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Equal Opportunity Housing and Equal Opportunity Employment

DATE: February 13, 2015

TO: The Honorable Pat Garofalo
State Representative
405 State Office Building

The Honorable David Tomassoni
State Senator
G-9 Capitol Building

The Honorable Jim Knobloch
State Representative
453 State Office Building

The Honorable Richard Cohen
State Senator
301 Capitol Building

CC: Henriët Hendriks, Fiscal Analyst
370 State Office Building

Dan Mueller, Fiscal Analyst
549C Centennial Office Building

Elisabeth Hammer, Exec. Budget Officer
MMB - 400 Centennial

Allison Jones, Policy Advisor
Office of the Governor – Veterans Service Building

FROM: Mary Tingerthal, Commissioner

SUBJECT: 2014 Operating Costs Report

I am submitting the attached Operating Costs Report For FY 2014 and Budget Plan For FY 2015 for the Minnesota Housing Finance Agency (MHFA), pursuant to Minn. Stat. § 462A.20, subd. 4. Several elements of the report are worth noting. First, the difference in year-to-year expenditures for salaries and benefits can be attributed primarily to cost of living increases and progression increases for those that are eligible. Second, the difference in year-to-year expenditures for professional and technical services is due primarily to the low expenditures in FY2014 which were the result of delays in engaging contractors for technology projects that were projected to occur in 2014 and are now expected to occur in FY2015. Third, the increase in equipment is due to the purchases of computer servers and data structure equipment that are cyclical in nature based on useful life.

In FY2014 Minnesota Housing provided \$754.1 million in assistance to Minnesota households. The ratio of operating expenses to assistance provided in FY2014 is 3.55%.

Also enclosed is the Agency's FY2014 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 FY2014 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 Ryan Baumtrog at (651) 296-9820 or ryan.baumtrog@state.mn.us



OPERATING COSTS REPORT FOR F.Y. 2014 AND BUDGET PLAN FOR F.Y. 2015
SUBMITTED PURSUANT TO M.S. 462A.20, Subd. 4 - DATED: FEBRUARY 13, 2015
(Dollars in Thousands)

	FY 2014		FY 2015				Estimated Yr over Yr Increase (Decrease) in Expendits
	Budgeted Expendits	Actual Expendits	Budgeted Expendits	Actual Expendits through 12/31/2014	Estimated Expendits for the Full Year	Under (Over) Budget	
Operating Costs							
Salaries and Benefits (NOTE A)	20,777	21,123	22,864	10,400	22,757	107	1,634
Rents and Utilities	1,206	1,215	1,234	616	1,234	0	19
Repairs, Alterations, Maintenance	77	94	89	25	55	34	(39)
Printing and Advertising	128	71	173	62	93	80	22
Professional/Technical Services (NOTE B)	1,842	781	2,404	474	2,000	404	1,219
Computer and Systems Services	1,601	1,632	1,380	188	1,380	0	(252)
Communications	175	148	136	50	118	18	(30)
Travel and Subsistence, Instate	186	189	205	94	195	10	6
Travel and Subsistence, Out of State	173	143	194	74	159	35	16
Supplies	333	146	345	74	226	119	80
Equipment (NOTE C)	577	191	393	99	393	0	202
Employee Development	380	332	400	141	365	35	33
Other Operating Costs	223	264	229	190	249	(20)	(15)
State Indirect Cost Billings	116	106	137	67	134	3	28
Attorney General Costs	338	355	355	177	355	0	0
Total, Agency Operating Costs	28,132	26,790	30,538	12,731	29,713	825	2,923

Assistance Provided	<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>	<u>FY 2014</u>
Total Assistance Provided by the Agency (NOTE D)	717,616	744,983	669,756	444,237	717,375	726,979	638,307	781,838	754,083
Operating Costs as a % of Assistance Provided	2.96%	3.06%	3.58%	5.67%	3.41%	3.21%	3.73%	3.30%	3.55%

Footnotes: The following comparisons are between the estimated expenditures for FY 2015 and the actual expenditures for FY 2014. 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. The increase in salaries is due mainly to a cost of living increase, and progression increases for those eligible.

NOTE B, Professional & Technical Services. The increase in the Professional & Technical account is directly related to the contractors hired for various IT projects. Fiscal year 2014 expenditures were exceptionally low due to delays in projects.

NOTE C, Equipment. The increase in the Equipment account is directly related to computer servers and data structure equipment purchases that are cyclical in nature based on useful life.

NOTE D, 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.