



NEW YORK CITY
HOUSING DEVELOPMENT
CORPORATION

MEMORANDUM

To: The Chairperson and Members

From: Eric Enderlin 
President

Subject: Proposed FY 2020 Operating Budget

Date: November 19, 2019

I am pleased to present the Corporation's proposed operating budget for Fiscal Year 2020 ("FY 2020") for the Members approval. The attached budget contains a summary of revenues and expenditures for the Corporation's general operating fund, Corporate Services. The operating budget demonstrates responsible and strategic fiscal planning, which allows HDC the flexibility to reach its goals while also containing administrative costs through operational innovations and efficient managerial controls.

This memorandum, which accompanies the proposed operating budget schedules and notes in Appendix A, provides a complete discussion of the variance from the FY 2019 budget to the projected actuals as well as the Corporation's FY 2020 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 2019 Budget Results and FY 2020 Proposed Budget (attached schedules in Appendix A)

The Corporation ended FY 2019 with an excess of revenues over expenses, on a cash basis, of \$131.29 million, an increase of \$18.68 million over the budgeted amount of \$112.6 million. This improvement was largely due to higher than expected investment income, servicing fees, and fees received on loan originations and refinancings, as well as better-than-expected performance in the Multifamily Housing Revenue Bonds program ("Open Resolution") surplus. Additionally, there was a large variance in the operating expenses leading to additional savings.

The Corporation's most significant revenue source, the Open Resolution surplus, is expected to generate similar amounts of cash as it did in FY 2019 due to the over-collateralization of mortgages over bonds, the increased spread between underlying mortgage rates and the currently low interest rates on the variable rate debt in the Open Resolution. Investment income on corporate reserves is forecast to increase from the FY 2019 budgeted amounts mainly due to more funds under management. But there is still some uncertainty about interest rates on both investments and future debt issuance in the coming year. The Corporation's Investment Committee has sought to prudently maximize the rates of return on investments in the current markets and took advantage of interest rate hikes that occurred this past year. Prior to the Federal Reserve's decision to cut interest rates in the second half of 2019, the Investment Committee decided to ladder the portfolio more than it has been in the past to take advantage of some interest rate gains further out on the yield curve.

As indicated on the chart below, staff projects total cash revenues to be \$153.16 million for FY 2020, an increase of 4.77% from the approved FY 2019 budget of \$146.19 million and a decrease of 6.29% from the 2019 actual, a variance to be explained later in this memo. At the same time, operating expenses are budgeted to increase to \$34.41 million, an increase of 2.44% from the FY 2019 budget.

An excess of revenue over expenses of \$118.75 million is budgeted for FY 2020. The chart following summarizes these results, which are briefly discussed in the following section and presented in greater detail in the attached schedules and notes of revenues and expenditures in Appendix A.

Summary of Revenues And Expenditures (Cash Basis)	Adopted Budget FY 2019	Actual FY 2019	Variance FY 2019	Proposed Budget FY 2020
Operating Revenues:				
Investment and Loan Income	89,192,000	98,164,764	8,972,764	96,290,000
Servicing Fees	35,285,000	34,879,078	(405,922)	34,957,000
Loan and Other Fees	21,717,000	30,392,818	8,675,818	21,914,000
Total Revenues	146,194,000	163,436,660	17,242,660	153,161,000
Operating Expenses:				
Salaries and Related	26,770,000	26,193,090	576,910	27,340,000
Contract Services	817,600	513,783	303,817	1,089,000
Other Expenses	6,002,400	5,443,366	559,034	5,981,000
Total Expenses	33,590,000	32,150,239	1,439,761	34,410,000
Excess of Revenues Over Expenses	\$112,604,000	\$131,286,421	\$18,682,421	\$118,751,000

FY 2019 Unaudited Budget Results

Operating Revenues

The Corporation's FY 2019 budget projected revenues of \$146.19 million, and HDC realized revenues of \$163.44 million, a variance of \$17.24 million or 11.79%. This result was attributable to three main positive variances:

- Fees from loan originations and refinancings were \$9.29 million higher than anticipated due to an increase in loan closings as a result of the Mayor's *Housing New York 2.0* plan (the "Plan"), as well as fees relating to certain loan refinancings.
- Investment income on corporate reserves was \$8.55 million higher than budgeted due to higher funds under management as well as increases in interest rates during most of FY 2019.
- The Open Resolution surplus was \$2.0 million greater than anticipated because of the over-collateralization of mortgages over bonds, as well as increased spread between underlying mortgage rates.

Offsetting these positive variances were three negative variances:

- Corporate owned mortgage income was \$1.58 million lower than budgeted due to loan securitizations out of Corporate Services that became characterized as assets under the Open Resolution as well as subsidy loans now being pledged to the Open Resolution and funded by debt issuance at the time of loan closing.
- Servicing fees on HPD loans was \$970,500 lower due to a small decrease in HPD loans being serviced as well as insufficient investment income earnings from which the Corporation may take servicing fees for construction loans.
- Fees from the NYCHA Lending program were budgeted at \$699,000 in FY 2019 but not taken as there was no revenue stream as of yet since the program was still in the development stages.

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 2019 operating expense budget was \$33.59 million. Actual FY 2019 expenses were \$32.15 million, a variance of \$1,439,761 or 4.29%. This result was attributable to the following variances.

Four major positive variances:

- Wages – \$1,206,496. This line item was under budget mainly due to vacancies during the year. There was also smaller savings in overtime between what was spent and what was budgeted.

- Fringe Benefits – \$827,057. This line was under budget due to staff vacancies and lower than anticipated funds needed for hospital insurance, whose premium increases were slightly lower than anticipated. Deferred compensation, dental, FICA and unemployment insurances were also lower than anticipated.
- Other Consultants – \$267,630. This line item was under budget mainly due to not fully spending all of the IT consulting funds that were budgeted for a cybersecurity consultant and follow up consulting services after the 2018 information technology (“IT”) assessment.
- Equipment & Maintenance – \$233,962. This line item was under budget mainly due to not fully spending all the IT funds that were budgeted to start work on moving all of HDC’s systems over to the “cloud”. Migrating to the cloud is explained in detail under the Equipment & Maintenance expense section in Appendix A of the memo.

Offsetting these positive variances were two negative variances:

- NYCERS – \$1,410,409. This line item was over budget. Due to an excess of funds in the 2019 budget, the Corporation paid its FY 2020 NYCERS estimated appropriation to cover staff’s participation in NYCERS.
- Temporary Staff – \$51,208. This line item was over budget due an unexpected leave of a staff member in one department and a delay in hiring of a staff member in another department.

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

FY 2020 Proposed Budget

The FY 2020 budget reflects a growing organization that is undergoing noteworthy changes as a result of its past successes. Two major changes are rippling throughout the Corporation that are generating enthusiasm and optimism for the future of the City of New York and HDC’s mission. First, as HDC has continuously grown as one of the nation’s leading multi-family housing finance agencies, the City has requested that HDC use its lending strength, talented staff and reputation to assist the New York City Housing Authority (“NYCHA”) to help preserve and finance the rehabilitation of housing developments in the NYCHA portfolio to provide safe, decent, and affordable housing to New Yorkers. Debt issuance through HDC will finance extensive capital improvements which are essential to preserve, modernize and improve the developments and to ensure their viability for current and future generations of NYCHA residents while also still protecting such tenants’ rights. As a result of this initiative, HDC has created a new Public Housing Finance unit within its Development department to develop and lead this undertaking. In addition to this new unit, HDC will also dedicate current staff throughout the Corporation to: arrange financing, asset manage, and ensure compliance. The new program will harness public-private partnerships and stable project-based Section 8 funding to renovate 62,000 apartments serving roughly 142,000 residents in highly distressed NYCHA developments across New York City.

The second initiative of the Corporation is related to the information technology (“IT”) of the Corporation. An IT assessment of the Corporation, including business and technology alignment, disaster recovery, cyber security, strategic planning and staffing was completed in late 2018. A

detailed report was issued by the external consultant with recommendations and a road map for the next three to five years. The road map consists of three underlying themes to advance the use of technology at HDC: (1) focus on the foundation; (2) optimize the use of current systems; and (3) plan and deploy new digital technologies. Some of the recommendations were implemented in 2019, beginning with a restructure of the IT department. The restructure included a new Chief Information Officer and the creation of IT's Project Management Office ("PMO"). The restructure, along with realigning and retraining some IT staff to match their strengths with the needs of the IT team, set the foundation to begin mapping out the strategy to implement the next steps for the future of HDC's IT environment. This budget contains the funds needed for some of those items, which include additional strengthening of the staff, hardening the IT environment including migrating to the cloud, creating IT governance structure, strengthening the cyber security program, and re-engineering business processes to be more efficient through technology.

Operating Revenues

The Corporation's revenues are budgeted at \$153.16 million in FY 2020. This is a \$6.97 million increase from the FY 2019 adopted budget and a \$10.27 million decrease from the FY 2019 actuals. The attached schedule shows revenue projections by line item for FY 2020. The projected increase from the FY 2019 budgeted amounts derives from two key factors: (1) a forecasted increase in investment earnings due to more funds under management; and (2) a forecasted increase in the Open Resolution surplus due to an increase in issuance.

Each revenue source is discussed in detail in Appendix A.

Operating Expenses

The Corporation's proposed FY 2020 operating expense budget was based on FY 2019 actual expenditures, adjusted for identified changes in staffing, technology, consulting services and other costs.

The Corporation's expenses are budgeted at \$34.41 million in FY 2020. This is an \$820,000 or 2.44% increase from the FY 2019 adopted budget. The increase from the FY 2019 budgeted amounts revolves around certain budget lines decreasing or increasing from last year.

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

Projections for FY 2020

The Corporation remains cautiously optimistic about its 2020 financial outlook. The proposed FY 2020 development pipeline is strong, with great interest in the Corporation's programs. The Corporation has had a strong financial performance over the years, despite the low interest rate environment of the past decade, but the recent short period of rising rates last year had a great impact to our investment earnings. In spite of the uncertainty as to where rates will be over the next year, there is still an expectation of continued strong financial performance for the Corporation. Additionally, the Corporation is looking forward to bringing its long track record of solving complex issues with innovative financing solutions in its partnership with NYCHA. This

budget reflects a conservative expectation of future income, balanced against the needs of supporting both of the Mayor's Housing 2.0 Programs and the growing needs of the Corporation as explained above.

Action by the Members

The Members are requested to approve the Corporation's FY 2020 Operating Budget.

Appendix A

FY 2020 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 2019 results and FY 2020 proposed budget, it will be useful to delineate the various categories of cash received by HDC in its operations.

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

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

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

Details of Operating Revenues

The Corporation's revenues are budgeted at \$153.16 million in FY 2020. Each revenue source is discussed below.

Investment and Loan Income

Investment of Corporate Reserves and Other Funds. The Corporation currently has \$5.9 billion of cash and investments under management, but HDC retains the earnings on only a portion of those funds. Earnings on bond proceeds, monies of the New York City Department of Housing

Preservation and Development (“HPD”), reserves for replacement accounts, and bond revenue funds outside the Open Resolution (and in three cases, in the Open Resolution) are all returned to the related party or credited against interest payments due. The Corporation keeps the earnings on 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 2019, the Corporation realized \$40.05 million on investments of corporate reserves and other funds due to more funds under management and higher interest rates. Staff forecasts investment earnings in FY 2020 will be higher from the 2019 budget, and more aligned with the 2019 actuals, at \$38.5 million based on more funds under management. If rates decrease again during 2020, the Corporation will make lower investment income than projected but will also pay lower interest costs on its floating rate debt that may reduce the income difference, or spread. In the near term most of the Corporation’s spread income on bond deals closed over the last several years are locked in for a period of time and will continue to be a source of income for the Corporation irrespective of interest rates in the next year.

Corporate-Owned Mortgage Interest. The Corporation has used over \$2.93 billion total of corporate reserves to make subsidy loans since 2004 and the Corporation currently has a \$271 million portfolio of loans as corporate owned mortgages. This lower amount is due to securitizations that have yielded around \$908 million in proceeds and \$1.52 billion of loans have been transferred into the Open Resolution and Federal Financing Bank (“FFB”) program. The loans have varying repayment terms, often with deferred amortization or balloon mortgages, and most are at very low interest rates. Interest payments on the corporate-owned loans totaled \$2.9 million in FY 2019, a decrease from the budgeted amount due to securitization of loans into the Open Resolution thereby removing the loans from the Corporate Services Fund. Current portfolio loan schedules indicate \$2.6 million interest revenue in FY 2020, a decrease from the FY 2019 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 now 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.

Based on the cash flow model, and adjusted upward as discussed below, \$55.19 million of Open Resolution surplus is included in the FY 2020 budget. Interest rate caps and swaps, approved by the Members, in addition to the Corporation’s large short-term investment portfolio, are hedges should interest rates rise greatly. The FY 2019 cash surplus was \$55.19 million, a slight increase from the budgeted amount of \$53.19 million due to higher interest rates on investments during the first half of the year.

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

Servicing Fees

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

HDC Loan Servicing. Most loan servicing fees range from 0.11% to 0.25%. Servicing fees for many variable rate projects in recent years have been set on a sliding scale to vary inversely with the interest rate on the bonds. Loan servicing fee income is projected to slightly increase from the FY 2019 budget of \$27.3 million to about \$27.4 million due to more loans converting after construction completion to permanent status (when servicing fees become due on a monthly basis), as well as an increase in collections on the servicing fees in the Open Resolution bond programs. Additionally, this line includes income from servicing fees associated with the Corporation's Preservation Lending Pilot Program, mortgage satisfaction fees, and regulatory and compliance monitoring fees.

The FY 2019 actual collection of HDC servicing fees was \$27.84 million, which was \$0.54 million over the budgeted amount. This variance was due to more loans converting to permanent than anticipated.

Tax Credit Monitoring Fees. Pursuant to a memorandum of understanding ("MOU") with HPD, HDC is responsible for monitoring low income housing tax credit compliance in accordance with Section 42 of the IRS code for properties financed by HDC that have allocations of 4% tax credits from HPD. Currently, the Corporation is monitoring over 339 HDC financed developments. In total, HDC is responsible for tax credit monitoring for developments containing approximately 62,400 units as of FY 2019.

The FY 2019 actual collection of tax credit monitoring fees came in on budget. The FY 2020 budgeted amount is based on projections related to the FY 2019 actuals.

HPD Financed Loans. HPD servicing fees are paid solely from investment earnings on funds under administration or, for permanent loans, debt service collections. As most construction loan fees are payable only out of investment income on associated HPD funds, fee income can vary widely depending on the level of HPD funds on hand, as loans are drawn down and new loan funds are sent over to be administered. Fee income is also affected by the overall level of interest rates. The FY 2020 budgeted amount of \$4.76 million is slightly lower than the FY 2019 budgeted

amount due to an anticipated slight decrease in the conversion of loans from construction to permanent as well as a decrease in investment earnings, as reflected in the FY 2019 actuals.

The FY 2019 actual collection of HPD servicing fees was \$4.50 million, which was \$970,476 under the budgeted amount due to a decrease in the conversion of loans, and the decrease in investment earnings allowing for the collection of servicing fees previously accrued on the construction loans.

Other Fees

Credit Enhancement Fee. In 2018 the Corporation issued its Multi-Family Housing Revenue Bonds, 2018 Series B-1 and 2018 Series B-2, a securitization of a participation interest in pools of HPD loans previously purchased by the Corporation. HDC also agreed to continue to provide credit support for a debt service reserve fund for such bonds. The Corporation secures its pledge with a set-aside of corporate funds, currently \$12.1 million. To compensate for this pledge, as well as its general enhancement of the 2018 Series B bonds, HDC earns a fee of 1.25% of the outstanding bonds. In FY 2020 the Corporation is projecting to collect \$2.10 million as a credit enhancement fee.

Loan Origination and Refinancing Fees. The Corporation's commitment fees range from 0.75% to 1.0% for its loans. In FY 2019, total fees collected in this category were \$27.29 million, which was higher than budgeted due to higher than expected loan closings under the Plan. The proposed FY 2020 budget amount is \$18.0 million to reflect the anticipated pipeline for the Plan for FY 2020, 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 2020 is \$572,000. The fee is comprised of the direct cost of salary and fringe related to the REMIC staff members, plus a percentage of operating expenses based on headcount of REMIC staff versus total headcount in the Corporation. REMIC revenues consist of investment income on its principal plus income from insurance premiums and fees. It uses a small portion of this revenue to pay the administration fee to HDC.

CDBG-DR Funds. The Corporation is participating in the New York City Build It Back program funded through the Federal Community Development Block Grant – Disaster Relief ("CDBG-DR") Build It Back Multifamily Repair Program. The program was established to assist homeowners, landlords, and tenants in the five boroughs whose homes and properties were damaged by Superstorm Sandy. HPD is the Grantee of these funds and HDC is a Sub-Recipient engaged to assist HPD in utilizing these funds. HDC's participation is limited to projects in HDC's portfolio 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. The Corporation projected that the expenditures related to staff time and such for FY 2019 to be \$130,000. Actual costs for reimbursement totaled almost \$200,000 for FY 2019. This year as the resiliency work is winding down, the Corporation is budgeting \$110,000.

NYCHA Lending Administration Fee. The Corporation is anticipating being paid a fee related to the newly formed Public Housing Finance group within the Development department of the Corporation. The fee is comprised of the direct cost of HDC staff's salary and fringe allocated to their work on the transactions related to the NYCHA financing portfolio, plus a percentage of operating expenses. The newly formed bond resolution that is anticipated to be formed to issue the bonds to support the NYCHA transactions will generate revenues from investment income on its principal plus income from originating loans and servicing fee income. It will use a small portion of this revenue to pay the administration fee to HDC. The excess revenues are expected to stay with the Corporation to support the NYCHA lending program and may be used for future lending or related credit enhancement.

Details of Operating Expenses

The Corporation's expenses are budgeted at \$34.41 million in FY 2020. 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 the last few years, HDC has maintained a steady headcount based on attrition and increased efficiencies in technology, which has been reflected in its financial results. This year's budget continues that same approach across most of the Corporation while also balancing the demands of the Plan, as well as a growing organization whose success has led to increased demands placed upon it such as the new Public Housing Finance department and IT initiatives with the newly restructured IT department to respond to that growth.

Wages. This budget line provides for 201 staff positions, including the four staff participating in the HPD/HDC Fellowship program. The headcount for this year's budget includes an increase of four positions. This small increase continues a pattern of targeted hiring to reinforce core functions and to increase efficiencies. The Corporation over the years has strategically had small increases in headcount as a result of a pattern of targeted hiring to reinforce core functions and to increase efficiencies. The Corporation regularly evaluates staff hires throughout the year as some staff members leave or retire during the year. The assessments sometimes resulted in some instances where the replacement of that same position wasn't immediately necessary due to the expected implementation of technologies that could result in increased efficiencies. There are other instances where an open position in one department was reallocated to another department based on need, mostly relating to the increase in the size of the loan portfolio and the demands of reporting on that portfolio.

The recently formed Public Housing Finance group within the Development department is a transactional unit that is working on the underwriting of loans to help preserve and finance the rehabilitation of housing developments in the NYCHA portfolio. During the latter part of FY 2019 the unit was formed with the 2019 budgeted hirings of two new project managers, an attorney and the promotion of a senior manager to lead the group. This year the hiring of another project

manager is being budgeted to continue to grow the department. The hiring of an engineer was budgeted last year and that hiring should happen in FY 2020. Staffing needs will be assessed once again by executive management before next year's budget, once staff has considered the needs going forward.

The Asset Management department will require one position in its Compliance/Marketing area to assist with the marked increase in the number of properties monitored by HDC. The success of the Plan has increased the workload of the Compliance/Marketing division by over 30%. Similarly, the Legal department needs an additional staff member due to the increase in issuance and transactions in conjunction with the Plan.

The budget also includes a hire in the IT department for a Senior Business Analyst position to work in the newly formed Project Management Office ("PMO") unit of the department. During last year a restructure of the IT department occurred as a result of a strategic assessment of the corporate technology for HDC. A new CIO was hired in FY 2019 and he is currently in the midst of implementing a long-term plan to deliver an IT strategy across the organization as well as be a strong partner with the business unit leaders. Part of this plan was to develop a PMO unit that builds, maintains, and executes business process and project management roadmaps which are aligned with organizational strategies, priorities and goals. The unit is currently led by a director with a small staff. Adding a senior analyst will assist the unit in ramping up all of the initiatives of the IT master plan, including the rebuilding of a data warehouse.

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

Actual wage expenses came in under budget for FY 2019 due to staff vacancies during the year.

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

An ongoing challenge for most American companies is the escalating expense related to health care costs, and HDC is no exception; such expenses have been built into our expectations for FY 2020 although the Corporation has made other efforts to reduce costs in the areas that it can control.

The fringe benefit line shows a 2.89% increase over last year's budget. The increase is mainly attributable to the anticipated increase in staff along with an expected higher premium in health insurance, as well as life and disability insurances. The Corporation participates in the New York State Health Insurance Plan ("NYSHIP") and therefore benefits from the group rates and although

much less costlier than other health insurance plans, there is a potential increase of between 6% and 8% this year. Disability and life insurance have informed us of a potential 8% increase for this year. All other insurance carriers have informed us that the rates will remain stable for 2020. Every year the Corporation's senior managers diligently monitor its fringe benefit budget and look to reduce costs where possible. 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 2020 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 2019 due to savings in all the detailed line items due to vacancies, especially in health insurance, TSA expenses and dental. Additionally, there were lower than expected increases to 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 the Corporation paying its 2020 NYCERS estimated appropriation due in December 2019 with the excess of funds available in last year's budget. The 2020 budget includes funds to pay any additional amount due when the City's actuary finalizes the appropriation at City fiscal year end.

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 \$67,500.

Actual expenditures for this line item for FY 2019 were slightly under budget due to staff vacancies.

Temporary Staff. This budget line has increased 18% from last year's budget. This line item includes funds for vacation coverage in targeted positions and for potential coverage that may be needed due to unanticipated turnover or employee leave. For this year the increase is mainly attributable to a staff opening in one department, but the position is anticipated to be filled by early 2020. This budget line also includes \$20,000 for the summer intern program.

Actual expenditures for this line item were over budget in FY 2019. The variance is due to the need for temporary help relating to two positions vacated by staff members during the year.

Contract Services

Auditing and Accounting. The figure of \$249,000 represents a contracted amount for auditing services from Ernst & Young for the annual financial audit of the Corporation. There is an increase of \$7,000 from last year based on the contractual amount.

Actual expenditures for this line item for FY 2019 were on budget.

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

The FY 2019 actual expenditures were under budget due to lower than anticipated funds needed for advice on all areas mentioned above.

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 2019 actual expenditures were slightly under budget this year.

Other Consultants. This budget line provides for any special studies or services which cannot be performed efficiently by staff or are short-term in nature and better suited to outside consultants. The consulting budget line has increased from last year's budget by over 54% due to HDC's involvement in the new "Partners in Preservation" program as part of the City's affordable housing plan. The Corporation may engage the services of consultants on a contract basis for rendering professional and technical assistance and advice. HDC is working in partnership with HPD and Enterprise Community Partners on the implementation of this program, which will fund community-based organizations to develop and coordinate anti-displacement strategies with local stakeholders, tenants, and government partners in select New York City neighborhoods. First proposed as part of the Plan, the Partners in Preservation pilot will kick off in the recently rezoned neighborhoods of East Harlem, Inwood, and the Jerome Avenue area of the Bronx.

The goals of this pilot program are to preserve affordable housing in targeted neighborhoods, prevent the loss of rent-regulated apartments, and proactively protect tenants from landlord harassment and displacement. The Corporation will pay for these consulting services over an 18 month period and thus will also budget funds for this line item in the FY 2021 budget as well.

The budget line this year also includes funds to continue to work with a cybersecurity consultant. This approach was started last year as part of one of the recommendations in the 2018 IT assessment. The goal is to assess HDC's current cybersecurity efforts, create key policies, establish a risk management process, ensure that HDC is meeting regulatory compliance, and adopt a security framework. This consulting role is forecasted to last another four to six-months at which time it is anticipated that the continued assessment of HDC's cybersecurity can be handled by in-house staff. The Corporation may require additional services on an as-needed basis from year to year to advise the CIO and executive leadership on upcoming regulations, best practices and threats.

The budget also includes \$75,000 for consulting services to work with the Corporation and provide advisory services on best ways to engage government leaders to implement federal policies and funding strategies that will enable HDC to strategically support the preservation of New York's public and assisted housing stock. The budget line also includes \$100,000 for a consultant to assist the Communications department in messaging about HDC's role in the NYCHA 2.0 Permanent Affordability Commitment Together ("PACT") Program.

This budget line also includes \$35,000 to provide funds to perform actuarial services for the Other Post Employment Benefits ("OPEB") liability as required by the Governmental Accounting Standards Board ("GASB"). This year's valuation will be performed under the new GASB Statement #75 which requires all governmental agencies to have their OPEB valuations performed every two years instead of three years. The budget also includes \$50,000 for potential outsourcing of internal audits that require more technical expertise than our in-house auditors can provide.

Similar to last year, this line also includes \$35,000 to fund 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. This budget line also includes \$2,800 for the yearly fee for our insurance consultant.

The actual expenditures for FY 2019 came in under budget mainly due to the IT consulting area as mentioned above. The cybersecurity consulting funds were not fully spent, and the additional technical consulting fees related to a follow up of the 2018 IT assessment were not needed.

Other Expenses

Rent and Utilities. This line, representing 7.04% of the budget, primarily reflects rental payments, including escalations, for the Corporation's space at 110 William Street. Base rent, operating costs and real estate taxes on the current space on the 9th and 10th floors total \$191,239 per month. Funds, forecasted at \$35,000, are also included in this budget line to cover estimated escalation costs, which are adjusted annually. The total amount requested also includes \$80,130 for electricity for the year, which has been held steady from last year as the savings from switching over to LED lighting throughout the office space, a project that was completed two years ago, continues to lead to savings and energy conservation.

Additionally, \$14,000 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. To date the monthly storage fees have been reduced by 66% due to the staff efforts since 2015. This effort will continue again this year so that offsite storage costs can continue to be reduced or kept steady in the future, and as the Corporation moves to electronic document storage.

The actual expenditures for FY 2019 came in under budget due to lower escalation costs as well as savings on electricity.

Office Expenses. This budget line 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 slightly increased by 0.83% this year. The Corporation performs a comprehensive review of office expenses each year and, as a result, continues to look for ways to reduce costs and decreases line items where it can.

The actual expenditures for FY 2019 came in under budget.

Equipment and Maintenance. The Corporation is fully focused on modernizing its IT infrastructure and tightening up our cybersecurity defenses. The Corporation also remains attentive 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 all of this in mind, the Equipment and Maintenance budget includes important investments in technologies to migrate to the cloud, 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 6.39% of the budget, and has decreased by \$84,400 or 3.70% from last year's budget. The majority of this line item is related to IT equipment and maintenance, which amounts to \$2,030,600 this year, and has decreased by 3.30% from last year. There are two major areas within the IT budget line that make up this line and warrant further description which include the following: (1) new investments in technology; and (2) renewals of ongoing IT maintenance agreements.

The investments in new technology and upgrades for FY 2020 total \$857,000, a decrease of \$43,000 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 2020, however some projects could be substituted for other initiatives depending on planning or other needs during the fiscal year.

About \$310,000 of the new technology funds will be used to migrate the Corporation over to the cloud for its hardware and backup solutions. HDC is modernizing its IT infrastructure and enabling new capabilities by securely adopting cloud services. The "cloud" is not a physical entity but a vast network of remote servers. The remote servers are designed to either store and manage data, run applications, or deliver content. Instead of accessing files from a local or personal computer, or servers that are physically located in HDC's Data Center on the 9th floor of the office space, users are accessing them online or from the cloud.

There are three main types of cloud services: (1) Software as a Service (SaaS) which is software that is accessed online and sold as a subscription. The vendor handles all the management, patching and upgrades; (2) Platform as a Service (PaaS) which is an online development platform or collection of services that is used to create and run software. The vendor manages the underlying components while the developer manages the application; and (3) Infrastructure as a Service (IaaS) which is a virtual data center. The customer is responsible for managing most aspects, except for the physical hardware, using tools provided by the cloud vendor. HDC will be using all three types

of cloud services, as appropriate, to minimize operational costs and securely leverage new technologies. This will enable the IT team to shift their time from largely maintaining legacy software to focusing on optimizing business processes and modernizing HDC's applications.

The Corporation spent a significant amount of time this past year evaluating cloud technologies, developing a cloud roadmap and planning the migration. HDC issued an RFP for cloud services in late Spring 2019 and the vendor selected has begun preliminary work with the IT staff to migrate over to the cloud by mid to late 2020. The budgeted amount includes the costs of cloud computing, licenses, storage and technical assistance. It also includes a small amount to decommission servers and hardware from the HDC datacenter, along with proper disposal of such hardware. An additional \$30,000 has also been budgeted to move the Internal Audit department's software over to the cloud as well.

Last year the Corporation budgeted for and began the implementation of a new asset management software that will help the staff more efficiently evaluate and review the compliance of properties in the portfolio as well as expand its portfolio management database. The software will be used for low income housing tax credit compliance and greatly increase the security and automation of how tenant data is received and processed. The software will also be used to allow managing agents to submit data electronically and securely to HDC for processing using an industry standard data format. Additional funds have been budgeted at \$160,000 this year to continue the project.

About \$150,000 of the new technology funds this year will be used to migrate our current reporting software, which will no longer be supported within the next few years, over to a new reporting software. Staff have reviewed options and have selected a software that is compatible with our current systems and will migrate during FY 2020. The migration was postponed from last year as the restructure of the IT department, along with prioritizing initiatives after the 2018 IT assessment, was first completed.

Additionally, the Corporation is in the beginning stages of planning a major update to its website and \$100,000 has been budgeted for this project. The website design has been unchanged for approximately five years and will benefit from a major upgrade to align the website with current standards, such as being mobile friendly. HDC recently conducted an RFP to engage a vendor to redesign the site and has selected a vendor after numerous interviews and demos. The project is anticipated to start in early December.

About \$75,000 of the new technology funds has been budgeted for the automation of a pipeline software for the Development department. Currently, the Development department is tracking new and potential projects using spreadsheets, rather than using a software system to track and share data with other HDC departments as a new project moves through the development pipeline. The IT Project Management Office has been working closely with the Development team to narrow down options for automating portions of the development pipeline, which may include purchasing a system or creating a custom system.

And finally, \$32,000 has been budgeted to migrate to an electronic signature system and modification to internal forms and contracts that will allow for the automation of each.

The last major IT budget area pertains to renewals of current softwares and hardwares. The bulk of the costs, \$1,108,600, relates to ongoing software licensing, maintenance agreements and equipment repairs on current management information systems and internet related services, including disaster recovery services. An additional \$65,000 has been provided to upgrade hardware such as PCs, printers, laptops, parts and accessories, phones and mobile devices, fax machines, and network security to maintain efficiencies.

Over the years, the Corporation has systemically invested in its hardware and software. With the vast amount of data that accompanies the management of a growing portfolio (relating to debt outstanding, asset management and compliance, as well as all other activities), and the high demands of reporting on that data, as well as the risk of cyber threats in the world today, the Corporation must continually improve its information technology systems. The 2018 IT assessment report confirmed the necessity of that strategy. These investments enable the Corporation to continue strengthening our systems, improve our 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, \$152,500 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 eight cars, as well as parking, gas and tolls for such cars. Finally, this line item includes \$16,000 for replacement of portable HVACs, water pumps and condenser units in the computer server room and various computer utility rooms throughout the office to prevent overheating of the equipment.

FY 2019 expenditures came in under budget as the migration over to a new software reporting tool was postponed until this year. There was also some minor savings in all the other areas covered in this budget line such as office and automobile maintenances, and copier and auto leasing.

Insurance. This line item includes premiums on policies for Property, Liability, Errors & Omissions, Umbrella Liability, Crime and Automobile. This budget line item has remained steady from last year. The line item also covers funds for cyber insurance. This is a line item that was added last year, but not used, as our CIO is working with our cybersecurity consultant in evaluating HDC's cybersecurity measures and what insurance coverages are needed. Cyber insurance would cover HDC in the event of a cyber-incident such as hacking incidents, viruses, worms and malware, just to name a few. Any of these examples could result in HDC needing to respond internally in the form of data reconstruction, or the need to require external forensic specialists to determine the cause and to help reconstruct data and systems. If outside assistance is needed cyber insurance can cover these costs.

FY 2019 actual expenditures came in under budget as the funds for cyber insurance were not used and have been pushed to this year as explained above.

Books and Publications. This line item ensures that the staff maintains updated resources and continues to stay current on industry trends. This budget line has increased about 1.22% from last year's budget to reflect FY 2019 actuals with some anticipated increases from publishers. Over

the past few years the Corporation has, where practical, switched over to electronic subscriptions to save money.

The actual expenditures for FY 2019 came in under budget.

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 decreased about 24% from last year's budget mainly due to a reduction in overtime.

The actual expenditures for FY 2019 came in under budget.

Training and Conferences. This budget line, representing 0.95% 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 \$15,000 for legislative travel to Washington D.C. for the President, Executive Vice Presidents, and other specific staff members. The positive returns of participating in a coalition with other agencies with a similar regulatory and legislative agenda, just within the past few years, such as bond recycling, the Federal bond purchase program, the tax credit assistance program, income averaging, and HDC's selection as the pilot agency for the Federal Financing Board ("FFB") initiative have far out-weighed the cost in related travel expenses. HDC senior staff will continue to pay particular attention to legislative and programmatic matters in Washington.

This line also includes \$158,700 for HDC's employee development program to assist the staff in their professional growth. This includes funds for tuition reimbursements and professional credit requirements, as well as funds for employee and technical skills development through classes both on- and off-site. This line allows for specific on-site departmental wide training in financial statement analysis and tax credit training, as well as corporate wide training in broad areas such as communications, management and leadership, and EEO, just to name a few. HDC's external auditors have highly recommended further investment in staff development through continuing professional education. This budget line has increased 7.52% this year due to the increase in staff headcount, an increase in training that will be needed as a result of the 2018 IT assessment, and a strategic planning session for executive staff intended to be held in early 2020.

FY 2019 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.

FY 2019 expenditures came in under budget mainly due to the timing of some membership payments with the end of the fiscal year.

Employment Agency Fees/Ads. This line provides funds needed to fill positions through trade journal and on-line internet postings. The budget line has increased this year due to the decision to pay for on-line subscription recruiting services to assist and expand the universe of employee recruiting.

Furniture. This line provides funds for filing cabinets, bookcases, chairs or some smaller miscellaneous furniture throughout the entire office space.

FY 2019 expenditures for this line item were under budget as the funds were mostly not used. As HDC nears the end of its operating lease, to be explained below, the need for renovations and furniture has greatly diminished until a decision is made regarding future office space needs.

Leasehold Improvements. This budget line provides funds for smaller renovations throughout the office space during the year to maximize space when needed or to make any major repairs to the infrastructure. This budget line was decreased 67% in last year's budget and has decreased another 60% in this year's budget as the need for renovations has greatly diminished. Throughout the years we have used funds to maximize space for a growing staff. As HDC is nearing the end of its operating lease in November of 2022, the Corporation has retained a broker to work with the staff to analyze options for the next operating lease, whether at 110 William Street, its current location, or a nearby location. As a result, staff have suspended any office space improvements unless it is absolutely necessary. The small amount of budgeted funds for FY 2020 is expected to be used for those unexpected repairs to the infrastructure.

FY 2019 actual expenditures came in under budget as funds weren't needed for any repairs or major renovations.

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

FY 2019 actual expenditures came in under budget.

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

The FY 2019 actual expenditures came in under budget last year due to the postponement of purchasing site signs and banners.

Corporate Events. This year's request has increased 19% from last year's budget. The increase is attributable to HDC hosting the annual NALHFA conference in New York City in the Spring of

2020. However, since the conference is local there will be savings in the conference budget line since staff do not have to travel this year.

This budget line includes \$10,000 in funds to accommodate some ancillary expenses for our collaborative work with HPD. Some of these expenses include orientation costs for HPD/HDC Fellows, training, attendance at housing functions, and other HPD staff appreciation events. This line is also used to fund HDC sponsored events such as the annual holiday party and the annual summer outing. Additionally, a total of \$25,000 is budgeted for other items such as bus tours to project sites, staff attendance at housing related events, token recognitions of appreciation for retiring employees, flu shots, Take Our Daughters and Sons to Work day, and flowers and donations in connection with employee hospitalizations and bereavements.

The FY 2019 actual expenditures came in under budget.

Bank and Other Service Charges. This budget line item provides funds for payroll charges, as well as the potential for some electronic banking products that work with the Corporation's current systems and could help to increase efficiencies. This budget line has increased 8.57% this year due to the addition of two new services. The first is a service fee related to outsourcing the management of the flex spending account program ("FSA") offered to HDC employees. Currently the FSA program is handled manually by payroll staff. Outsourcing to a vendor will be cost effective to HDC and will make it easier to administer and manage the benefits and enroll more participants. The second fee is related to background checks conducted on potential employees who are offered positions in the Corporation.

FY 2019 expenditures came in under budget as the funds that were budgeted for the FSA program were not used since the implementation was postponed until this year.

Appendix A Schedules

**New York City Housing Development Corporation
Requested Budget Summary
Fiscal Year 2019/2020**

	Adopted Budget FY 2019	Projected Actual FY 2019	Variance FY 2019	Requested Budget FY 2020
<u>REVENUES</u>				
Fees	\$ 57,002,000	\$ 65,271,896	\$ 8,269,896	\$ 56,871,000
Investment and Loan Income	89,192,000	98,164,764	8,972,764	96,290,000
TOTAL REVENUES	\$ 146,194,000	\$ 163,436,660	\$ 17,242,660	\$ 153,161,000
<u>EXPENSES</u>				
Salaries and Related Expenses	\$ 26,770,000	\$ 26,193,090	\$ 576,910	\$ 27,340,000
Contract Services	817,600	513,783	303,817	1,089,000
Other Expenses	6,002,400	5,443,366	559,034	5,981,000
TOTAL EXPENSES	\$ 33,590,000	\$ 32,150,239	\$ 1,439,761	\$ 34,410,000
EXCESS OF REVENUES OVER EXPENSES	\$ 112,604,000	\$ 131,286,421	\$ 18,682,421	\$ 118,751,000

New York City Housing Development Corporation
Revenue Budget Summary
Fiscal Year 2019/2020

<u>Revenues</u>	Adopted Budget FY 2019	Actual FY 2019	Variance FY 2019	Requested Budget FY 2020
Fee Income				
Servicing Fees				
HDC Financed Mortgage Loans	\$ 27,300,000	\$ 27,835,534	\$ 535,534	\$ 27,392,000
Tax Credit Monitoring Fees	2,515,000	2,544,020	29,020	2,805,000
HPD Financed Loans	5,470,000	4,499,524	(970,476)	4,760,000
Sub-total Servicing Fees	35,285,000	34,879,078	(405,922)	34,957,000
Other Fees				
Credit Enhancement Fees	2,322,000	2,342,188	20,188	2,102,000
Loan Originations & Refinancings	18,000,000	27,285,262	9,285,262	18,000,000
REMIC Administration Fee	566,000	566,000	0	572,000
CDBG-DR Funds	130,000	199,368	69,368	110,000
NYCHA Lending Admin Fee	699,000	0	(699,000)	1,130,000
Sub-total Other Fees	21,717,000	30,392,818	8,675,818	21,914,000
Total Fees	\$ 57,002,000	\$ 65,271,896	\$ 8,269,896	\$ 56,871,000
Investment and Loan Income				
Investment of Corporate Reserves	\$ 31,500,000	\$ 40,054,157	\$ 8,554,157	\$ 38,500,000
Corporate Owned Mortgages	4,500,000	2,918,024	(1,581,976)	2,600,000
Open Resolution Surplus, net of expenses	53,192,000	55,192,583	2,000,583	55,190,000
Total Investment and Loan Income	\$ 89,192,000	\$ 98,164,764	\$ 8,972,764	\$ 96,290,000
TOTAL REVENUES	\$ 146,194,000	\$ 163,436,660	\$ 17,242,660	\$ 153,161,000

New York City Housing Development Corporation
Expense Budget Summary
Fiscal Year 2019/2020

	Adopted Budget FY 2019	Actual FY 2019	Variance FY 2019	Requested Budget FY 2020
SALARIES & RELATED EXPENSES				
WAGES	18,966,800	17,760,304	1,206,496	19,826,500
FRINGE BENEFITS	6,780,000	5,952,943	827,057	6,976,000
NYCERS	900,000	2,310,409	(1,410,409)	400,000
MCTM TAX	64,000	59,026	4,974	67,500
TEMPORARY STAFF	59,200	110,408	(51,208)	70,000
SUBTOTAL	26,770,000	26,193,090	576,910	27,340,000
CONTRACT SERVICES				
AUDITING & ACCOUNTING	242,000	242,000	-	249,000
LEGAL CONSULTANTS	60,000	26,813	33,187	60,000
ANNUAL REPORT	30,000	27,000	3,000	30,000
OTHER CONSULTANTS	485,600	217,970	267,630	750,000
SUBTOTAL	817,600	513,783	303,817	1,089,000
OTHER EXPENSES				
RENT & UTILITIES	2,413,500	2,379,519	33,981	2,424,000
OFFICE EXPENSES	319,000	285,228	33,772	321,640
EQUIPMENT & MAINTENANCE	2,283,500	2,049,538	233,962	2,199,100
INSURANCE	90,000	55,404	34,596	90,000
BOOKS & PUBLICATIONS	53,900	49,530	4,370	54,560
TRANSPORTATION	29,000	4,906	24,094	22,000
TRAINING & CONFERENCE	286,000	258,737	27,263	327,700
MEMBERSHIPS	83,000	71,074	11,926	84,000
EMPLOYMENT AGENCY FEES/ADS	15,000	9,630	5,370	30,000
FURNITURE	10,000	292	9,708	5,000
LEASEHOLD IMPROVEMENTS	25,000	-	25,000	10,000
INTERAGENCY EXPENSES	250,000	175,875	74,125	250,000
MARKETING	11,500	485	11,015	12,000
CORPORATE EVENTS	63,000	59,739	3,261	75,000
BANK & OTHER SERVICE FEES	70,000	43,409	26,591	76,000
SUBTOTAL	6,002,400	5,443,366	559,034	5,981,000
TOTAL OPERATING EXPENSES	33,590,000	32,150,239	1,439,761	34,410,000

"MCTM Tax" = Metropolitan Commuter Transportation Mobility Tax