NEW YORK CITY
HOUSING DEVELOPMENT
CORPORATION

MEMORANDUM

To: The Chairperson and Members

From: Eric Enderlin
President

Subject: Proposed FY 2022 Operating Budget

Date: November 23, 2021

I am pleased to present the Corporation's proposed operating budget for Fiscal Year 2022 ("FY 2022") 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 in the midst of a global pandemic, containing administrative costs through operational innovations and efficient managerial controls, all while still allowing HDC the flexibility to reach its goals of growth and increased productivity.

This memorandum, which accompanies the proposed operating budget schedules and notes in Appendix A, provides a complete discussion of the variance from the FY 2021 budget to the projected actuals as well as the Corporation's FY 2022 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. Some budget lines have been affected by the coronavirus pandemic and its economic impacts, and notations have been made in those sections of the budget notes.

Summary of FY 2021 Budget Results and FY 2022 Proposed Budget (attached schedules in Appendix A)

The Corporation ended FY 2021 with an excess of revenues over expenses, on a cash basis, of $110.87 million, an increase of $1.91 million over the budgeted amount of $108.96 million. This increase was mainly due to higher than expected servicing fees, and fees received on loan originations and refinancings, as well as better-than-expected performance in the Multifamily Housing Revenue Bonds program ("Open Resolution") surplus.

The Open Resolution surplus is the Corporation's most significant revenue source and, despite the fiscal crisis caused by the pandemic, it is still expected to generate similar amounts of cash as it did in FY 2021 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.

As indicated on the chart below, staff projects total cash revenues to be $144.95 million for FY 2022, an increase of 0.89% from the approved FY 2021 budget of $143.67 million and a decrease of 0.43% from the 2021 actual. At the same time, operating expenses are budgeted to increase to $40.4 million, an increase of 16.39% from the FY 2021 budget, a variance to be explained later in this memo.

An excess of revenue over expenses of $104.55 million is budgeted for FY 2022. The chart below summarizes these results, which are briefly discussed in the following section and presented in greater detail in the attached schedules and notes of revenues and expenditures in Appendix A.

Summary of Revenues And Expenditures (Cash Basis)	**Adopted Budget FY 2021**	**Actual FY 2021**	**Variance FY 2021**	**Proposed Budget FY 2022**
Operating Revenues:				
Investment and Loan Income	85,080,000	75,917,089	(9,162,911)	79,560,000
Servicing Fees	36,127,000	39,835,961	3,708,961	41,133,000
Loan and Other Fees	22,467,000	29,823,897	7,356,897	24,255,000
Total Revenues	**143,674,000**	**145,576,947**	**1,902,947**	**144,948,000**
Operating Expenses:				
Salaries and Related	27,600,000	28,791,436	(1,191,436)	30,327,000
Contract Services	1,238,000	941,746	296,254	1,430,800
Other Expenses	5,872,000	4,969,065	902,935	8,642,200
Total Expenses	**34,710,000**	**34,702,247**	**7,753**	**40,400,000**
Excess of Revenues Over Expenses	**$108,964,000**	**$110,874,700**	**$1,910,700**	**$104,548,000**

FY 2021 Unaudited Budget Results

Operating Revenues

The Corporation's FY 2021 budget projected revenues of $143.67 million, and HDC realized revenues of $145.58 million, a variance of $1.9 million or 1.32%. This result was attributable to three main positive variances:

- Fees from loan originations and refinancings were $7.48 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 other fees relating to certain loan refinancings.
- Servicing fees on HDC loans were $4.25 million higher than budgeted due to an increase in the number of loans in the pipeline that converted to permanent and an increase in other HDC servicing fees received during the year.
- The Open Resolution surplus was $670,000 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 was one large negative variance:

- Investment income on corporate reserves was $10 million lower than budgeted due to a significant decrease in interest rates during the fiscal year as well as slightly less funds under management due to higher mortgage advance amounts during the year. In FY 2021 the average rate of return on the Corporate reserves was 1.08% compared to a return of 1.32% in FY 2020. Additionally, due to the liquidity needs of the Corporation more than 40% of the total funds under management are invested in demand deposits with a weighted average rate of return of 0.33%.

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 2021 operating expense budget was $34.71 million. Actual FY 2021 expenses were $34.7 million, a variance of $7,753 or 0.02%. This result was attributable to the following variances.

Four major positive variances:

- Fringe Benefits – $339,180. This line was under budget due to staff vacancies and lower than anticipated funds needed for health insurance, whose premium increases were lower than anticipated. Dental and unemployment insurances were also lower than anticipated.
- Other Consultants – $329,297. This line item was under budget mainly due to various consulting contracts being delayed due to the pandemic or ending earlier than anticipated.

- Interagency Expenses – $231,810. This line item was under budget due to the timing of the 2021 invoice received from the New York City Department of Investigation ("DOI").
- Wages – $207,446. This line item was under budget mainly due to vacancies during the year.

Offsetting these positive variances was one major negative variance:

- NYCERS – $1,600,000. This line item was over budget. Due to an excess of funds in the 2021 budget, the Corporation paid a portion of its FY 2022 NYCERS estimated appropriation to cover staff's participation in the New York City Employees Retirement System ("NYCERS").

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

FY 2022 Proposed Budget

As the nation finds itself slowly emerging from the COVID-19 global pandemic we also find ourselves dealing with an economy that is trying to recover from the effects of the pandemic while dealing with concerns about inflation and supply chain issues. Despite the uncertainty of the current environment the Corporation has a positive outlook for FY 2022. The Corporation's mortgage portfolio has performed well and loan repayments have returned to pre-pandemic levels. The proposed FY 2022 development pipeline is robust, with great interest in and utilization of HDC's programs. Throughout its history, HDC has had strong financial performances even during turbulent times. It has come out strong despite long stretches of low interest rate environments, the fiscal crisis in 2008 and 2009, and federal uncertainties. Although we cannot predict the effect the pandemic will have on the local or global economy, there is still an expectation of continued solid financial performance for the Corporation.

As we approach the end of the current mayoral administration the Corporation continues its commitment to finance the creation or preservation of affordable housing under the Plan. Since 2014, HDC has contributed to the financing of more than 77,600 affordable homes, accomplished by issuing approximately $14.8 billion in bonds and debt obligations over the past eight years. Overall, since 2003 HDC has financed more than 201,000 affordable homes using over $27 billion in bonds and other debt obligations, and provided in excess of $3.4 billion in subsidy from corporate reserves and other available funds held by the Corporation.

HDC recently expanded our mission to serve as the key financing partner under the *NYCHA 2.0 Permanent Affordability Commitment Together* ("PACT") initiative, a ten-year plan to rehabilitate and preserve 62,000 units of the New York City Housing Authority ("NYCHA") portfolio. In January 2020, HDC launched our inaugural Housing Impact Bond Resolution, which was created exclusively to finance loans specifically for the benefit of New York City's public housing stock. To date, HDC has contributed $1.03 billion in financing, supporting repairs and upgrades at 27 NYCHA campuses comprising 5,065 homes under the PACT program. In addition to assembling the financing, HDC joins NYCHA in providing ongoing asset management for PACT transactions as well.

Additionally, in the summer of 2020, HDC purchased outstanding loan residuals from the New York City Department of Housing Preservation and Development ("HPD"), bringing additional debt and properties into HDC's portfolio and providing financial relief for HPD. This will increase the workload of HDC's Asset Management department in the coming years as the department will be responsible for monitoring compliance with regulatory agreements, loan documents, Federal Low Income Housing Tax Credit regulations and marketing guidelines.

As the key financing partner for HPD and NYCHA, HDC has consistently ranked among the top issuers of multi-family housing revenue bonds. During fiscal year 2021 the Corporation issued \$2.69 billion in bonds and debt obligations to finance a total of 32 developments in a combination of new construction and preservation loans. Over the past eight years HDC's bond issuance has averaged \$1.85 billion while maintaining its AA credit rating. Bonds outstanding at the end of FY 2021 were \$14.5 billion, while at the end of 2014 bonds outstanding was at \$9.2 billion. Along with the bond financings HDC's total assets have doubled over the past eight years. At the end of FY 2021, total assets were at \$24.4 billion compared to \$12.4 billion in 2014. Over the same period net assets have grown from \$2 billion to \$3.7 billion.

While the Corporation continues to flourish, we continue to pay close attention to cost management. Throughout this same period of expanding our mission and partnerships, the staff has grown at a much slower pace than the balance sheet. Staff head count has only increased 18.6% during this time, from 177 in FY 2014 to 210 in FY 2021. The Corporation over the years has strategically implemented small increases in headcount as a result of targeted hiring to reinforce core functions and increased technological efficiencies. Attrition of staff has also contributed to smaller increases in headcount over the past few years.

With the increased workload and increased demands on an organization as successful as HDC, it is time to right size the budget and the staff for not only the current work but also to prepare for the future. With a new incoming Mayoral Administration it is critical that the Corporation is fortified to perform at the high standards and professionalism that bestows HDC's reputation. It is also the right time to build on the future of the Corporation as we prepare for succession planning, which was a key reason HDC's executive staff was recently expanded in October 2021.

Along with the Corporation's long term plan to invest in its employees and technology, there needs to be an investment in its physical space. The Corporation has been at its current location since 1999 and the office space lease expires in November 2022. Although HDC has added some small blocks of square footage on the 9th floor over time, we have ultimately outgrown the current office space. The Corporation has been exploring new office space options to accommodate a growing staff and to take advantage of a down real estate market. Senior management expects to finalize a new office lease in the next couple of months. This year's budget carries some expenditures to prepare for a new office space.

The FY 2022 budget reflects increased expenditures in some budget lines to meet the growing needs explained above, which has led to a larger increase than in years past. Last year's operating budget increased only 0.87%, and for the past eight years the increase to the operating budgets has averaged 3.33%. A strategic challenge then and now is to ensure that the Corporation's growth in assets, projects under supervision and transactions undertaken does not outstrip its staff capacity to manage them. The Corporation is curtailing costs where possible, balancing expenses while maintaining efficiencies, keeping pace with the continuously expanding portfolio its staff is required to oversee, and seeking to maximize its contributions to the City's housing effort. The budget senior management proposes for FY 2022 reflects our balanced and measured response to this challenge.

This budget reflects a conservative expectation of future income, balanced against the needs of supporting both the Housing Plan and the NYCHA PACT Program, as well as the growing needs of the Corporation, all while operating under a post-pandemic economy.

Operating Revenues

The Corporation's revenues are budgeted at $144.95 million in FY 2022. This is a $1.27 million increase from the FY 2021 adopted budget and a $629,000 decrease from the FY 2021 actual budget. The attached schedule shows revenue projections by line item for FY 2022.

The budget to budget increase is largely attributable to an increase in HDC servicing and loan origination fee income as well as an increase to the Open Resolution surplus withdrawal. The increase is largely offset by a forecasted decrease in investment income as the staff expects interest rates to remain quite low.

Each revenue source is discussed in detail in Appendix A.

Operating Expenses

The Corporation's expenses are budgeted at $40.4 million in FY 2022. This is a $5.69 million or 16.39% increase from the FY 2021 adopted budget. The attached schedule shows expense projections by line item for FY 2022. The increase from the FY 2021 budgeted amounts revolves around certain budget lines decreasing or increasing from last year but the overall projected increase as explained above is due to the growth in work, growth in staff and renewal of the office lease.

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

Action by the Members

The Members are requested to approve the Corporation's FY 2022 Operating Budget.

Appendix A

FY 2022 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 2021 results and FY 2022 proposed budget, it will be useful to delineate the various categories of cash received by HDC in its operations.

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

Certain cash receipts are not considered revenues at all under GAAP and therefore are excluded entirely from the Corporation's 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 $144.95 million in FY 2022. Each revenue source is discussed below.

Investment and Loan Income

Investment of Corporate Reserves and Other Funds. The Corporation currently has $5.8 billion of cash and investments under management, but HDC retains the earnings on only a portion of those funds. Earnings on bond proceeds, monies of HPD, reserves for replacement accounts, and bond revenue funds outside the Open Resolution (and in three cases, in the Open Resolution) are all returned to the related party or credited against interest payments due. The Corporation keeps the earnings on its corporate funds and on most of the loan-related escrows it maintains. (The Corporation also keeps most of the earnings on Open Resolution bond revenue deposits, but those earnings are covered below in "Open Resolution Surplus"). Earnings are affected by the level of interest rates, the term of investments and the funds available for investment. In FY 2021, the Corporation realized $16.3 million on investments of corporate reserves and other funds, which was significantly under budget due to a declining interest rate environment and a slight decrease in funds under management. There were less funds under management due to an increase in mortgage advances in the loan portfolio throughout the fiscal year. Staff forecasts investment earnings in FY 2022 to be $15.7 million, a significant decrease from the 2021 budget, but more aligned to 2021 actual income, due to the continued low interest rate environment. The Corporation's Investment Committee has sought to prudently maximize the rates of return on investments in the current markets. Although, the Corporation will make lower investment income than projected, it 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 $3.41 billion total of corporate reserves to make subsidy loans since 2003 and the Corporation currently has a $307 million portfolio of loans as corporate owned mortgages. This lower amount is due to securitizations that have yielded around $1.02 billion in proceeds and $1.54 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 $3.77 million in FY 2021, a slight increase from the budgeted amount. Current portfolio loan schedules indicate $2.6 million interest revenue in FY 2022, a decrease from the FY 2021 budget due to securitization of loans into the Open Resolution thereby removing the loans from the Corporate Services Fund.

Open Resolution Surplus. The Corporation's highly rated Open Resolution is the mainstay of its affordable housing production. Because the Resolution pools a wide range of credits and cash flows, individual risks are mitigated and surplus cash flows from some loans provide needed coverage for the pool as a whole. The amount of surplus fluctuates depending on interest rates, varying mortgage and bond payment schedules, the redemption of bonds, and the unpredictable prepayment of mortgages after the designated lockout period. Asset/liability ratios and debt service coverage are monitored closely by the ratings agencies and are modeled in-house by the Corporation's staff using cfX software. A full cash flow demonstrating capacity to pay scheduled debt service is prepared each time the Corporation issues bonds under the Open Resolution.

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

Based on the cash flow model, and adjusted upward as discussed above, $61.26 million of Open Resolution surplus is included in the FY 2022 budget. This is due to the Corporation's ongoing financing activities in the Open Resolution, as well as expected low interest rates on the variable rate debt backed by fixed rate mortgages, creating an additional interest spread as income. Interest rate caps and swaps, approved by the Members, in addition to the Corporation's large short-term investment portfolio, are hedges should interest rates rise greatly. The FY 2021 cash surplus withdrawal from the Open Resolution was $55.85 million, a slight increase from the budgeted amount of $55.18 million due to the surplus from the Federal Financing Bank mortgage loan participation program with an additional loan added to the pool.

Servicing Fees

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

<u>HDC Loan Servicing</u>. Most loan servicing fees range from 0.11% to 0.25%. Servicing fees for many variable rate projects in recent years have been set on a sliding scale to vary inversely with the interest rate on the bonds. Loan servicing fee income is projected to increase from the FY 2021 budget of $28.73 million to about $34 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. As part of its ongoing financing of the NYCHA PACT program, the Corporation collects servicing fees immediately upon closing. Based on the current pipeline it is estimated that HDC will be funding an additional $743 million in FY 2022. Servicing fees projected for the PACT portfolio are estimated to be $2 million in FY 2022. Additionally, this budget line includes income from servicing fees associated with the Corporation's Preservation Lending Program, mortgage satisfaction fees, and regulatory and compliance monitoring fees.

The FY 2021 actual collection of HDC servicing fees was $32.98 million, including $1.6 million from the two PACT loans financed to date. The FY 2021 total was $4.2 million over the budgeted amount and was due to more loans converting to permanent than anticipated, as well as an increase in HDC consent and transfer fees. Transfer and consent fees are earned on loan prepayments where it is required that HDC gives permission to the mortgagors for refinancing with another institution.

<u>Tax Credit Monitoring Fees.</u> Pursuant to a memorandum of understanding ("MOU") with HPD, HDC is responsible for monitoring low income housing tax credit compliance in accordance with Section 42 of the IRS code for properties financed by HDC that have allocations of 4% tax credits from HPD. Fees are collected during the 15 year compliance period. Currently, the Corporation is collecting fees for 369 HDC financed developments, containing 64,200 units as of FY 2021. In total, including developments in their Extended Use period, HDC is responsible for tax credit monitoring for 456 developments containing approximately 70,200 units as of FY 2021.

The FY 2021 actual collection of tax credit monitoring fees came in on budget. The FY 2022 budgeted amount is based on projections related to the FY 2021 actuals.

<u>HPD Financed Loans</u>. HPD servicing fees are paid solely from investment earnings on funds under administration or, for permanent loans, debt service collections. As most construction loan fees are payable only out of investment income on associated HPD funds, fee income can vary widely depending on the level of HPD funds on hand, as loans are drawn down and new loan funds are transmitted to HDC to be administered. Fee income is also affected by the overall level of interest rates. The FY 2022 budgeted amount of $3.96 million is slightly lower than the FY 2021

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 2021 actuals.

The FY 2021 actual collection of HPD servicing fees was $3.83 million, which was $546,075 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 $10.8 million. To compensate for this pledge, as well as its general enhancement of the 2018 Series B bonds, HDC earns a fee of 1.25% of the outstanding bonds. In FY 2022 the Corporation is projecting to collect $814,000 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 2021, total fees collected in this category were $25.48 million which was $7.48 million more than budgeted due to an increase in bond financing fees collected to cover debt issuance costs that have increased proportionally with an increase in debt issuances. The proposed budget amount is $21.0 million to reflect the anticipated pipeline for the Housing Plan for FY 2022, 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 2022 is $606,000. 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 2021 to be $80,000. Actual costs for reimbursement totaled $40,578 for FY 2021, the difference being related to the timing of invoices for reimbursement with HPD. This year as the resiliency work is winding down, the Corporation is budgeting $60,000.

NYCHA PACT Administration Fee. HDC is using its lending strength, capital markets capacity and staff to assist NYCHA to help preserve and finance the rehabilitation of housing developments in the NYCHA portfolio to provide safe, decent, and affordable housing to New Yorkers. Debt issuance through HDC finances extensive capital improvements which are essential to preserve, modernize and improve the developments and to ensure their viability for current and future generations of NYCHA residents while also still protecting such tenants' rights. As a result of this initiative, HDC created a Public Housing Finance unit within its Development department to develop and lead this undertaking. In addition to this unit, HDC has also dedicated current staff throughout the Corporation to arrange financing, asset manage, and ensure compliance.

The Corporation is paid a fee related to this work. 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 based on headcount (similar to the REMIC fee discussed above). The Corporation generates fee revenue from originating loans, loan servicing and credit enhancement fees as well as spread raised in the bond resolution. The Corporation will use the related portion of this revenue to pay the administration fee to HDC. Corporation revenues related to the lending program in excess of the related fee are expected to stay with the Corporation in a reserve to support the NYCHA lending program and may be used for future lending or related credit enhancement. The actual administration fees collected in FY 2021 were $1.77 million and are forecasted to be similar in FY 2022.

Details of Operating Expenses

The Corporation's expenses are budgeted at $40.4 million in FY 2022. Each expense line item is discussed below.

Salaries and Related Expenses

The Corporation's dedicated and hardworking staff remains the foundation of our success. Careful attention will continue to be paid to ensure that hiring meets the strategic needs of the Corporation for today, and for the future. During many years past, HDC has maintained a steady headcount based on attrition and increased efficiencies in technology, which has been reflected in its financial results. The Corporation over the years has strategically had small increases in headcount as a result of a pattern of targeted hiring to reinforce core functions and to increase efficiencies. This year's budget reflects a 3.8% increase in headcount to meet the demands placed upon many departments throughout the Corporation. Due to our success, as well as planning for future demands on our staff and succession planning for the organization as a whole, the increased headcount is necessary. As mentioned earlier the increased workload is related to the Housing Plan, the NYCHA PACT Program and the outstanding loan residuals purchased from HPD, just to name a few. However, it is prudent to also prepare for potential new demands with an incoming administration and possibly a new or enhanced housing plan.

Wages. This budget line provides for 218 staff positions, including the eight staff participating in the new Housing and Planning Fellowship program, an expansion of the long established HPD/HDC Fellowship Program. The headcount for this year's operating budget includes an increase of eight positions. This increase continues a pattern of targeted hiring to meet the increased workload, reinforce core functions and to increase efficiencies. The Corporation regularly evaluates staff hires throughout the year as some staff members leave or retire. The assessments over the years have sometimes resulted in instances where the replacement of that same position wasn't immediately necessary due to the increased technological efficiencies. There are other instances 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. However, this year's budget addresses the need to right size the staff for the demands placed on it during the past few years.

The budgeted hires include three positions in the Asset Management department, and one each in the Capital Markets, Accounting and Budget, Development, Human Resources and IT departments. Other than the IT position, all of these new hires will be additions to existing staff positions to support the increased workload. The IT position, however, is a new position created as part of HDC's continuing efforts to enhance cybersecurity, and senior management believes it is important to add a cybersecurity analyst position to the IT team. This will enhance HDC's security posture by having an employee dedicated full-time to cybersecurity. Currently this role is shared across several staff, who have many other responsibilities. The cybersecurity analyst will provide a full-time point person to monitor our various cybersecurity systems and proactively respond to any alerts and issues detected by these systems, as well as advance new security projects.

Similar to last year, the proposed budget does not include any specific line amount for staff raises. However, with excess funds available on the salary line in FY 2021 due to vacancies, increases were given to HDC staff who performed exceptionally well and/or who needed to be compensated for pay parity to recent new hires. These increases, albeit contributing to the increase to the budget line this year, were important to retain highly performing staff, especially following FY 2020 when increases were not given to the majority of the staff due to the pandemic. October 2021 also saw the reorganization and expansion of HDC's executive staff, once again to right size the organization due to growth as well as for succession planning.

This year there is a small amount of money available for discretionary promotions, and possibly some merit increases, including senior staff, subject to approval from the HDC Governance Committee. In trying to find a balance between maintaining a high level of performance for a dedicated, highly skilled staff versus the challenge of fiscal responsibility at all levels of government, the Corporation's senior management believes that a discretionary amount used for specific promotions and increases again this year is prudent and necessary.

Actual wage expenses came in under budget for FY 2021 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 2022 although the Corporation has made other efforts to reduce costs in the areas that it can control.

The fringe benefit line shows an increase of almost 5.3% over last year's budget. The increase is mainly attributable to an increase in staff headcount expected for this year. The Corporation participates in the New York State Health Insurance Plan ("NYSHIP") and therefore benefits from the group rates and, although much less costly than other health insurance plans, there is a potential increase of 6% to 8% this year. Last year there was an expectation of an increase of 8% and the increase actually averaged about 3%. Disability and life insurance, as well as our dental and vision insurance carriers have informed us that there will be no increase to the premiums for this year. Every year the Corporation's senior managers diligently monitor its fringe benefit budget and look to reduce costs where possible, including obtaining bids from different insurance carriers through a broker. The Corporation will continue to look for ways to contain costs related to fringe benefits in the upcoming year and beyond.

Although staff did its best to estimate the areas of increases for 2022 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 2021 due to savings in all the detailed line items due to vacancies, especially in health and dental insurance and TSA expenses. Additionally, there were lower than expected increases to insurance premiums at the beginning of the calendar year.

<u>New York City Employees' Retirement System ("NYCERS").</u> 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 a large portion of its 2022 NYCERS estimated appropriation due in December 2021 with the excess of funds available in last year's budget. The 2022 budget includes funds to pay the balance of the appropriation for this year.

<u>Metropolitan Commuter Transportation Mobility Tax ("MCTM Tax").</u> 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 $76,300.

Actual expenditures for this line item for FY 2021 were within budget.

<u>Temporary Staff</u>. This line item includes funds for vacation coverage in targeted positions throughout the Corporation and for potential coverage that may be needed due to unanticipated turnover or employee leave. This year's increase is attributable to an MOU signed in 2021 between HDC and HPD with HDC agreeing to pay for five temporary staff for a total of $330,000 for

HPD's Homeless Placement Services ("HPS") Unit. In May 2021 HPD had requested that HDC take over the homeless placement process for the anticipated 1,000 HDC financed homeless set-aside units becoming available over the next twelve months. HDC researched alternatives to address HPD's staffing capacity issue which included creating a new division at HDC modeled after HPD's HPS group, contracting with a third-party vendor, or increasing capacity at HPD through the hiring of temporary staff. It was determined that funding the temporary staff was the best solution. The FY 2022 budget includes funds to pay for the last half of the agreed to amount in the MOU. This budget line also includes $22,000 for the HDC summer intern program.

Actual expenditures for this line item were over budget in FY 2021. The variance is attributable to paying for the first half of the aforementioned temporary staff for the HPD HPS Unit.

Contract Services

Auditing and Accounting. The figure of $267,000 represents a contracted amount for auditing services from Ernst & Young for the annual financial audit of the Corporation. There is an increase of $9,000 from last year based on the contractual amount.

Actual expenditures for this line item for FY 2021 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 has increased from last year's budget to include funds for outside counsel to assist HDC Legal staff in negotiating, drafting and executing a new office space lease.

The FY 2021 actual expenditures were over budget due to higher than expected fees incurred on the general advice and employee benefits counsel lines.

Annual Report. This budget line provides funds for the design and production of the annual report. For FY 2022 the budget line increased as this year's report will commemorate HDC's 50th anniversary. The Corporation continues to keep costs low in this budget line every year as part of its "going green" efforts to publish the report on the Corporation's website as opposed to printing hard copies. The 50th anniversary edition will provide for some limited printing of hard copies this year which has necessitated the increase to the budget line.

The FY 2021 actual expenditures were over budget for the year due to the timing of payments from the 2020 annual report.

Other Consultants. This budget line provides for any special studies or services which cannot be performed by staff or are short-term in nature and better suited to outside consultants. The consulting budget line has increased 6% from last year mainly due to three new initiatives this year, which have mostly been offset by two initiatives from last year's budget that are no longer needed.

The three new budgeted items to the consulting line this year include funds for an architect, an IT consultant, and a Diversity, Equity and Inclusion ("DEI") consultant. $315,000 has been budgeted for an architect to assist the Corporation in overseeing the buildout of a new office space. Services would include reviewing architectural and engineering drawings provided by the landlord and making recommendations in all aspects of the construction process, design and furniture. It is expected that the buildout of the space will be handled by the landlord and the architect hired by HDC will act as a project manager on HDC's behalf. It is also possible that some or all of the fees for this service could be recouped in FY 2023 through the landlord's cash contribution towards the buildout of new office space, which has yet to be negotiated.

The second new consulting line this year includes funds to migrate our current reporting software over to a new reporting software. HDC has used an Oracle reporting tool, Oracle Discoverer, for over a decade and has built up a large repository of reports. However, Oracle stopped developing this product several years ago and it is now in "sustaining" support. HDC staff have reviewed over 1,200 reports to remove duplicate, closely related and unused reports. The remaining several hundred reports that are actively used will be converted to Oracle's current reporting platform Oracle Business Intelligence Enterprise Edition. The requested funds will be used to hire a consultant to convert the larger, more complicated reports to this platform. The consultant will work full-time on this project and in addition there will be three HDC IT department staff members who will work on converting the smaller reports as their workload permits. $252,000 has been budgeted for this initiative.

The last new consulting service this year is for a DEI consultant to assist the Corporation with its continued DEI initiatives. As HDC's mission directly impacts New York City residents, it is imperative as an organization that we sustain and support a diverse, equitable and inclusive workforce, one that reflects the population we serve. In 2020, HDC collected feedback from staff through Employee Voice Sessions, DEI trainings, and pulse surveys, to capture critical themes and points of feedback pertaining to diversity, equity, and inclusion in the workplace. A DEI consultant will work with HDC's leadership team and the newly formed HDC DEI Council to create a roadmap of next steps and to help HDC integrate DEI principles and best practices into our culture, operations, and practices. $50,000 has been budgeted for this initiative.

The budget line this year also includes funds to continue work with a cybersecurity consultant which was one of the recommendations of an IT assessment in 2019. The goal has been 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. The consultant will be used intermittently throughout the year as advice is needed or issues arise. The consultant will also work closely with the new hire being requested this year for the IT staff. Funds are budgeted at $50,000 for this line item. The Corporation may require additional services on an as-needed basis from year to year to advise the CIO and executive leadership on upcoming regulations, best practices and threats.

This budget line includes funds for consulting services to work with the Corporation and provide advisory services on best ways to engage government leaders to implement federal policies and funding strategies that will enable HDC to strategically support the preservation of New York's public and assisted housing stock. Funds are budgeted at $150,000 for this service.

This budget line also includes $38,000 to provide funds to perform actuarial services for the Other Post Employment Benefits ("OPEB") liability as required by the Governmental Accounting Standards Board ("GASB") Statement #75 which requires all governmental agencies to have their OPEB valuations performed every two years. The budget also includes $50,000 for outsourcing of internal audits that require more technical expertise than our in-house auditors can provide. This was postponed from last year due to the COVID pandemic.

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 $2,500 for the annual fee for our insurance consultant and $1,300 for the annual data compilation for our affirmative action plan.

The actual expenditures for FY 2021 came in under budget mainly due funds not being fully spent on most of the detailed consulting lines, including two initiatives that are no longer needed this year.

Other Expenses

Rent and Utilities. This line, representing 6% of the budget, primarily reflects rental payments, including escalations, for the Corporation's space at 110 William Street. The current lease on the office space expires on November 18, 2022 and the Corporation is working in consultation with its broker to determine the best opportunities available in the financial district area to take advantage of the post pandemic real estate market. Base rent, operating costs and real estate taxes on the current space on the 9th and 10th floors total $199,555 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.

Additionally, $17,000 of the total amount requested for this budget line provides for rent payments and document retrieval costs related to off-site storage space. This line has been kept steady for a few years and reflects the continued efforts to reduce the number of old boxes sitting in storage that can be destroyed in accordance with records retention laws. This effort will continue again this year so that offsite storage costs can continue to be reduced or kept steady in the future, and as the Corporation moves to electronic document storage.

The actual expenditures for FY 2021 came in under budget for the year due to the timing of the last month's rent invoice.

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 decreased by 3.75% this year due to the lasting effects of the pandemic. As the staff returns to the office this year many supplies that weren't used during the pandemic have accumulated, thereby reducing the need for a full year's worth of office supplies. 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 2021 came in significantly under budget for the year due to the pandemic and the gradual return to the office in the latter part of 2021.

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 continue the cloud migration, 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 7.21% of the budget, and has increased from last year's budget which will be explained below. The majority of this line item is related to IT equipment and maintenance, which amounts to $2,745,500 this year, and represents the majority of the increase from last year. There are three 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; (2) renewals of ongoing IT maintenance agreements; and (3) new equipment purchases for a new office space.

The investments in new technology and upgrades for FY 2022 total $280,000, a decrease of $420,000 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 2022, however some projects could be substituted for other initiatives depending on planning or other needs that may occur during the fiscal year.

About $100,000 of the new technology funds will be used to upgrade the backup of the Corporation's data. Following the successful cloud migration over the past two years, IT staff need to review and upgrade our data backup solution. Currently staff are using several different tools and need a unified solution for enhanced security protection against ransomware, reduced storage costs, and efficient management of data archiving for e-discovery, Freedom of Information Law ("FOIL") requests and data retention requirements. Solutions may include a cyber recovery vault and migration of existing backups to a format suitable for long-term storage with less dependency on proprietary software and equipment. Also, as a follow up to the successful cloud migration last year, $43,000 has been budgeted to provide advanced project level assistance, as well as provide backup to HDC staff, from Oracle experts when needed as HDC's IT staff continue to enhance the Oracle cloud environment.

About $107,000 of the new technology funds have been budgeted for two technology solutions to assist both the Development and Asset Management departments, and ultimately the whole Corporation in terms of developing a central data repository. Last year HDC began piloting a new affordable housing development pipeline management and underwriting system for its Development department to replace existing tracking of new and potential projects on spreadsheets. The pilot is continuing through February 2022 and multiple housing developers are participating, with strong results to date. Pending a successful completion of the 12-month pilot, HDC expects to exercise its option to extend the Software-as-a-Service ("SaaS") agreement. Funds are budgeted for system customizations and services not included in the SaaS agreement, based on feedback from the pilot users. For Asset Management, IT staff are currently evaluating a case management solution that would assist HDC staff in leasing, marketing and compliance to manage tenant applications in the system and allow for collaboration with external managing agents through a web portal. During the second half of 2021 staff from both the IT and Asset Management departments started this project and the proof of concept has gone well and is showing good results. Funds have been budgeted to continue this project in FY 2022.

And finally, $30,000 of the new technology funds have been budgeted for other initiatives such as enhancements to firewalls to secure the Oracle and Azure cloud environments, as well as our office network, and the decommission of servers and hardware. As HDC is preparing to move office locations, the plan is to decommission the majority of equipment in the data center since staff has migrated as much as possible to the cloud. As planned, this equipment is reaching end of life and, regardless of an office move, it will need to be removed from the HDC data center and disposed of properly.

The next major IT budget area pertains to renewals of current softwares and hardwares. The bulk of the costs, $1,560,500, 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 $105,000 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. These investments enable the Corporation to continue strengthening our systems, improve our defenses against cybersecurity threats, promote efficiencies, and report on the data.

The last IT budget area for this year is related to the upcoming office move. Funds have been budgeted for $800,000 this fiscal year to cover about 75% of the estimated cost with the remaining amount expected to be covered with the FY 2023 budget.

Given the knowledge that our current lease will be ending in November 2022, staff have been extending the life of existing equipment and deferring replacement as much as possible with the possibility of preparing for an office relocation. Because of this, HDC has achieved significant savings over the last few years, which has kept the IT budget line flat while also allowing the migration to the cloud. The Corporation is now in a position to achieve the goal of decommissioning HDC's current data center upon vacating the 110 William Street offices and shrink the footprint of the remaining portion down to a telecommunications room that will not require a raised floor, special power and backup cooling, or a fire pre-action system, all of which was required in the current data center and is costly each year.

By carefully managing the end of life and replacement dates for equipment, we have also greatly simplified the move by being able to purchase new equipment to be installed directly at the new office location as part of the architectural build out. This has maximized the value of our current equipment. It also minimizes the costs and impracticalities of moving equipment, but also eliminates potential interruptions and delays in service.

There will also be savings in the reduction of square footage needed for all of the IT equipment. Currently HDC has three telecommunications ("telco") closets and one large data center in the current office space. As mentioned, because of the successful cloud migration the data center is no longer needed and will be decommissioned as part of vacating the current space. As a result, it is projected that a new location, depending on size and the floor plate, will need only three or four telco closets. Although a limited number of servers will be needed for utility programs and tools that are not suitable to move to the cloud, it is expected that this equipment will fit in one large telco closet rather than a datacenter, and the other two to three telco closets will be standard in size to hold local switching equipment and patch panels. In addition, all of the switches at the 110 William Street location are due for replacement since the manufacturer no longer offers support for these models, and additional equipment such as routers will also be past their end of life in the coming year. These replacements were deferred the past few years as well in anticipation of possibly vacating the current office space and therefore led to prior years' IT budget lines minimally increasing.

Finally, IT staff have also found a money saving solution by choosing a new cloud-based telephone system that uses Microsoft Teams for voice calling. Staff will have their office phone number assigned to Microsoft Teams and be able to make and receive calls from their work number on a desktop, laptop, tablet or smart phone that runs Microsoft Teams. This high mobility, software-based calling platform removes the need to purchase desktop telephones for the new location, nor build a separate voice network to support those phones, nor provide rack space for the associated technical equipment, all at a cost savings to the Corporation.

With respect to other services in this budget line item not related to IT, $151,500 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 $15,000 for emergency replacement of portable HVACs, water pumps and condenser units in the current computer server room and various computer utility rooms throughout the office to prevent overheating of the equipment.

FY 2021 expenditures came in under budget as there was savings in all the individual lines covered in this budget line including the IT area, 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. Beginning in FY 2020 this line item also covers funds for cyber insurance. The budget line item increased more than 50% this year to align with FY 2021's actual cost of cyber insurance plus a slight increase to the premium that normally occurs with all types of insurance. HDC's CIO has worked with our cybersecurity consultant in evaluating HDC's cybersecurity measures and what insurance coverages are needed. Cyber insurance covers HDC in the event of a cyber-incident such as hacking incidents, viruses, worms and malware, just to name a few. Any of these examples could result in HDC needing to respond internally in the form of data reconstruction, or the need to require external forensic specialists to determine the cause and to help reconstruct data and systems. If outside assistance is needed cyber insurance can cover these costs.

FY 2021 actual expenditures came in over budget. As mentioned above the Corporation first obtained cyber insurance in July 2020 and based the FY 2021 budgeted amount on the 2020 actual costs. However, given the newness of the industry all cyber insurance policy holders incurred larger than expected increases to their premiums. We have been informed by our brokers that rates should stabilize going forward.

Books and Publications. This line item, representing 0.15% of the total budget, ensures that the staff maintains updated resources and continues to stay current on industry trends. This budget line has increased slightly from last year's budget to reflect FY 2021 actuals with some anticipated increases from publishers. Over the years the Corporation has, where practical, switched over to electronic subscriptions to save money.

The actual expenditures for FY 2021 came in slightly under budget due to the timing of some subscriptions with the end of the budget year.

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 been kept steady from last year's budget. As staff return to the office on a full-time basis there is an expectation that transportation needs will return to normal.

The actual expenditures for FY 2021 came in significantly under budget due to the pandemic and a correlated reduction in travel and overtime as staff worked from home on an intermittent basis throughout the year.

Training and Conferences. This budget line, representing 0.7% of the total budget, provides funds for continued staff training and costs associated with the National Association of Local Housing Finance Agencies ("NALHFA") and National Council of State Housing Agencies ("NCSHA") conferences, as well as other conferences and seminars. Also included in this line item is $5,000 for legislative travel to Washington D.C. for the President, Executive Vice Presidents, and other specific staff members. HDC senior staff will continue to pay particular attention to legislative and programmatic matters in Washington with the current administration.

This line also includes $161,000 for HDC's employee development program to assist the staff in their professional growth. This includes funds for tuition reimbursements and professional credit requirements, as well as funds for employee and technical skills development through classes both virtually and on- and off-site. This line allows for specific on-site and virtual departmental wide training in financial statement analysis and tax credit training, as well as corporate wide training in broad areas such as communications, management and leadership, DEI and EEO, and an executive staff retreat, just to name a few. HDC's external auditors have highly recommended further investment in staff development through continuing professional education. Although still not at pre-pandemic levels, this budget line has increased about 12% from last year as we start to emerge from the pandemic and return to some sense of normalcy, including the expectation of some travel beginning in the spring of 2022.

FY 2021 expenditures were significantly under budget due to the pandemic and related travel restrictions.

<u>Memberships</u>. This budget line provides funds for annual membership fees for NCSHA, NALHFA, National Low Income Housing Coalition, National Leased Housing Association, the National Low Income Housing Coalition, the National Association of Affordable Housing Lenders, the Citizens Housing and Planning Council, the New York Housing Conference, and various other organizations to assist the staff in their professional growth, and maintain HDC's position in the policy discussions surrounding affordable housing. This budget line has increased slightly as some memberships have increased their fees for the first time in a few years and there has been an increase in HDC staff members.

FY 2021 expenditures came in under budget mainly due to the timing of some membership payments with the end of the fiscal year.

<u>Employment Agency Fees/Ads</u>. This line provides funds needed to fill positions through trade journal and on-line internet postings. In 2020 the Corporation added an on-line subscription recruiting service to its toolbox to assist and expand the universe of employee recruiting. Funds for this service were increased slightly this year as usage has become more normalized. This year's budget includes funds for a new candidate applicant tracking platform which will assist the Corporation's Human Resources department to proactively support HDC's existing diversity, equity and inclusion initiatives.

<u>Furniture</u>. This line provides funds for workstations, office furniture, conference room furniture, filing cabinets, bookcases, chairs and some smaller miscellaneous furniture throughout the entire office space. Due to the aforementioned office move, funds will be needed to purchase workstations and office furniture for staff in the new space. As a state public benefit corporation, HDC is eligible to purchase furniture through the New York State Office of General Services contract at a 50-70% discounted rate and intends to take advantage of that. HDC staff plan to retain most of the newer file cabinets, chairs, conference room tables, guest seating and other furnishings that are in the current workspace and move them to the new office space. The estimated cost of purchasing, delivering and installing new workstations and office furniture is $2,500,000 with about 75% of the estimated cost being budgeted this year and the balance being covered in the FY 2023 budget. However, it is possible that some of the outlay of furniture could be recouped in FY 2023 through the landlord's cash contribution towards the buildout of new office space, which has yet to be negotiated.

It should be noted that most of the current workstations and furniture in the staff offices will be over 23 years old when the lease matures, are well worn and have been discontinued by the manufacturer. If not for the office space move, a majority of the furnishings were due to be replaced in the near future.

The FY 2021 budget of $5,000 for minor purchases was not used.

Leasehold Improvements. This budget line normally provides funds for smaller renovations throughout the office space during the year to maximize space when needed or to make any major repairs to the infrastructure. This budget line has decreased significantly over the past three years as we wind down on the current lease at 110 William Street and therefore the need for renovations has been suspended unless it is absolutely necessary. Last year the Corporation retained a broker to work with HDC senior staff to analyze options for the next operating lease, whether at its current location or a nearby location. Senior management expects to make a decision in the next couple of months.

FY 2021 actual expenditures came in under budget as funds weren't needed for any repairs or 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 2021 actual expenditures came in under budget due to a delay in receiving the 2021 invoice for services.

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 2021 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 slightly from last year's budget as we expect to get back to in person attendance at events post pandemic. This year's budget includes funds for HDC to host the annual NALHFA conference in New York City, which was postponed in 2020 due to the pandemic.

This budget line includes $10,000 in funds to accommodate some ancillary expenses for our collaborative work with HPD. Some of these expenses include orientation costs for the Housing and Planning Fellows, training, attendance at housing functions, and other HPD staff appreciation events. This line is also used to fund HDC sponsored events such as the annual holiday party, which had been canceled for the past two years, and the annual summer outing. Additionally, a total of $31,000 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 2021 actual expenditures came in under budget due to the postponement of many events due to the pandemic.

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 also includes funds for the outsourcing of the flex spending account program ("FSA") offered to HDC employees as well as funds for background checks conducted on potential employees who are offered positions in the Corporation. And lastly, this line includes funds for a subscription to research salary comps. This budget line has increased about 9% this year due to an increase in the number of background checks that will be needed as we hire to fill vacancies.

FY 2021 expenditures came in under budget due to less than expected payroll charges and background fees as hiring was slower during the pandemic.

Appendix A Schedules

New York City Housing Development Corporation
Requested Budget Summary
Fiscal Year 2021/2022

	Adopted Budget FY 2021	Projected Actual FY 2021	Variance FY 2021	Requested Budget FY 2022
REVENUES				
Fees	$ 58,594,000	$ 69,659,858	$ 11,065,858	$ 65,388,000
Investment and Loan Income	85,080,000	75,917,089	(9,162,911)	79,560,000
TOTAL REVENUES	**$ 143,674,000**	**$ 145,576,947**	**$ 1,902,947**	**$ 144,948,000**
EXPENSES				
Salaries and Related Expenses	$ 27,600,000	$ 28,791,436	$ (1,191,436)	$ 30,327,000
Contract Services	1,238,000	941,746	296,254	1,430,800
Other Expenses	5,872,000	4,969,065	902,935	8,642,200
TOTAL EXPENSES	**$ 34,710,000**	**$ 34,702,247**	**$ 7,753**	**$ 40,400,000**
EXCESS OF REVENUES OVER EXPENSES	**$ 108,964,000**	**$ 110,874,700**	**$ 1,910,700**	**$ 104,548,000**

New York City Housing Development Corporation
Revenue Budget Summary
Fiscal Year 2021/2022

Revenues **Fee Income**	**Adopted Budget FY 2021**	**Actual FY 2021**	**Variance FY 2021**	**Requested Budget FY 2022**
Servicing Fees				
HDC Financed Mortgage Loans	$ 28,732,000	$ 32,979,755	$ 4,247,755	$ 34,000,000
Tax Credit Monitoring Fees	3,020,000	3,027,281	7,281	3,173,000
HPD Financed Loans	4,375,000	3,828,925	(546,075)	3,960,000
Sub-total Servicing Fees	36,127,000	39,835,961	3,708,961	41,133,000
Other Fees				
Credit Enhancement Fees	1,915,000	1,957,563	42,563	814,000
Loan Originations & Refinancings	18,000,000	25,479,458	7,479,458	21,000,000
REMIC Administration Fee	572,000	572,000	0	606,000
CDBG-DR Funds	80,000	40,578	(39,422)	60,000
NYCHA PACT Admin Fee	1,900,000	1,774,299	(125,701)	1,775,000
Sub-total Other Fees	22,467,000	29,823,897	7,356,897	24,255,000
Total Fees	**$ 58,594,000**	**$ 69,659,858**	**$ 11,065,858**	**$ 65,388,000**
Investment and Loan Income				
Investment of Corporate Reserves	$ 26,300,000	$ 16,297,095	$ (10,002,905)	$ 15,700,000
Corporate Owned Mortgages	3,600,000	3,769,946	169,946	2,600,000
Open Resolution Surplus, net of expenses	55,180,000	55,850,049	670,049	61,260,000
Total Investment and Loan Income	**$ 85,080,000**	**$ 75,917,089**	**$ (9,162,911)**	**$ 79,560,000**
TOTAL REVENUES	**$ 143,674,000**	**$ 145,576,947**	**$ 1,902,947**	**$ 144,948,000**

New York City Housing Development Corporation
Expense Budget Summary
Fiscal Year 2021/2022

	Adopted Budget FY 2021	Actual FY 2021	Variance FY 2021	Requested Budget FY 2022
SALARIES & RELATED EXPENSES				
WAGES	20,255,300	20,047,854	207,446	22,347,800
FRINGE BENEFITS	6,841,000	6,501,820	339,180	7,202,900
NYCERS	400,000	2,000,000	(1,600,000)	500,000
MCTM TAX	68,700	67,133	1,567	76,300
TEMPORARY STAFF	35,000	174,629	(139,629)	200,000
SUBTOTAL	27,600,000	28,791,436	(1,191,436)	30,327,000
CONTRACT SERVICES				
AUDITING & ACCOUNTING	258,000	258,000	-	267,000
LEGAL CONSULTANTS	60,000	79,443	(19,443)	170,000
ANNUAL REPORT	30,000	43,600	(13,600)	50,000
OTHER CONSULTANTS	890,000	560,703	329,297	943,800
SUBTOTAL	1,238,000	941,746	296,254	1,430,800
OTHER EXPENSES				
RENT & UTILITIES	2,460,000	2,253,915	206,085	2,427,000
OFFICE EXPENSES	299,000	124,590	174,410	287,800
EQUIPMENT & MAINTENANCE	2,133,000	2,049,720	83,280	2,912,000
INSURANCE	141,000	205,666	(64,666)	220,000
BOOKS & PUBLICATIONS	55,900	48,081	7,819	61,200
TRANSPORTATION	15,000	1,650	13,350	15,500
TRAINING & CONFERENCE	251,000	88,364	162,636	281,300
MEMBERSHIPS	86,000	73,037	12,963	95,000
EMPLOYMENT AGENCY FEES/ADS	18,100	15,405	2,695	30,000
FURNITURE	5,000	-	5,000	1,902,500
LEASEHOLD IMPROVEMENTS	10,000	-	10,000	-
INTERAGENCY EXPENSES	250,000	18,190	231,810	260,000
MARKETING	12,000	3,064	8,936	5,000
CORPORATE EVENTS	62,000	34,449	27,551	64,000
BANK & OTHER SERVICE FEES	74,000	52,934	21,066	80,900
SUBTOTAL	5,872,000	4,969,065	902,935	8,642,200
TOTAL OPERATING EXPENSES	34,710,000	34,702,247	7,753	40,400,000

"MCTM Tax" = Metropolitan Commuter Transportation Mobility Tax