

Request for Action
by
Board of Commissioners

**Approval of Fiscal Year (FY) 2023 Operating Budget
and Staffing Changes**

A. Summary of Action

This Request for Action (RFA) is for approval of the proposed FY 2023 Operating Budget and Staffing Changes, which reflects an increase of four FTEs across the organization to administer new programs, manage significant increases in funding of existing programs, and provide continuous operational support for critical business functions. These staff positions may fluctuate depending on the specific needs and funding cycles of various programs.

B. Discussion

The operating budget reflects forecasts incorporating current and expected economic and market conditions. Despite some market challenges, the budget shows the corporation's continued financial strength and dedication to housing with net revenue over expenditures (Net Income) of \$5.3 million. This is a decrease from prior year's budget of \$8.3 million.

We expect a decrease in homeownership programs based on the high interest rate environment, high real estate prices and low inventory throughout the state. We will continue to work on programs to offset these factors, including down payment assistance, and expanded education and outreach to homebuyers.

For multi-family rental development, we anticipate an increase in the number of new units produced. This is due to new housing development programs created by the State from the American Rescue Plan Act (ARPA) and increased funding for existing federal programs that we administer.

Operating expenses reflect increases relating to administration of the new federal grant programs, which is offset by fees for reimbursement of those costs. The budget also reflects various capital expenses including server replacements for information technology and HVAC system upgrades. Personnel expenses include merit increases for staff along with the addition of four new positions.

Executive Division

Staff recommends the establishment of a new permanent position of Director of Strategic Initiatives and Partnerships at a Grade 19 with a salary range of \$111,300 - \$161,000. The position will report to the Chief Strategy and Innovation Officer. The Director of Strategic Initiatives and Partnerships will work collaboratively with state agencies, nonprofits, partners, and community stakeholders to develop and execute highly strategic, innovative, and collaborative new approaches to address gaps in housing policies for homeless, low income and special needs populations in Rhode Island.

Staff recommends the addition of two new permanent positions in the Information Technology Division - a Client Services Engineer and an Operations Support Specialist. The Client Services

Engineer will provide staff with a high level of on-site customer service to triage technical issues. The Operations Support Specialist is an entry level resource who will work across business lines to ensure continuity of operations. The Specialist will focus initial efforts in the Loan Servicing Division by providing technical back-up, preparing technical documentation of processes and procedures, and assisting in automation of processes. Both positions are at a Grade 9, with a starting salary of \$64,200.

Finance Division

Staff recommends a new permanent position of Accounting/Compliance Manager, Federal Programs, be established to support federal programs. This position will be responsible for the accounting and financial reporting requirements for various federal grant programs, including programs established under the Coronavirus Aid, Relief, and Economic Security (CARES) Act and ARPA. The Manager will lead the formulation and implementation of accounting and financial management policies, procedures and standards, training programs, and monitoring of laws, guidelines, and regulations to ensure compliance with program requirements. This position is established at a Grade 13, with a salary range of \$80,000 to \$116,000.

Attached hereto as Attachment A is a detailed presentation of the FY 2023 operating budget.

C. Recommendation

The attached resolution pertaining to the approval of the FY 2023 operating budget and staffing changes is recommended for adoption.

D. Attachments

- A. FY 2023 Operating Budget Presentation
- B. Resolution



Attachment A

MEMO

To: Board of Commissioners
From: Carol Ventura
Date: August 18, 2022
Subject: FY 2023 Budget

Attached for your review and approval is the proposed fiscal year 2023 budget detailing projected revenues and expenses for the upcoming year.

The highlights in this year's budget are:

- Continued administration of COVID related Federal programs, resulting in increases in operating expenses and staffing.
- Decrease in income from loan sales, due to fluctuating rates and investor demand in the secondary market.
- Decrease in Homeownership loan production based on high interest rate environment, high housing values and low inventory.

The proposed budget for FY23 projects bottom line Net Revenue of \$5.3 million. This is a decrease over the prior year Net Revenue budget of \$8.3 million.

Net Interest Income (the spread between our mortgage rates and our borrowing rates) is the largest component of revenues and reflects a small decrease from prior year budget. This is due to bond issuance costs. Single family production is estimated at \$420 million with 80% funded through tax-exempt bond financing and 20% through the TBA market. This results in lower current year earnings reflected in the Gain on Sale of Loans.

Fee income reflects adjustments relating to administration of new Federal programs. We anticipate the close out of the Rental Assistance program and implementation of new housing production programs for rental development. The fees are reimbursement for the increase in operating expenses of staffing and administration for these programs.

The budget includes an increase in the provision for loan losses of \$1 million. Although the majority of our loans are insured, and we have adequate reserves to cover first mortgages, we believe there will be some ancillary losses in second mortgage products.

We continue to fund critical housing programs that include rental assistance, community development programs and downpayment assistance for non-mrb homebuyers.

A continued focus for the upcoming year will be the administration of Federal grant programs including Emergency Rental Assistance, Homeowner Mortgage Assistance and new programs for Housing Production and Preservation. The budget reflects increased staffing, and operating expenses to manage these programs. Our traditional operating expenses reflect a merit increase for staff, DEI initiatives and implementation of software applications in the Development and Asset Management Divisions.

RIHousing
Revenue and Expenses
(\$'s in thousands)

	Budget	Forecast	Budget	2023 Budget vs.		2023 Budget vs.		Comments
	2022	2022	2023	2022 Budget		2022 Forecast		
				\$	%	\$	%	Below
Net Interest Income (includes other bond related costs)	\$ 27,681	\$ 26,502	\$ 26,793	\$ (888)	-3%	\$ 291	1%	1
Fee Income	29,686	39,296	28,103	(1,583)	-5%	(11,193)	-28%	2
Gain on Sale of Loans	6,506	5,256	4,018	(2,488)	-38%	(1,238)	-24%	3
Sub Total Revenue	63,873	71,054	58,914	(4,959)	-8%	(12,140)	-17%	
Loan Losses and Expenses	(3,000)	(3,693)	(1,000)	2,000	-67%	2,693	-73%	4
Programmatic Expenses	(4,610)	(2,942)	(2,700)	1,910	-41%	242	-8%	5
Operating Expenses	(48,238)	(54,676)	(49,843)	(1,605)	3%	4,833	-9%	6
Net Revenue	\$ 8,025	\$ 9,743	\$ 5,371	\$ (2,654)	-33%	\$ (4,372)	-45%	

1 Decrease related to costs of additional bonding

2 Fluctuations due to administration of new Federal Grant programs

3 Decrease from fewer loan sales, based on secondary market conditions

4 Large increase to allowance not needed

5 Consistent with FY22 forecast

6 Fluctuations due to administration of new Federal Grant Programs, merit increase and technology initiatives

**RIHousing
Program Budget FY23**

	<u>Budget 2022</u>	<u>Forecast 2022</u>	<u>Budget 2023</u>	<u>2023 Budget vs. 2022 Budget</u>	
Preventing Homelessness					
State Rental Assistance and Operating Subsidies	215,000	156,053	150,000	(65,000)	-30.2%
Road Home Rental Assistance	1,000,000	805,786	800,000	(200,000)	-20.0%
Home Safe	200,000	-	-	(200,000)	-100.0%
Neighborhood Opportunities Program	200,000	250,268	200,000	-	0.0%
"New Lease" Program	50,000	-	-	(50,000)	-100.0%
	1,665,000	1,212,107	1,150,000	(515,000)	-30.9%
Support for Community Development Activities					
LISC NDF	300,000	300,000	300,000	-	0.0%
	300,000	300,000	300,000	-	0.0%
Community Support Programs					
Digital Equity Initiative	450,000	112,618	-	(450,000)	-100.0%
Community and Housing Development Program	570,000	281,413	500,000	(70,000)	-12.3%
	1,020,000	394,031	500,000	(520,000)	-51.0%
Homeownership					
Down Payment Assistance	1,125,000	830,000	500,000	(625,000)	100.0%
	1,125,000	830,000	500,000	(625,000)	-55.6%
MultiFamily					
Zero Energy for Ocean State (ZEOS)	500,000	205,776	250,000	(250,000)	-50.0%
	500,000	205,776	250,000	(250,000)	-50.0%
Total Programs	\$ 4,610,000	\$ 2,941,914	\$ 2,700,000	\$ (1,910,000)	-41.4%



2023 Program Budget Descriptions

Preventing Homelessness

State Rental Assistance and Operating Subsidies: Rental assistance payments on behalf of residents of developments with prior commitments from the State of Rhode Island.

RoadHome: Rental assistance to house homeless families and individuals.

Neighborhood Opportunities Program: Operating subsidies for developments that provide discounted rents to tenants with very low income and/or special needs. Previously funded by the State.

Support for Community Development Activities

LISC/NDF: Funding for the LISC Neighborhood Development Fund which provides assistance to Community Development Corporations.

Community Support Programs

Community Development and Housing Program: Technical support for management agents, funding for resident services and projects that support RIHousing funded developments, and financial and budgeting counseling for first-time homeowners.

Homeownership

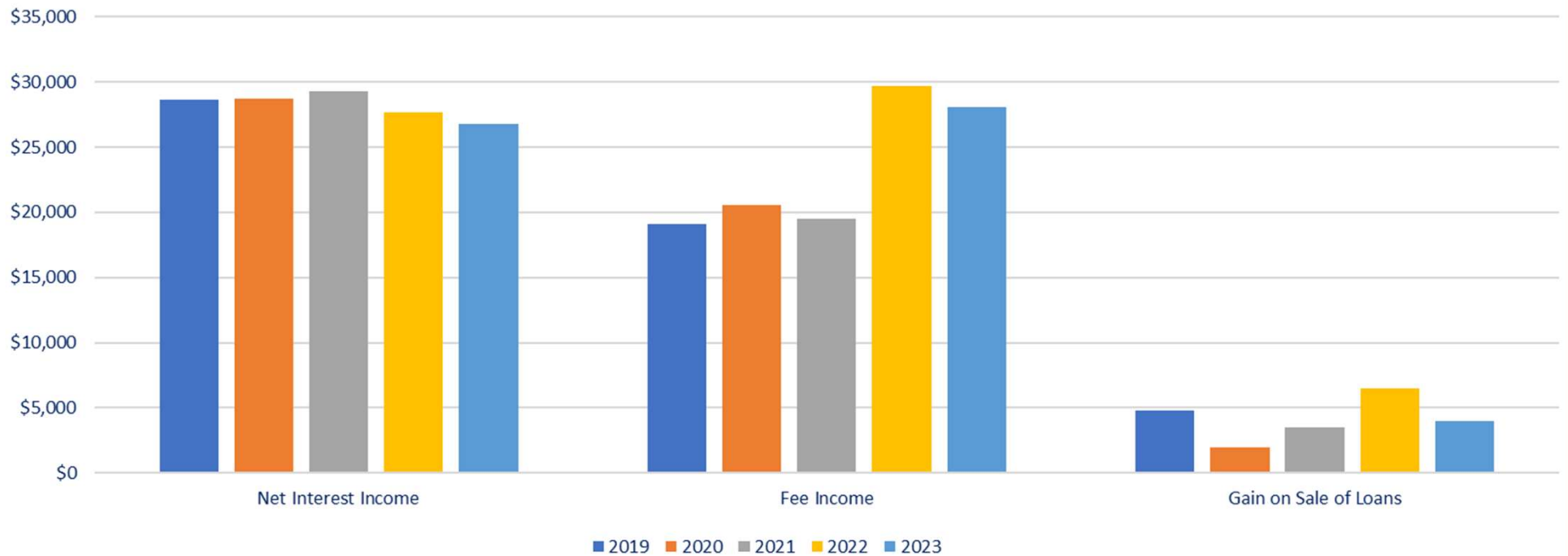
Downpayment Assistance: Funding for \$10K Downpayment Assistance program for first time homebuyers not funded through mortgage revenue bonds.

Multifamily

Zero Energy for Ocean State (ZEOS): Pilot program to promote cost effective energy conservation in buildings and housing units in coordination with the RI Office of Energy Resources

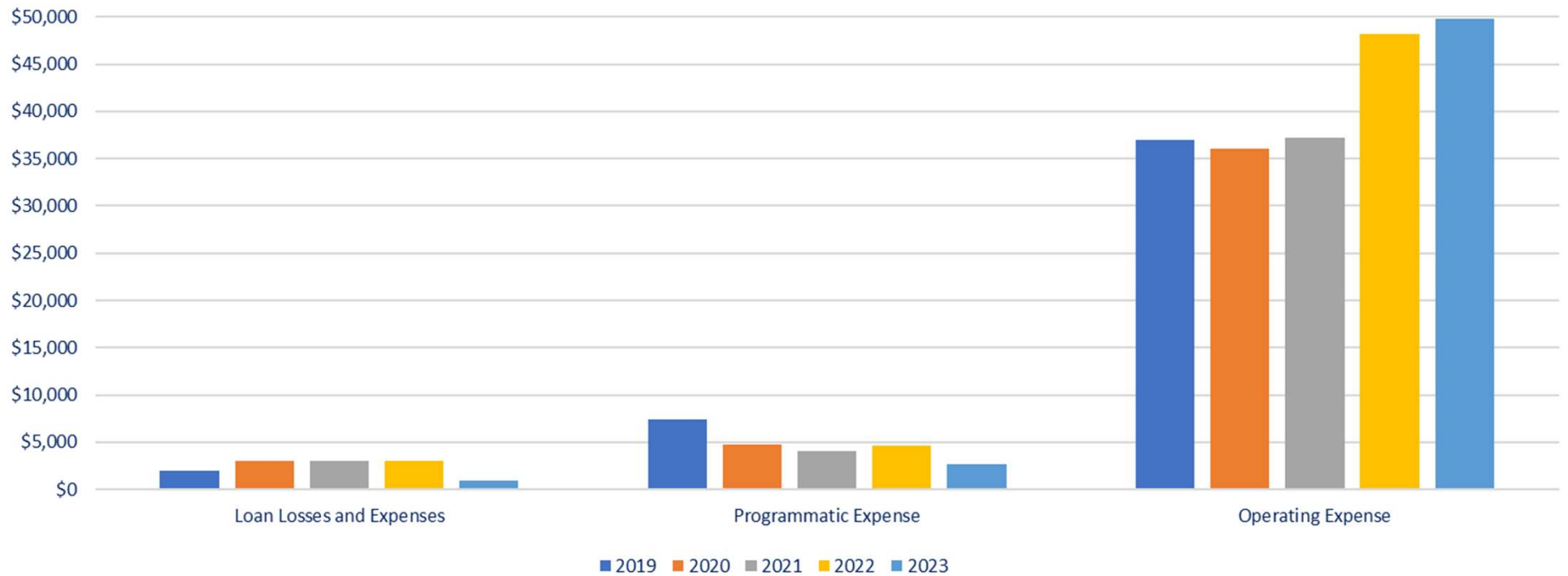
Budgeted Revenue

RIH - BUDGETED REVENUE
Fiscal Years 2019 - 2023



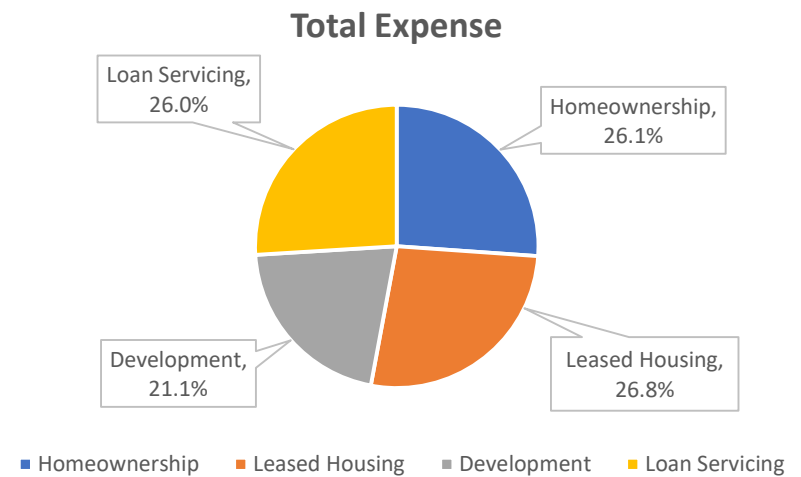
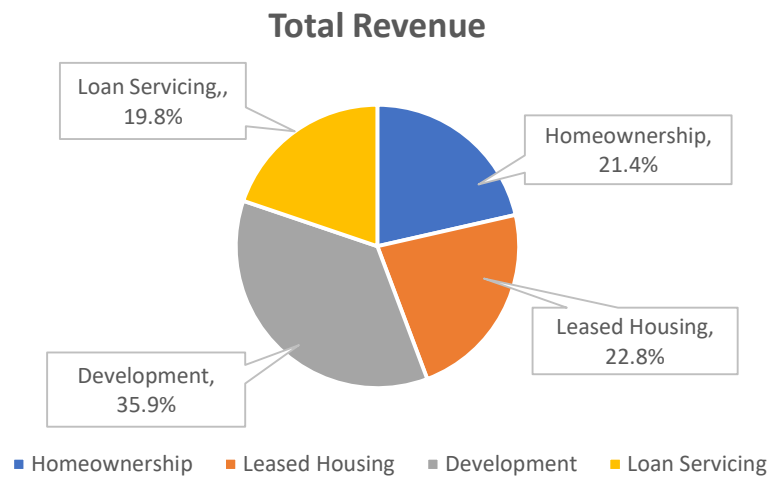
Budgeted Expense

RIH - BUDGETED EXPENSE
Fiscal Years 2019 - 2023



FY 2023

Revenue/Expense by Division



Attachment B

Resolution of the Board of Commissioners of Rhode Island Housing and Mortgage Finance Corporation

- Whereas,** Pursuant to the provisions of the Rhode Island Housing and Mortgage Finance Corporation Act, Chapter 55 of Title 42 of the Rhode Island General Laws, Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”) has the authority to adopt an annual budget and disburse funds; and
- Whereas,** the Management Committee of the Board of Commissioners (the “Committee”) provided the opportunity for the staff to present and discuss the proposed FY 2023 operating budget; and
- Whereas,** staff recommended that the proposed FY 2023 operating budget and staffing changes be presented to the Board of Commissioners for approval and adoption.

NOW, THEREFORE, IT IS HEREBY:

- Resolved,** that the proposed FY 2023 Operating Budget and Staffing Changes of RIHousing as presented to the Committee and as set forth at Attachment A are hereby approved; and
- Resolved,** that the Executive Director, the Deputy Executive Director, and the Chief Financial Officer, each acting singly, be and hereby are authorized, empowered, and directed to take any and all actions they shall deem necessary or advisable to carry out the foregoing resolution.