



Housing Commission Staff Report

November 19, 2020
Item 04

**SUBJECT APPROVAL OF THE ANNUAL OPERATING BUDGET FOR RIDGEVIEW COMMONS
FOR 2021**

RECOMMENDATION

Adopt the Annual Operating Budget for 2021.

ATTACHMENTS

- 1) Proposed 2021 Projected Operating Budget
- 2) Replacement Reserve Balance Projection
- 3) Expenditure Projections
- 4) Rent Projections by Category for 2021

DISCUSSION

Enclosed for the Commission's review is the proposed operating budget for Ridgeview Commons for the Fiscal Year 2021, which will begin on January 1, 2021. The proposed operating budget has been prepared by Barcelon Associates and reviewed by staff and Eden Housing.

As indicated in the attached budget, overall operating expenditures (including taxes, insurance, reserve expenditures, and facility maintenance replacements) are estimated at \$1,447,527. Project revenue is estimated to be \$2,226,488. After debt service payments and Reserve Impounds, the budget projects an ending year net cash flow balance of \$196,238.

A new procedure for annual rent increase was approved by the Housing Commission in 2003 and has been followed since that time in order to address increasing project costs and maintain a positive fiscal condition. As the commission may recall, a specific action was taken in the 2011 budget to forego any rent increase in recognition of general economic conditions, with the understanding that a modest rent increase would be resumed for 2012 (which it was). The practice of 1-2% annual rental increases has continued since 2012. This has left RVC rents \$200 to \$300 below the maximum TCAC rents.

This year we are not proposing any rent increase in light of the ongoing pandemic and economic uncertainty. The Social Security COLA increase is only 1.6% and we want to assist the vulnerable residents at RVC. It will be important to resume 2% increases in 2022. Over the past 3 years, we have undertaken the task of installing LED lights in tenant apartments, and upcoming Rehabilitation will include energy saving upgrades to the tenant's windows and appliances. This year, I have included a full year of Debt Service payments because the economic uncertainty and potentially reduced tax credit funding reduces the likelihood that RVC will receive tax credit funding to resyndicate and rehab the property in 2021. In order to serve the residents, we will fund some capital projects out of the existing Reserve for Replacement Account.

Overall, the budget reflects a decrease in expenses of approximately 3.5% as compared to 2019's Year End expenses. The changes are summarized below.

Administrative	+9.4%
Utilities	+6.5%
Maintenance	-3.5%
Tax and Insurance	+9.2%
Service Expenses	+43.3%
Replacement	+31.3%
<u>Other Cash Payments</u>	<u>-27.4%</u>
Total Expenses	-3.5%

2021 Surplus is higher than prior years because we plan to seek reimbursement from the Reserve for Replacement account rather than fund reserve expenses from the Operating account.

STAFF RECOMMENDATION

Staff believes that the changes to the Ridgeview Commons operating budget are generally necessary and consistent with the prior year budget and recommends approval.

RIDGEVIEW COMMONS
PROJECTED OPERATING 2021 BUDGET

PREPARED BY BARCELON ASSOCIATES MANAGEMENT CORPORATION

G/L DESIGNATION		2019 YE ACTUAL	Year to Date 2020 1/1-8/30	ANNUALIZED 2020 PROJECTIONS	PROPOSED 2010 BUDGET	PERCENTAGE INCREASE / DECREASE
INCOME						
51200	TENANT RENT	1,855,760	1,268,434	1,902,651	1,921,440	3.5%
51212	TENANT BASED SUBSIDY	228,293	151,019	226,529	197,304	-13.6%
51400	STORES & COMMERCIAL	12,912	8,608	12,912	12,912	0.0%
52200	VACANCY LOSS	(27,098)	(19,956)	(29,934)	(31,781)	17.3%
54150	Interest - Tax & Ins	1,715	1,097	1,646	1,646	-4.0%
55200	INTEREST - REPLACEMENT RESERVE	24,676	16,580	24,870	24,870	0.8%
59100	LAUNDRY & VENDING REVENUE	8,560	6,340	9,511	9,511	11.1%
59200	NSF & Late Fees	831	175	263	263	-68.4%
59255	CABLE TV	81,544	57,504	86,256	90,324	10.8%
59998	Other Revenue			-	-	#NAME?
	TOTAL INCOME	2,187,193	1,489,802	2,234,703	2,226,488	1.8%
PROJECT EXPENSES						
ADMINISTRATIVE EXPENSES						
62100	ADVERTISING	10	-	-	-	-100.0%
62500	OTHER RENTING EXPENSE	2,403	735	1,103	2,200	-8.4%
63100	Office Salaries	82,956	53,916	80,874	82,933	0.0%
63110	OFFICE SUPPLIES	3,816	4,423	6,635	5,236	37.2%
63113	Equipment Leases	8,439	4,186	6,279	6,649	-21.2%
63115	POSTAGE	1,318	884	1,326	1,392	5.6%
63200	MANAGEMENT FEE	87,504	65,628	98,442	91,872	5.0%
63300	Manager Salary	59,028	47,288	70,932	72,760	23.3%
63310	STAFF RENT FREE UNITS	25,412	17,344	26,016	26,016	2.4%
63400	Legal Expenses	365	-	-	1,500	311.0%
63500	AUDIT / TAX PREPARATION	9,100	6,067	9,100	9,555	5.0%
63510	ACCOUNTING SERVICES	22,800	15,200	22,800	22,800	0.0%
63550	PROFESSIONAL FEES		3,451	5,177	5,000	N/A
63600	TELEPHONE / ANSWERING SERVICE	3,900	7,010	10,515	12,603	223.2%
63750	BANK CHARGES	625	546	819	819	31.0%
63760	PAYROLL COSTS	8,684	6,359	9,538	10,032	15.5%
63920	COMPUTER SUPPORT & EQUIPMENT	23,670	14,322	21,482	20,444	-13.6%
63930	Training	-	1,075	1,613	1,200	N/A
63950	Mileage		-	-	150	N/A
63990	OTHER MISCELLANEOUS	3,018	240	361	2,000	-33.7%
	TOTAL ADMIN EXPENSES	343,048	248,674	373,012	375,162	9.4%

G/L DESIGNATION		2019 YE ACTUAL	Year to Date 2020 1/1-8/30	ANNUALIZED 2020 PROJECTIONS	PROPOSED 2010 BUDGET	PERCENTAGE INCREASE / DECREASE
UTILITIES						
64500	ELECTRICITY	27,427	16,034	24,051	30,015	9.4%
64505	SOLAR TRUE UP		-	-	-	N/A
64510	WATER & SEWER	102,876	68,467	102,701	113,086	9.9%
64520	GAS	27,521	14,896	22,344	28,897	5.0%
64900	CABLE TV	92,732	54,593	81,890	94,745	2.2%
TOTAL UTILITY EXPENSE		250,556	153,991	230,986	266,742	6.5%
Operating and Maintenance						
65100	JANITOR & CLEANING PAYROLL	5,583	25,013	37,519	39,600	609.3%
65140	JANITOR & CLEANING CONTRACT	69,890	(8,450)	(12,676)	12,630	-81.9%
65150	JANITOR & CLEANING SUPPLIES	1,953	1,539	2,308	3,200	63.9%
65190	EXTERMINATING CONTRACT	6,456	4,328	6,492	7,634	18.2%
65200	EXTERMINATING SUPPLIES	61	113	170	50	-18.0%
65250	RUBBISH REMOVAL	55,769	38,358	57,537	61,850	10.9%
65300	SECURITY CONTRACT / MONITORING	6,971	7,251	10,877	19,663	182.1%
65360	GROUNDS SUPPLIES	-	-	-	-	N/A
65370	GROUNDS CONTRACT	93,525	62,492	93,738	88,838	-5.0%
65390	TEMPORARY MAINTENANCE		-	-	-	N/A
65400	MAINTENANCE PAYROLL	60,887	43,249	64,874	67,432	10.7%
65410	MAINTENANCE SUPPLIES	15,893	8,649	12,973	13,362	-15.9%
65420	REPAIR CONTRACT	52,871	24,669	37,004	46,860	-11.4%
65450	ELEVATOR MAINTENANCE / CONTRACT	12,804	8,333	12,499	14,524	13.4%
65460	HVAC REPAIR/MAINT	16,628	6,653	9,980	11,352	-31.7%
65600	DECORATING CONTRACT	5,463	1,050	1,575	5,000	-8.5%
65610	DECORATING SUPPLIES	1,492	844	1,266	2,000	34.1%
65900	OTHER MAINTENANCE	-	-	-	-	
65910	Kitchen Equipment	-	-	-	-	N/A
Total Operating and Maintenance		406,245	224,090	336,135	393,994	-3.0%

G/L DESIGNATION		2019 YE ACTUAL	Year to Date 2020 1/1-8/30	ANNUALIZED 2020 PROJECTIONS	PROPOSED 2010 BUDGET	PERCENTAGE INCREASE / DECREASE
Tax and Insurance						
67100	REAL ESTATE TAXES	29	-	-	30	5.1%
67110	PAYROLL TAXES	20,413	16,293	24,440	26,996	32.3%
67120	STATE TAXES	800	533	800	800	0.0%
67190	MISC TAXES, LICENSES, AND PERMIT	4	-	-	-	-100.0%
67200	PROPERTY & LIABILITY INSURANCE	58,809	47,039	70,559	70,560	20.0%
67220	WORKMANS COMPENSATION	7,047	6,064	9,097	10,127	43.7%
67230	HEALTH INSURANCE	35,046	16,738	25,107	39,600	13.0%
67290	OTHER INSURANCE (EARTHQUAKE)	44,241	34,047	51,071	29,082	-34.3%
	TOTAL TAXES AND INSURANCE	166,388	120,715	181,073	177,195	6.5%
SERVICE EXPENSES						
69275	SC Supplies	-	-	-	1,500	N/A
69250	SC - PAYROLL	35,038	35,572	53,357	48,719	39.0%
	TOTAL SERVICE EXPENSES	35,038	35,572	53,357	50,219	43.3%
REPLACEMENTS						
73100	FLOOR COVERINGS	39,558	18,813	28,219	95,000	140.2%
73110	WINDOW COVERINGS	824	89	134	-	-100.0%
73120	KITCHEN APPLIANCES	4,669	3,232	4,848	5,375	15.1%
73130	Countertops/Tile/Cabinet	-	-	-	-	N/A
73140	TUBS/SHOWERS/TOILETS/SINKS	3,617	3,058	4,588	3,500	-3.2%
73150	DOORS AND WINDOWS	-	1,951	2,927	400	N/A
73160	SMALL APPLIANCES	-	-	-	-	N/A
73170	LARGE APPLIANCES	17,942	-	-	16,000	-10.8%
73173	A.C. / CHILLER UNITS	5,993	-	-	35,250	488.2%
73177	BOILERS	-	-	-	-	N/A
7320	SITE IMPROVEMENTS	1,390	-	-	32,000	2202.2%
73220	PAVING (PARKING LOTS/SIDEWALKS)	-	-	-	-	-
73550	FURNITURE, FIXTURES & EQUIPMENT	44,071	261	392	-	-100.0%
73560	OTHER IMPROVEMENTS	55,427	32,031	48,047	40,000	-27.8%
	TOTAL REPLACEMENTS	173,491	59,436	89,154	227,525	31.1%

<i>G/L DESIGNATION</i>	<i>2019 YE ACTUAL</i>	<i>Year to Date 2020 1/1-8/30</i>	<i>ANNUALIZED 2020 PROJECTIONS</i>	<i>PROPOSED 2010 BUDGET</i>	<i>PERCENTAGE INCREASE / DECREASE</i>
OTHER CASH PAYMENTS					
83000-000 OTHER CASH PAYMENTS		-			
83100-000 Tax & Ins Impound Funding	126,965	84,155	126,233	99,642	-21.5%
83102-000 Tax & Ins Impound Withdrawal	(109,987)	(67,175)	(100,763)	(99,642)	-9.4%
83112-000 Replacement Reserve Funding	140,850	93,900	140,850	140,850	0.0%
83125-000 Debt Service	582,723	388,482	582,723	582,723	0.0%
83150-000 Fixed Assets Capitalized	(57,011)	(21,596)	(32,394)	(227,525)	299.1%
83299-000 TOTAL CASH PAYMENTS	683,540.03	477,766.00	716,649.00	496,048.00	-27.4%
TOTAL EXPENSES	2,058,307	1,320,244	1,980,366	1,986,886	-3.5%
NET INCOME	128,886	169,557	254,336	239,602	85.9%

Ridgeview Commons 2021 Budget Footnotes

INCOME

Tenant Rent:

We are not proposing any rent increase this year for current tenants. The rental income increase is due to the fact that number of long term tenants who were in "lower" rent track have moved out and new tenants are moving in at the current rental rates. We also currently have tenants with HACA vouchers down from 13 in 2020.

Stores and Commercial:

The lease for Open Heart Kitchen's use of RVC Commercial Income will remain at \$1076

Vacancy Loss:

Based a 1.5% vacancy loss.

Interest Income:

Interest Income is based on YTD income annualized.

Laundry Income:

Based on YTD income annualized.

Cable TV:

This covers the Income from the mass cable service provided to residents at RVC. In prior years, residents were offered waivers for the cable fee. This policy is no longer in effect, and waivers are no longer being issued. Tenants are charged \$39/month for basic and expanded cable. Budget includes 193 residents paying the bulk cable fee.

PROJECT EXPENSES

Administrative Expenses:

Office Salaries:

Office salaries includes the wages of the Occupancy Specialist and Receptionist.

Office Supplies:

Based on YTD expenses annualized with a 2% increase.

Equipment Leases:

Based on a 2% increase over the current lease fee.

Postage:

Based on YTD expenses annualized.

Management Fee:

Based on the agreed upon Management fee of \$7656/month for the management of RVC effective 10/1/18.

Manager Salary:

Budget allows for an increase for performance and cost of Living.

Staff Rent Free Units:

This covers the expense of two rent free units for On-Site staff. The staff live on site in a free apartment in exchange for On-Call work.

Legal Expenses:

This is the estimated cost one eviction at RVC. As a policy we budget for one eviction, but hope to not incur any eviction expenses.

Audit/Tax Prep:

This covers the estimated cost of the 2019 YE Audit and other Tax documents.

Accounting Services:

This is based on Eden's monthly Bookkeeping fee of \$1,900.

Telephone/Answering Service:

Based on 3% increases over current rates. The large increase from 2019 is due to the large credit received from RVC's phone provider in 2019

Bank Charges:

Based on YTD expenses annualized.

Payroll Costs:

Based on 2.9% of total payroll.

Computer Support and Equipment:

This covers the cost of RVC's water heaters. utility management software, accounting software, and Computer support and back up. The increase is due to RVC's water heaters. new monthly Computer Support and Back up Fee. This service keeps tenant files safe, and allows recovery if the server or a computer crashes. this year also includes the \$202.50 for EDC Technologies monitoring and tracking of RVC's water heaters.

Other Misc.

This covers misc. expenses such as food for resident meetings, newsletter, and special meetings. This has been increased for 2020 to allow for additional refreshments for residents in the community room while work is being completed in their units.

Utility Expenses:**Electricity:**

Based on YTD expenses annualized with a 7% increase.

Water and Sewer:

Based on YTD expenses annualized with a 5% increase.

Gas:

Based on YTD expenses annualized with a 5% increase.

Cable TV:

Based on a 1.5% increase over the current rate.

Operating and Maintenance**Janitor and Cleaning Payroll:**

Based on the payroll of our current porter.

Janitor and Cleaning Contract:

This covers pre move-in apartment cleaning, common area carpet cleaning, window cleaning and dryer vent cleaning.

Janitor and Cleaning Supplies:

Includes increased budget for additional sanitizing supplies.

Exterminating Contract:

Based on the current pest control contracts with a 2% increase. The budget also includes \$1,000 for misc. pest eradications.

Rubbish Removal:

Based on the current trash fee of \$4555.61 with a 2% increase and \$3,000 for misc. trash hauling.

Security Contract/Monitoring:

This covers the quarterly fire alarm monitoring, back flow testing, sprinkler testing/maintenance, lock changes, and fire extinguisher inspection/service. Expenses are consistent with 2020 rates, but some of the Fire Life and Safety invoices were incorrectly coded to Service Contracts.

Grounds Contract:

This covers the monthly landscaping fee \$4,194 with a 3% increase, \$6,000 for irrigation repairs, and \$27,000 for tree trimming/removal, and \$4,000 for additional grounds clean up during fall.

Maintenance Payroll:

Budget includes payroll for 1 full time maintenance supervisor and occasional extra maintenance tech assistance.

Maintenance Supplies:

Based on YTD expenses annualized with a 3% increase.

Repair Contract:

Based on estimated repair contracts. Repair contracts should decrease this year, because the deck and wood rot repairs will be addressed during the rehabilitation.

Elevator Maintenance/Contract:

Based on the monthly fee of \$1,041.6 with a 3% increase, \$750 for misc. repairs, and \$900 for the annual elevator permits.

HVAC Repair/Maint:

Based on estimated rooftop AC unit servicing. We are planning on replacing the common area hvac units, and therefor repair expenses will decrease.

Decorating Contract:

Based on estimated painting contracts.

Decorating Supplies:

Based on estimated paint supply purchases.

Taxes And Insurance:**Real Estate Taxes:**

Based on the Property Tax Payment.

Payroll Taxes:

Based on the payroll tax rate of 14.65% on the first \$7,000 of payroll for each employee, before dropping to 7.65% for the remainder of payroll

State Taxes:

Based on the annual \$800 partnership filing fee.

Misc. Taxes, Licenses, and Permits:**Property and Liability Insurance:**

Based on current impound amount.

Workman's Compensation:

Worker's Compensation rates are at \$3.06 per \$100 of payroll.

Health Insurance:

This covers the site portion of employee health insurance. This budget assumes that all eligible employees participate in our Health Insurance Plan.

Earthquake Insurance:

Based on current impound amount.

Service Expenses:**Service Coordinator Payroll:**

This covers the salary of RVC's Service Coordinator, and Corporate Service Coordinator Supervision. This budget allows for up to a 2% increase for cost of living and performance.

Replacements:

Reserve for Replacement Items are capital expenditures and eligible to be reimbursed from the Reserve for Replacement Account held by CalHFA. Standard expenditures include new flooring, appliances, and PTAC units during unit turnovers. Due to the unknown timing of the resyndication we are looking to complete some improvements capital improvements including common are hvac, common area flooring, aging fire sprinkler head replacement, and controlled access entry.

Debt Service and Reserve for Replacement Impounds:

I am budgeting for Debt Service to continue through the entire year.

2021 RESERVE BALANCE PROJECTION

Year	Beginning Balance	Contribution	Expenditures	Balance
2021	1,429,274	140,850	227,525	1,342,599
2022	1,342,599	140,850	54,401	1,429,049
2023	1,429,049	140,850	39,481	1,530,418
2024	1,530,418	140,850	59,977	1,611,291
2025	1,611,291	140,850	52,765	1,699,376

Contributions	2021	\$11738 per month
	2022	\$11738 per month
	2023	\$11738 per month
	2024	\$11738 per month
	2025	\$11738 per month

Beginning Balance for 2021 calculated in the following manner:

<i>August Balance</i>	1,382,324
<i>September Contribution</i>	11,738
<i>October Contribution</i>	11,738
<i>November Contribution</i>	11,738
<i>December Contribution</i>	11,738
<i>Total Contribution</i>	\$1,429,274

2021 FIVE YEAR EXPENDITURE PROJECTIONS

	2021	Cost	Total	2022	Cost	Total	2023	Cost	Total	2024	Cost	Total	2025	Cost	Total	5 Yr. Total
Apt. Units																
Carpet	20	950	19,000	12	998	11,970	12	1,047	12,569	12	1,100	13,197	12	1,155	13,857	70,592
Ranges	4	565	2,260	3	593	1,780	3	623	1,869	3	654	1,962	3	687	2,060	9,931
Refrig	4	700	2,800	2	735	1,470	2	772	1,544	2	810	1,621	2	851	1,702	9,136
HVAC	5	1,050	5,250	10	1,103	11,025	10	1,158	11,576	10	1,216	12,155	10	1,276	12,763	52,769
Dishwashers	1	315	315	1	331	331	1	347	347	1	365	365	1	383	383	1,741
Washer/Dryer	0	1,450	0	0	1,523	0	0	1,599	0	0	1,679	0	0	1,762	0	0
Tubs/showers/t	1	3,500	3,500	1	3,675	3,675	1	3,859	3,859	1	4,052	4,052	1	4,254	4,254	19,340
Lino	20	550	11,000	12	578	6,930	12	606	7,277	12	637	7,640	12	669	8,022	40,869
Counters	0	125	0	0	131	0	0	138	0	0	145	0	0	152	0	0
Com. Areas																0
Landscaping			0			0			0			0			0	0
Drapes																0
Kitchen Eq			0													0
HVAC	3	10,000	30,000		10,500	0		11,025	0		11,576	0		12,155	0	30,000
Carpets	1	65,000	65,000			0			0			0			0	
Awnings			0		0	0		0	0		0	0		0	0	0
Paint			0			0			0			0			0	0
Dry Rot			0			0			0			0			0	0
Parking Lot			0			0			0			0			0	0
Fob Entry	4	8,000	32,000			0			0			0			0	32,000
Roof																0
Refrig																0
Doors	1	400	400	1	420	420	1	441	441	1	463	463	1	486		1,724
Range																0
Water heaters	2	8,000	16,000	2	8,400	16,800	1	8,820		2	9,261	18,522	1	9,724	9,724	61,046
Furniture																0
Fire Sprinklers	1	40,000	40,000			0			0			0			0	40,000
Office																0
Computers																0
Carpets																0
Copier																0
SOLAR																0
Annual Total			\$ 227,525			\$ 54,401			\$ 39,481			\$ 59,977			\$ 52,765	\$ 369,148

RENT PROJECTIONS BY CATEGORY FOR 2021

RENT CATEGORY	TOTAL UNITS IN CATEGORY	TRACK	# OF UNITS	2019 RENT	2020 RENT	2021 RENT	DURATION IN MONTHS	ANNUAL RECEIVED	INCREASE FACTOR
1	9	1	1	378	386	386.00	12	4,632.0	1.00
		3	8	402	410	410	12	39,360	
2	36	1	3	499	509	509	12	18,324	INCREASE FACTOR
		3	33	542	553	553	12	218,988	
3	27	1	0				12	0	1.00
		2	1			841	12	10,092	
		3	26	841	858	858	12	267,696	
4	108	1	14			932	12	156,576	Increase Factor for 60% AMI units
		3	94	932	951	951	12	1,072,728	
5	1	1	1	428	437	437	12	5,244	1.00
		3	0	476	486	486	12		
6	4	1	1	569	580	580	12	6,960	INCREASE FACTOR
		3	3	642	655	655	12	23,580	
7	3	1	2	847	864	864	12	20,736	1.00
		3	1	1002	1022	1022	12	12,264	
8	10	3	10	1063	1084	1084	12	130,080	

Additional Housing Income	\$ 105,468.00
projected rent revenue	\$ 1,987,260
staff unit rent potential	\$ 26,016
total rent potential	<u>\$ 2,118,744</u>

RENT PROJECTIONS BY CATEGORY FOR 2021

RENT CATEGORY	TOTAL UNITS IN CATEGORY	TRACK	# OF UNITS	2019 RENT	2020 RENT	2021 RENT	DURATION IN MONTHS	ANNUAL RECEIVED	INCREASE FACTOR
1	9	1	1	378	386	386	12	4,632	1.00
		3	8	402	410	410	12	39,360	
2	36	1	3	499	509	509	12	18,324	INCREASE FACTOR 1.00
		3	33	542	553	563	12	222,948	
3	27	1	1		841	841	12	10,092	1.00
		2	26	841	858	858	12	267,696	
4	108	1	14		932	932	12	156,576	Increase Factor for 60% AMI units 1.00
		2	94	932	951	951	12	1,072,728	
5	1	1	1	428	437	437	12	5,244	1.00
		3	0	476	486	486	12		
6	4	1	1	569	580	580	12	6,960	INCREASE FACTOR 1.00
		3	3	642	655	655	12	23,580	
7	3	1	2	847	864	864	12	20,736	1.00
		3	1	1002	1022	1022	12	12,264	
8	10	3	10	1063	1084	1084	12	130,080	

Additional Housing Income	\$ 193,236.00
projected rent revenue	\$ 1,991,220
staff unit rent potential	\$ 26,016
total rent potential	<u>\$ 2,210,472</u>