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Equal Opportunity Housing and Equal Opportunity Employment

DATE: February 14, 2014

TO: The Honorable Karen Clark
State Representative
477 State Office Building

The Honorable David Tomassoni
State Senator
317 Capitol Building

The Honorable Lyndon Carlson
State Representative
479 State Office Building

The Honorable Richard Cohen
State Senator
121 Capitol Building

CC: Ron Soderberg, Fiscal Analyst
322 State Office Building

Dave Jensen, Fiscal Analyst
G-17 Capitol

Elisabeth Hammer, Exec. Budget Officer
MMB - 400 Centennial

Lauren Gilchrist, Policy Advisor
Office of the Governor - 130 State Capitol

FROM: Mary Tingerthal, Commissioner

SUBJECT: 2013 Operating Costs Report

I am submitting the attached Operating Costs Report For FY 2013 and Budget Plan For FY 2014 for the Minnesota Housing Finance Agency (MHFA), pursuant to Minn. Stat. § 462A.20, subd. 4. Several elements of the report are worth noting. First, over half of the difference in year-to-year expenditures for salaries and benefits can be attributed to cost of living increases: a FY2013 increase that was annualized for FY2014 and a FY2014 increase. Second, a portion of the Agency's computer equipment is reaching the end of its useful life and is being replaced in FY2014; these types of purchases are cyclical in nature.

In FY2013, Minnesota Housing provided \$781.8 million in assistance to Minnesota households – the largest amount during the nine year reporting period shown. The ratio of operating expenses to assistance provided in FY2013 is 3.30%.

Also enclosed is the Agency's 2013 Financial Report, which includes the audited financial statements for all of the Agency's funds. An independent certified public accounting firm audits the Agency's financial statements every year. The procedures used to audit the Agency's administrative expenses are primarily analytical in nature. For the larger individual amounts included in the salaries and benefits and other general operating expense lines, comparisons are made to the prior year. Large fluctuations, if any, are identified, reviewed and assessed for reasonableness. The total amount of payroll is consistent with the Agency's payroll records. The 2013 Financial Report fulfills the statutory requirement that the financial statement include information on expenditures and receipts relating to debt issuance and administration, and loan origination and administration.

If you have any questions, please contact me at (651) 296-5738 or mary.tingerthal@state.mn.us or Tonja Orr at (651) 296-9820 or tonja.orr@state.mn.us.

MINNESOTA HOUSING FINANCE AGENCY
OPERATING COSTS REPORT FOR F.Y. 2013 AND BUDGET PLAN FOR F.Y. 2014
SUBMITTED PURSUANT TO M.S. 462A.20, Subd. 4
DATED: FEBRUARY 14, 2014
(Dollars in Thousands)

<u>Operating Costs</u>	FY 2013		FY 2014		Under (Over) Budget	Estimated Yr over Yr Increase (Decrease) in Expendits				
	Budgeted Expendits	Actual Expendits	Budgeted Expendits	Actual Expendits through 12/31/2012			Estimated Expendits for the Full Year			
Salaries and Benefits (NOTE A)	19,699	19,546	20,777	9,681	20,951	(174)	1,405			
Rents and Utilities	1,221	1,212	1,206	597	1,200	6	(12)			
Repairs, Alterations, Maintenance	72	131	77	12	41	36	(90)			
Printing and Advertising	324	104	128	19	90	38	(14)			
Professional/Technical Services	2,040	1,372	1,842	407	1,342	500	(30)			
Computer and Systems Services	1,120	1,623	1,601	127	1,601	0	(22)			
Communications	230	173	175	55	142	33	(31)			
Travel and Subsistence, Instate	190	157	186	82	173	13	16			
Travel and Subsistence, Out of State	176	120	173	68	147	26	27			
Supplies	363	178	333	63	250	83	72			
Equipment (NOTE B)	287	214	577	65	500	77	286			
Employee Development	388	207	380	150	313	67	106			
Other Operating Costs	273	286	223	164	217	6	(69)			
State Indirect Cost Billings	159	114	116	27	110	6	(4)			
Attorney General Costs	<u>342</u>	<u>339</u>	<u>338</u>	<u>177</u>	<u>355</u>	<u>(17)</u>	<u>16</u>			
Total, Agency Operating Costs	26,884	25,776	28,132	11,694	27,432	700	1,656			
<u>Assistance Provided</u>		<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>
Total Assistance Provided by the Agency (NOTE C)		637,314	717,616	744,983	669,756	444,237	717,375	726,979	638,307	781,838
Operating Costs as a % of Assistance Provided		3.16%	2.96%	3.06%	3.58%	5.67%	3.41%	3.21%	3.73%	3.30%

FOOTNOTES TO OPERATING COSTS REPORT FOR F.Y. 2013 AND BUDGET PLAN FOR F.Y. 2014

THE FOLLOWING COMPARISONS ARE BETWEEN THE ESTIMATED EXPENDITURES FOR FY 2014 AND THE ACTUAL EXPENDITURES FOR FY 2013. THE EXPENDITURE CATEGORIES NOTED ARE THOSE FOR WHICH THE YEAR-OVER-YEAR CHANGE EXCEEDS 0.5% OF THE CURRENT YEAR'S TOTAL BUDGET.

NOTE A, Salaries and Benefits. More than one-half of the difference between actual salary and benefits costs in FY2013 and estimated costs in FY 2014 is due to cost of living increases. The balance of the difference is due primarily to a budgeted increase in the number of FTEs.

NOTE B, Equipment. The increase in the Equipment account is directly related to computer servers and data structure equipment purchases to replace equipment that was at the end of its useful life. These types of expenditures are cyclical in nature

NOTE C, Assistance Provided. The assistance provided figures are from the Agency's annual Program Assessment Report that is submitted to the Legislature each year. The assistance figures are for a federal fiscal year ended September 30