to Washington D.C. for the President, Executive Vice Presidents, and other specific staff members. HDC senior staff will continue to pay particular attention to legislative and programmatic matters in Washington with the current administration.

This line also includes almost $200,000 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 virtually and on- and off-site. This line allows for specific on-site and virtual 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, DEI and EEO, and an executive staff retreat, just to name a few. HDC's external auditors have highly recommended further investment in staff development through continuing professional education. This budget line has increased about 19% from last year due to DEI trainings, an increase in staff headcount, increased costs due to inflation, and a return to pre-pandemic levels of in-person conferences and training throughout the industry.

FY 2023 expenditures were under budget due to savings in employee development, and conference and seminar spending.

Memberships. This budget line 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. This budget line has increased slightly as some memberships have increased their fees.

FY 2023 expenditures came in under budget mainly due to the timing of some membership payments with the end of the fiscal year.

Employment Recruitment and Advertising. This line provides funds needed for tools to assist staff in filling positions withing the Corporation. Although this line originally provided funds for advertising of positions in trade journals and on-line internet postings, beginning in 2020 the Corporation added an on-line subscription recruiting service to its toolbox to assist and expand the universe of employee recruiting. Two years ago, funds were added to this line for a subscription to research salary comps to help with competitive recruiting of hires as well as employee retention. And this year we continue to expand our toolbox for recruitment and retention by adding funds to this year's budget for a new candidate applicant tracking platform which will assist the Corporation's Human Resources department to proactively support HDC's existing diversity, equity and inclusion initiatives. The increase to the budget line is attributable to this new recruitment tool.

Furniture. This line normally provides funds for office furniture, conference room furniture, filing cabinets, bookcases, chairs, and some smaller miscellaneous furniture throughout the HDC office space. With the office move earlier this year, funds were used last year to purchase new workstations and office furniture for the new office space. HDC staff retained most of the newer file cabinets, chairs, conference room tables, guest seating and other furnishings that were in the old office space and moved them to the new office space. Ancillary funds are budgeted this year for any miscellaneous furniture that may be needed.

The FY 2023 budget expenditures for this line item were within budget.

Leasehold Improvements. This budget line normally provides funds for anticipated costs of renovations throughout the office space. However, with the new office space built out last year there is no anticipation of needing funds this year. However, ancillary funds have been added this year for signage throughout the new space to complete the buildout of the space.

FY 2023 expenditures came in under budget due to the majority of the costs of the buildout of the new office space being covered by the landlord. When the budget was being prepared last year, staff were still waiting for estimated costs of the office space buildout. As final bids were relayed to us from the landlord, it was apparent that the negotiated lease, which included landlord funds for a buildout, would mostly cover the costs of the office space buildout.

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.

Actual expenditures for this line item for FY 2023 were over budget as DOI billed the Corporation for 2022 and 2023 combined.

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 throughout the City of New York. This year's budget line has increased as the Corporation is working to modernize its branding and align that with the move into the new office space.

The FY 2023 actual expenditures came in over budget as the Corporation spent excess funds in the total budget to begin the rebranding project.

Corporate Events. This year's request (0.20% of the total budget) has increased from last year's budget as we continue to get back to in person attendance at events post pandemic and HDC's DEI Council looks to host some in-office programs and events with the staff. 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 the Housing and Planning Fellows, training, attendance at housing functions, and other HPD staff appreciation events. This line is also used to fund other HDC sponsored events such as the annual holiday party, which has been canceled for the past few years and will be held in-house this year, and the annual summer outing. Additionally, a total of $32,000 is budgeted for other items such as bus tours to project sites, DEI programs, 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 2023 actual expenditures were under budget due to slow return of staff at events post pandemic.

Bank and Other Service Charges. This budget line item, representing 0.20% of the total budget, 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 also includes funds for the outsourcing of the flex spending account program ("FSA") offered to HDC employees as well as funds for background checks conducted on potential employees who are offered positions in the Corporation.

FY 2023 expenditures came in under budget due to less than expected background check fees spent as well as not using funds for any electronic banking products.

Appendix A Schedules

New York City Housing Development Corporation
Requested Budget Summary
Fiscal Year 2023/2024

	Adopted Budget FY 2023	Actual FY 2023	Variance FY 2023	Requested Budget FY 2024
REVENUES				
Fees	65,854,000	73,173,215	7,319,215	73,312,000
Investment and Loan Income	86,067,000	101,548,093	15,481,093	103,244,000
TOTAL REVENUES	**151,921,000**	**174,721,308**	**22,800,308**	**176,556,000**
EXPENSES				
Salaries and Related Expenses	33,993,000	33,806,481	186,519	39,587,000
Contract Services	1,517,300	1,449,502	67,798	1,781,900
Other Expenses	10,349,700	9,114,019	1,235,681	4,401,100
TOTAL EXPENSES	**45,860,000**	**44,370,003**	**1,489,997**	**45,770,000**
EXCESS OF REVENUES OVER EXPENSES	**106,061,000**	**130,351,305**	**24,290,305**	**130,786,000**

New York City Housing Development Corporation
Revenue Budget Summary
Fiscal Year 2023/2024

Revenues **Fee Income**	**Adopted Budget FY 2023**	**Actual FY 2023**	**Variance FY 2023**	**Requested Budget FY 2024**
Servicing Fees				
HDC Financed Mortgage Loans	$ 34,723,000	$ 39,754,874	$ 5,031,874	$ 38,243,000
Tax Credit Monitoring Fees	3,307,000	3,367,049	60,049	3,458,000
HPD Financed Loans	3,815,000	4,381,356	566,356	4,230,000
Sub-total Servicing Fees	41,845,000	47,503,279	5,658,279	45,931,000
Other Fees				
Credit Enhancement Fees	650,000	641,094	(8,906)	430,000
Loan Originations & Refinancings	21,000,000	21,040,461	40,461	23,000,000
REMIC Administration Fee	679,000	679,000	0	693,500
CDBG-DR Funds	30,000	66,881	36,881	15,000
NYCHA Lending Admin Fee	1,650,000	3,242,500	1,592,500	3,242,500
Sub-total Other Fees	24,009,000	25,669,936	1,660,936	27,381,000
Total Fees	**$ 65,854,000**	**$ 73,173,215**	**$ 7,319,215**	**$ 73,312,000**
Investment and Loan Income				
Investment of Corporate Reserves	$ 21,000,000	33,312,884	12,312,884	$ 38,000,000
Corporate Owned Mortgages	3,100,000	3,267,740	167,740	3,300,000
Open Resolution Surplus, net of expenses	61,967,000	64,967,469	3,000,469	61,944,000
Total Investment and Loan Income	**86,067,000**	**101,548,093**	**15,481,093**	**103,244,000**
TOTAL REVENUES	**151,921,000**	**174,721,308**	**22,800,308**	**176,556,000**

New York City Housing Development Corporation
Expense Budget Summary
Fiscal Year 2023/2024

	Adopted Budget FY 2023	Actual FY 2023	Variance FY 2023	Requested Budget FY 2024
SALARIES & RELATED EXPENSES				
WAGES	24,740,000	22,904,197	1,835,803	28,076,600
FRINGE BENEFITS	8,186,000	7,586,815	599,185	10,182,000
NYCERS	550,000	2,826,596	(2,276,596)	600,000
MCTM TAX	84,100	97,234	(13,134)	95,500
TEMPORARY STAFF	432,900	391,640	41,260	632,900
SUBTOTAL	33,993,000	33,806,481	186,519	39,587,000
CONTRACT SERVICES				
AUDITING & ACCOUNTING	276,000	276,000	-	289,800
LEGAL CONSULTANTS	210,000	321,553	(111,553)	235,000
ANNUAL REPORT	50,000	56,545	(6,545)	50,000
OTHER CONSULTANTS	981,300	795,403	185,897	1,207,100
SUBTOTAL	1,517,300	1,449,502	67,798	1,781,900
OTHER EXPENSES				
RENT & UTILITIES	2,334,000	2,173,661	160,339	190,000
OFFICE EXPENSES	295,000	207,224	87,776	317,500
EQUIPMENT & MAINTENANCE	3,455,400	3,636,649	(181,249)	2,341,900
INSURANCE	300,000	253,326	46,674	300,000
BOOKS & PUBLICATIONS	76,000	38,940	37,060	68,500
TRANSPORTATION	15,900	1,300	14,600	16,600
TRAINING & CONFERENCE	310,000	179,701	130,299	370,000
MEMBERSHIPS	100,000	71,443	28,557	105,000
EMPLOYMENT AGENCY FEES/ADS	44,400	35,143	9,257	78,800
FURNITURE	1,700,000	1,687,518	12,482	50,000
LEASEHOLD IMPROVEMENTS	1,300,000	367,355	932,645	100,000
INTERAGENCY EXPENSES	260,000	344,565	(84,565)	260,000
MARKETING	7,000	11,840	(4,840)	21,300
CORPORATE EVENTS	70,000	40,703	29,297	91,500
BANK & OTHER SERVICE FEES	82,000	64,651	17,349	90,000
SUBTOTAL	10,349,700	9,114,019	1,235,681	4,401,100
TOTAL OPERATING EXPENSES	45,860,000	44,370,003	1,489,997	45,770,000

"MCTM Tax" = Metropolitan Commuter Transportation Mobility Tax