

TO: BRHP Board of Directors
FROM: Alison James, Financial Operations Director
DATE: October 30, 2020
RE: 2021 Budget Proposal

The 2021 Proposed Budget will be reviewed in detail with the Finance Committee on Monday, November 2nd, in advance of the Board Meeting on November 19th.

Required Action: Make a recommendation for full budget approval by the BRHP Board of Directors.

BRHP has prepared a 2021 Proposed Budget based on estimated income and expenditures for January through September 2020. Our assumptions for income projections are based on our best leasing estimates for 2021 and the funding factors.

Income

BRHP estimates a total income of \$83,091,471 in 2021. We project approximately 4,344 families under lease on December 1, 2021.

Housing Assistance Payments Income

BRHP receives two types of Housing Assistance Payments (HAP) income: Partial Consent Decree (PCD) and Remedial. In total, BRHP has an annual HAP funding base of \$73,508,406. This number can be adjusted annually by an inflation factor and/or proration factor. For 2021, the budget includes an inflation factor of 1% and a proration factor of 98%. These factors result in:

Partial Consent Decree HAP of \$31,774,736 and Remedial HAP of \$47,063,978 for 2021.

In 2020, BRHP continues to use Remedial HAP for three expenditures: HAP payments to owners on behalf of families, counseling services and security deposits.

For 2021, BRHP is proposing to use HAP for the following expenditures: HAP payments to owners (\$76,695,723), counseling services (\$1,612,503), security deposits (\$328,570), and client assistance in the form of an asset building program (\$201,918), modeled after the HUD Family Self Sufficiency program.

Operational Income

BRHP has two primary sources of operational funding: Counseling Fees (3603-001) and Administrative Fees (3602-001). In 2021, BRHP anticipates receiving \$4,950,460 in operational funding.

Administrative Fees are earned based on a formula of the number of units under lease each month. BRHP estimated an 79% proration factor for administrative fees, resulting in a per unit fee each of month of \$62.59. We anticipate receiving \$3,337,957 in Administrative Fees in 2021.

Mobility Works and Regional Project Based Voucher Program

Over the past few years, BRHP has been engaged in two efforts in addition to our main programmatic responsibilities. BRHP began the planning phase of the Regional Project Based Voucher Program in 2015 and now enters the active counseling phase of the initiative. We will

also be continuing our work with the Mobility Works consortium. We have been prefunded for our Regional Project Based Voucher Program work in 2021, and we anticipate receiving approximately \$24,300 from Mobility Works initiatives in 2021.

Donations

In 2020, BRHP assisted our families with funding for summer camp, remote academic support, school supplies and recreational activities. We developed a partnership with the YMCA to support remote learning for parents who work outside the home and intend to continue to identify other academic and recreational afterschool service providers, who can bring additional resources to bear for our families.

Donations to support these important initiatives are essential as other funding is not available to cover these costs. The 2021 budget reflects a goal of \$50,000 in donations from the board and other supporters so that we can continue to bolster our families through this difficult time. We improve our case to other supporters when we have full board participation in the donation program.

Development Income

Approximately \$3.2 million is projected to be remaining in the URD grant in 2021. BRHP is proposing to expend \$760,000 of the balance in 2021 on scattered site and multi-family unit development throughout the region. Additionally, we receive a \$1,000 fee for each unit on which BRHP closes in the scattered site program. We anticipate closing on approximately 29 units in 2021. We can also draw \$100,000 from the URD grant to fund the administration of this program, so we have included \$20,000 of administrative fees in the budget for 2021.

Kresge Grant

In December 2019, BRHP received a \$100,000 planning grant (65% of which remained with BRHP) from the Kresge Foundation to advance health equity through housing in Baltimore. In collaboration with HABC and the Johns Hopkins Bloomberg School of Public Health, BRHP has been conducting planning activities for a Healthy Children Demonstration to create a foundation for aligning housing vouchers with health promoting environments in the Baltimore region to improve health outcomes for children.

A convening of funders is planned for December to garner interest and identify potential funding for the implementation phase of this project. We anticipate that \$15,000 of the planning grant will be unexpended at the end of 2020, and BRHP will make a request of Kresge that those funds also be used for implementation.

Expenses

BRHP has seen a steady increase in Per Unit Cost (PUC) historically, with a sharper increase due to COVID at 2%, which assumes increasing rents with relatively flat wage growth. BRHP estimates total expenditures of \$83,687,974 in 2021, the vast majority of this is for direct rental assistance for families in the form of Housing Assistance Payments (HAP).

Housing Assistance Payments (HAP) Expenses

BRHP anticipates expending all Housing Assistance Payments funding received, in addition to transferring \$94,402 from HAP reserves in 2021.

Operational Expenses

BRHP anticipates spending \$5,296,779 in operational expenses in 2021. This operations budget is based on a review our expenditures through September 30, 2020 and consideration of strategic initiatives for 2021.

Budget Carryovers from 2020

- \$40,000 for managerial training for all managers and supervisors
- \$25,000 for board development program
- \$50,000 for contractual application programmer to create innovative tools and apps, that BRHP has seen other PHAs use that drastically reduce time burdens on families and staff, leading to improved processing time.

Budget Changes from 2021

- Salary COLA increase of 3% across the board, with 4% to 8% bonuses, and \$25,000 for salary parity in frontline staff positions
- \$30,000 to implement a full Human Resources Management System (HRMS), current annual cost is \$7,000 for payroll and time keeping system.
- \$33,000 for contractual Human Resources Specialist
- An additional \$15,000 for a board development program
- \$60,000 to implement an Asset Building program, \$50,000 for a contractual specialist and \$10,000 for marketing and infrastructure
- \$50,000 for a contractual Program Compliance Analyst

Development Expenses

BRHP is proposing to expend about 24% of the remaining available URD grant in 2021. We have budgeted staff salary of \$40,000 to support this work.

Regional Project Based Voucher Program

We anticipate spending \$93,603 on this initiative, primarily in employee compensation and related expenses, in addition to some printing and mailing costs.

Reserves

BRHP maintains two types of reserves. The first is called “HUD Held Reserves” and these are not accessible to BRHP until we expend all our Housing Assistance Payments in the calendar year. We estimate our HUD Held Reserves to be approximately \$12.5 million, which equals almost two months of HAP rental assistance payments. Should HUD funding levels decrease, this is a potential source of funds to mitigate any hardships on BRHP families. On the other hand, HUD could decide to pull back these reserves to cover funding shortfalls nationwide. Allowing the reserves to continue to grow has its possible downside.

The second type of reserves are funds BRHP has realized from administrative fee cost savings throughout the past six years. Most of BRHP’s funding sources do not allow for ‘savings’ to be realized by the program. We are funded only based on what we spend. However, for administrative fees, if we spend less than we have earned, those funds (to a certain degree) can be maintained by the program in our own bank accounts.

In 2021, HUD provided an additional \$1,289,208 to cover COVID related expenses and normal HCV operations. BRHP will expend \$637,268 in 2020 and carry over \$651,941 of the CARES Act administrative fees to 2021. BRHP also qualified for a \$632,500 PPP Loan in 2020. These unexpected funding streams will add approximately \$2.3 million to the existing \$5.0 million in administrative fee reserves at the end of 2020, and the proposed budget will add \$199,226 in 2021.