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Date: February 14, 2020

To: The Honorable Alice Hausman
State Representative

The Honorable Torrey Westrom
State Senator

The Honorable Lynn Carlson
State Representative

The Honorable Julie Rosen
State Senator

cc: Ken Savary, Fiscal Analyst
House of Representatives

Dan Mueller, Fiscal Analyst
Senate

Kwesi Pasley, EBO
Minnesota Management and Budget

Dominic McQuerry, Policy Advisor
Governor's Office

From: Jennifer Lemaile Ho, Commissioner

A handwritten signature in blue ink, appearing to read 'Jennifer Ho'.

Subject: 2020 Operating Costs Report

Pursuant to Minn. Stat. § 462A.20, subd. 4, I am submitting the Agency's Operating Costs Report for FY 2019 and Budget Plan for FY 2020. Our FY 2019 operating budget was \$34.9 million and we anticipate total operating costs will be \$37.5 million for FY 2020. Our total assistance provided increased by 12.0% from FY 2018 to FY 2019 and with \$1.419 billion in total assistance in FY 2019, our ratio of operating expenses to assistance provided was 2.46%.

Also enclosed is the Agency's FY2019 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 FY2019 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 Jennifer.Ho@state.mn.us or Ryan Baumtrog at (651) 296-9820 or ryan.baumtrog@state.mn.us



ACTUAL OPERATING COSTS REPORT FOR FY 2019 AND BUDGET FOR FY 2020
SUBMITTED PURSUANT TO M.S. 462A.20, Subd. 4

(All \$ in thousands)

| | FY 2019 | | FY 2020 | | | | Estimated Yr over Yr Increase (Decrease) in Spending |
|--|---------------|---------------|---------------|------------------------------------|--------------------------------------|---------------------|--|
| | Budget | Actual | Budget | Actual Spending through 12/31/2019 | Estimated Spending for the Full Year | Under (Over) Budget | |
| Operating Costs | | | | | | | |
| Salaries and Benefits (Note A) | 28,615 | 27,663 | 29,862 | 12,824 | 29,077 | 785 | 1,414 |
| Rents and Utilities | 1,644 | 1,608 | 1,799 | 860 | 1,774 | 25 | 166 |
| Repairs, Alterations, Maintenance | 54 | 53 | 52 | 28 | 52 | 0 | (1) |
| Printing and Advertising | 166 | 130 | 181 | 34 | 121 | 60 | (9) |
| Professional/Technical Services | 3,963 | 2,137 | 3,038 | 561 | 1,935 | 1,103 | (202) |
| Computer and Systems Services (Note B) | 2,418 | 1,945 | 3,240 | 625 | 2,821 | 419 | 876 |
| Communications | 183 | 114 | 164 | 36 | 118 | 46 | 4 |
| Travel and Subsistence, Instate | 209 | 191 | 217 | 90 | 194 | 23 | 3 |
| Travel and Subsistence, Out of State | 190 | 113 | 196 | 44 | 156 | 40 | 43 |
| Supplies | 532 | 148 | 391 | 80 | 227 | 164 | 79 |
| Equipment | 476 | 157 | 353 | 51 | 134 | 219 | (23) |
| Employee Development | 390 | 247 | 469 | 135 | 363 | 106 | 116 |
| Other Operating Costs | 304 | 209 | 270 | 219 | 318 | (48) | 109 |
| State Indirect Cost Billings | 142 | 138 | 237 | 119 | 237 | 0 | 99 |
| Attorney General Costs | 12 | 7 | 12 | 7 | 12 | 0 | 5 |
| Total, Agency Operating Costs | 39,298 | 34,860 | 40,481 | 15,713 | 37,539 | 2,942 | 2,679 |

Assistance Provided

| | <u>FY 2011</u> | <u>FY 2012</u> | <u>FY 2013</u> | <u>FY 2014</u> | <u>FY 2015</u> | <u>FY 2016</u> | <u>FY 2017</u> | <u>FY 2018</u> | <u>FY 2019</u> |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|------------------|
| Total Assistance Provided by the Agency (Note C) | 726,979 | 638,307 | 781,838 | 754,083 | 1,037,283 | 1,091,030 | 1,117,548 | 1,266,939 | 1,419,299 |
| Operating Costs as a % of Assistance Provided | 3.21% | 3.73% | 3.30% | 3.55% | 2.88% | 2.82% | 3.19% | 2.84% | 2.46% |

NOTE A, Salaries and Benefits. The increase in Salaries is due mainly to a 2.25% Cost of Living increase and progression increases for those eligible.

NOTE B, Computer and System Services. The increase in Computer and System Services is due mainly to the expense of both the Single Family HDS system and the replacement Single Family Enterprise Lending Center payments to Mortgage Cadence, LLC. Both systems were maintained concurrently while we were switching over to the new system.

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.