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400 Sibley Street | Suite 300 | Saint Paul, MN 55101-1998 | 651.296.7608 800.657.3769 | fax: 651.296.8139 | tty: 651.297.2361 | www.mnhousing.gov Equal Opportunity Housing and Equal Opportunity Employment

DATE: February 15, 2017

TO: The Honorable Pat Garofalo The Honorable Torrey Westrom

State Representative State Senator

485 State Office Building 3201 Minnesota Senate Building

The Honorable Jim Knoblach The Honorable Julie Rosen

State Representative State Senator

453 State Office Building 3235 Minnesota Senate Building

CC: Chris Zempel, Fiscal Analyst Dan Mueller, Fiscal Analyst

370 State Office Building 3300 Minnesota Senate Building

Marianne Conboy, Exec. Budget Officer Allison Jones, Policy Advisor

658 Cedar Street Office of the Governor

FROM: Mary Tingerthal, Commissioner

SUBJECT: 2017 Operating Costs Report

I am submitting the attached Operating Costs Report For FY 2017 and Budget Plan For FY 2017 for the Minnesota Housing Finance Agency (MHFA), pursuant to Minn. Stat. § 462A.20, subd. 4. There are three elements of increase that are worth noting. With Agency's lease expiring this summer, it will be necessary for the agency to incur the costs of a move or major improvements to its current space. These increases from FY2016 actual expenditures are primarily reflected in three line items -- Professional and Technical Services, Computer and Systems Services and Equipment. In addition, the agency is currently undertaking major IT development and implementation in both of its multifamily and single family program areas, resulting in an expected increase in Professional and Technical Services compared to FY2016 actual expenditures. Budgeted increases for salaries and benefits can be attributed to cost of living increases, progression increases for those that are eligible and a slight increase in FTEs.

In FY2016 Minnesota Housing provided \$1.091 billion in assistance to Minnesota households. The ratio of operating expenses to assistance provided in FY2016 is 2.82%.

Also enclosed is the Agency's FY2016 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 FY2016 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. 2017 AND BUDGET PLAN FOR F.Y. 2017 SUBMITTED PURSUANT TO M.S. 462A.20, Subd. 4 - DATED: FEBRUARY 12, 2017 (Dollars in Thousands)

Housing	FY 2016			FY 2017						Estimated
Housing—						Actual	Estimated			Yr over Yr
Finance Agency					E	Expendits	Expendits			Increase
	Budgeted	l Actu	al	Budge	ted	through	for the	Under (C	ver)	(Decrease)
Operating Costs	Expendits	<u>Expen</u>	<u>dits</u>	<u>Expen</u>	dits 12	<u>2/31/2016</u>	<u>Full Year</u>	<u>Budge</u>	<u>ėt</u> <u>i</u>	n Expendits
Salaries and Benefits (NOTE A)	23,79	3 23,	23,948		384	11,265	25,384		0	1,436
Rents and Utilities	1,28	4 1,	1,285		309	643	1,300		9	15
Repairs, Alterations, Maintenance	9	5	54	54		5	20		34	(34)
Printing and Advertising	22	4	115		163	52	133		30	18
Professional/Technical Services (NOTE B)	3,84	6 1,	826	3,	313	737	3,305		8	1,479
Computer and Systems Services	1,73	3 1,	873	2,	027	141	2,027		0	154
Communications	14	0	157		148	51	122		26	(35)
Travel and Subsistence, Instate	22	3	186		192	90	184		8	(2)
Travel and Subsistence, Out of State	22	7	155		209	52	156		53	1
Supplies	31	3	165		323	53	208		115	43
Equipment (NOTE C)	40	1	202	842		322	1,159	(317)	957
Employee Development	48	4	244	331		131	290		41	46
Other Operating Costs	27	6	299	297		181	273		24	(26)
State Indirect Cost Billings	11	5	115	212		106	212		0	97
Attorney General Costs	35	5	189	24		4	12		12	(177)
- -	33,50	9 30,	,813	34,828		13,833	34,785		43	3,972
Assistance Provided	FY 2008		FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY2 016
Total Assistance Provided by the Agency (NOTE D)		669,756	444,237	717,375	726,979	638,307	781,838	754,083	1,037,283	1,091,030
Operating Costs as a % of Assistance Provided		3.58%	5.67%	3.41%	3.21%	3.73%	3.30%	3.55%	2.88%	2.82%

Footnotes: The following comparisons are between the estimated expenditures for FY 2017 and the actual expenditures for FY 2016.

NOTE A: Salaries and Benefits. The increase in salaries is due mainly to a cost of living increase, progression increases for those eligible, and a small increase in FTEs.

NOTE B: Professional & Technical Services. The increase in the Professional & Technical account is directly related to contractors hired for major IT projects in the Agency's two operational divisions as well as the build out of enterprise technology utilities.

NOTE C: Equipment. The increase in equipment is due to the purchase of new data center and other computer equipment and major facility improvements.

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.