

# PUBLIC HOUSING AGENCY OF THE CITY OF SAINT PAUL

**REPORT TO COMMISSIONERS**

**FROM** JON M. GUTZMANN  
EXECUTIVE DIRECTOR

**REGARDING** INFORMATIONAL REPORT  
RAD Financing Plan FY 2021  
Budget to Actual Report

**DATE** December 22, 2021

The consolidated Rental Assistance Demonstration (RAD) Financing Plan Budget to Actual report is attached. This report is a summary of the Agency's eight RAD-PBRA Projects' actual activity compared to the HUD-approved Financing Plan submitted as part of the RAD Conversion.

The Financing Plan was originally prepared in 2019 utilizing historical revenue and expense data from FY 2016 – 2018 as the baseline. Annual inflation factors were applied for each year of the 20 Year Plan as part of the conversion feasibility analysis. The initial analysis indicated that not only was the conversion feasible for the eight projects (consisting of 3,836 hi-rise and townhome units), but substantial cash flow was projected from all Projects. This cash flow will allow the Agency to further the important goal of managing and maintaining our properties to the highest standard while remaining debt-free.

In order to realize the full potential of the conversion to RAD-PBRA (the "RAD dividend"), staff must closely monitor both revenue and expense activity to ensure that the expected cash flow materializes. The first year of analysis is for Fiscal Year 2021, which is also the RAD "Conversion Year". The Conversion Year is unique in that we continued to receive Public Housing/Capital Fund subsidy for nine months of the fiscal year (April 2020 – December 2020). Revenues were slightly higher than the baseline amounts used in the Financing Plan, because that subsidy was more than expected.

Notable items in the first year analysis are:

1. **Line 8 – Effective Gross Income:** Higher than projected by \$5,720,094. This is due in part to conversion year funding amounts, as explained above, as well as additional Capital Fund amounts included in the final RAD Conversion for existing capital projects (“Exhibit D funding”). Staff expect the actual Effective Gross Income to be closer to the 20 Year Plan projection in FY 2022, with smaller variances in subsequent years mainly based on year-to-year variations in OCAF adjustments. The most recent OCAF adjustment announced by HUD was 2.4%, whereas the 20 Year Plan assumed 2.0% annual increases.
2. **Line 16 – Total Operating Expenses:** Higher than projected by \$2,095,539. The largest increases were in Line 13 - Ordinary Maintenance expenses (increase of \$1,397,884) and Line 9 - Administrative expenses (increase of \$772,817). This is due primarily to variances between the baseline data and related expense assumptions used in the Financing Plan and actual consumer price activity. Recent world-wide economic pressures related to the COVID-19 pandemic have caused unusual increases in the costs of goods and services. Unfortunately this kind of spike in prices was not predictable, and it may continue to negatively impact the expense variances.
3. **Line 17 – Annual Deposit to Replacement Reserve:** Higher than projected by \$577,257. The factor to determine annual increases in the contribution to this reserve was understated in the Financing Plan. The increase in contributions results in slightly lower yearly cash flow now, but it should help offset capital expenditures and increase cash flow in future years.
4. **Line 23 – CNA Capital Expenses:** Higher than projected by \$4,100,662. This increase is due to capital projects needing to be completed at the time of RAD Conversion (Exhibit D items), as well as additional capital improvements recommended by staff that were not included in the RAD Capital Needs Assessment (for example, the Front Hi-Rise Plumbing Modernization project).

Although most line items were higher than projected, this first year outcome is very positive.

The Operating Cash Flow (Line 20) was \$10,307,660, significantly higher than the anticipated \$7,260,361 (\$223 per unit month, an increase of \$66 above the projected \$157 per unit month).

The Net Cash Flow (Line 26) was \$4,619,671, lower than projected but healthy nonetheless.

Staff continue to closely monitor and track revenues, expenses and cash flow as we progress through our first full year (FY 2022) of PBRA operations.

The RAD Financing Plan remains the guiding document for the Agency's operations. Staff will provide an annual fiscal year-end report to Commissioners comparing the Financing Plan Pro-Forma to the RAD-PBRA Projects actual activity and evaluating the impact any variances may have on on-going operations.

AJH/FAH

Attachment: RAD Financing Plan Worksheet

CONSOLIDATED OPERATING PRO-FORMA  
PRO-FORMA TO ACTUAL COMPARISON  
BASIS FOR RAD FINANCING PLAN

	Pro-Forma	Year 1		Year 2 FY 22	Year 3 FY 23	Year 4 FY 24	Year 5 FY 25	Year 6 FY 26	Year 7 FY 27	Year 8 FY 28	Year 9 FY 29	Year 10 FY 30	Year 11 FY 31	Year 12 FY 32	Year 13 FY 33	Year 14 FY 34	Year 15 FY 35	Year 16 FY 36	Year 17 FY 37	Year 18 FY 38	Year 19 FY 39	Year 20 FY 40	20 YR TOTAL
		Actual	Variance																				
Operating Income																							
1) Gross Potential Rent	36,467,448	40,547,331	4,079,883	37,196,797	37,940,733	38,699,546	39,473,537	40,263,007	41,068,266	41,889,631	42,727,423	43,581,972	44,453,612	45,342,684	46,249,537	47,174,528	48,118,020	49,080,380	50,061,988	51,063,228	52,084,491	53,126,180	930,690,222
2) Vacancy Loss	(1,823,312)	(387,233)	1,436,138	(1,859,841)	(1,897,037)	(1,934,977)	(1,973,677)	(2,013,151)	(2,053,412)	(2,094,480)	(2,136,371)	(2,179,098)	(2,222,682)	(2,267,135)	(2,312,477)	(2,358,726)	(2,405,901)	(2,454,020)	(2,503,100)	(2,553,161)	(2,604,226)	(2,656,310)	(43,254,248)
3) Other Income	177,903	183,417	5,514	177,903	177,903	177,903	177,903	177,903	177,903	177,903	177,903	177,903	177,903	177,903	177,903	177,903	177,903	177,903	177,903	177,903	177,903	177,903	3,746,991
4) Excess Utility	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5) Non Dwelling Rental	19,759	103,813	84,054	19,759	19,759	19,759	19,759	19,759	19,759	19,759	19,759	19,759	19,759	19,759	19,759	19,759	19,759	19,759	19,759	19,759	19,759	19,759	583,046
6) Laundry Income	152,804	102,570	(50,234)	152,804	152,804	152,804	152,804	152,804	152,804	152,804	152,804	152,804	152,804	152,804	152,804	152,804	152,804	152,804	152,804	152,804	152,804	152,804	3,108,420
7) Cell-Site Revenue	672,856	837,594	164,739	699,769	727,759	756,870	787,145	818,631	851,377	885,431	920,848	957,683	995,990	1,035,830	1,077,263	1,120,354	1,165,169	1,211,775	1,260,245	1,310,654	1,363,080	1,417,602	21,038,664
8) <b>Effective Gross Income</b>	<b>35,667,399</b>	<b>41,387,493</b>	<b>5,720,094</b>	<b>36,387,191</b>	<b>37,121,921</b>	<b>37,871,905</b>	<b>38,637,471</b>	<b>39,418,953</b>	<b>40,216,697</b>	<b>41,031,048</b>	<b>41,862,366</b>	<b>42,711,023</b>	<b>43,577,386</b>	<b>44,461,845</b>	<b>45,364,789</b>	<b>46,286,622</b>	<b>47,227,754</b>	<b>48,188,601</b>	<b>49,169,599</b>	<b>50,171,187</b>	<b>51,193,811</b>	<b>52,237,938</b>	<b>915,913,095</b>
Operating Expenses																							
9) <b>Administrative</b>	<b>3,190,257</b>	<b>3,963,074</b>	<b>772,817</b>	<b>3,266,822</b>	<b>3,345,227</b>	<b>3,425,513</b>	<b>3,507,725</b>	<b>3,591,911</b>	<b>3,678,117</b>	<b>3,766,392</b>	<b>3,856,785</b>	<b>3,949,349</b>	<b>4,044,131</b>	<b>4,141,190</b>	<b>4,240,577</b>	<b>4,342,351</b>	<b>4,446,568</b>	<b>4,553,288</b>	<b>4,662,566</b>	<b>4,774,467</b>	<b>4,889,053</b>	<b>5,006,390</b>	<b>85,414,570</b>
10) Property Management	5,134,252	3,936,595	(1,197,657)	5,236,937	5,341,676	5,448,509	5,557,479	5,668,629	5,782,001	5,897,641	6,015,594	6,135,906	6,258,624	6,383,796	6,511,472	6,641,702	6,774,536	6,910,027	7,048,227	7,189,192	7,332,975	7,479,635	127,487,749
11) Tenant Services	870,486	1,034,576	164,090	891,379	912,772	934,679	957,110	980,081	1,003,602	1,027,688	1,052,353	1,077,610	1,103,472	1,129,956	1,157,074	1,184,843	1,213,279	1,242,398	1,272,217	1,302,750	1,334,017	1,366,033	23,212,465
12) Utilities	4,477,633	4,844,281	366,648	4,585,096	4,695,139	4,807,822	4,923,210	5,041,366	5,162,358	5,286,254	5,413,123	5,543,038	5,676,072	5,812,298	5,951,794	6,094,637	6,240,908	6,390,689	6,544,067	6,701,124	6,861,949	7,026,635	118,446,141
13) <b>Ordinary Maintenance</b>	<b>7,187,098</b>	<b>8,584,982</b>	<b>1,397,884</b>	<b>7,359,588</b>	<b>7,536,217</b>	<b>7,717,086</b>	<b>7,902,295</b>	<b>8,091,950</b>	<b>8,286,156</b>	<b>8,485,023</b>	<b>8,688,665</b>	<b>8,897,193</b>	<b>9,110,726</b>	<b>9,329,383</b>	<b>9,553,288</b>	<b>9,782,567</b>	<b>10,017,350</b>	<b>10,257,768</b>	<b>10,503,955</b>	<b>10,756,051</b>	<b>11,014,197</b>	<b>11,278,537</b>	<b>191,737,958</b>
14) Protective Services	718,068	853,782	135,714	735,302	752,950	771,022	789,526	808,475	827,877	847,747	868,092	888,925	910,259	932,105	954,475	977,382	1,000,839	1,024,860	1,049,457	1,074,643	1,100,433	1,126,843	19,148,775
15) General Expenses	4,576,534	5,032,577	456,042	4,686,371	4,798,843	4,914,015	5,031,952	5,152,719	5,276,384	5,403,018	5,532,691	5,665,475	5,801,447	5,940,680	6,083,256	6,229,253	6,378,755	6,531,845	6,688,609	6,849,135	7,013,516	7,181,838	121,224,955
15) <b>Total Operating Expenses</b>	<b>26,154,328</b>	<b>28,249,866</b>	<b>2,095,539</b>	<b>26,761,495</b>	<b>27,382,824</b>	<b>28,018,646</b>	<b>28,669,297</b>	<b>29,335,131</b>	<b>30,016,495</b>	<b>30,713,763</b>	<b>31,427,303</b>	<b>32,157,496</b>	<b>32,904,731</b>	<b>33,669,408</b>	<b>34,451,936</b>	<b>35,252,735</b>	<b>36,072,235</b>	<b>36,910,875</b>	<b>37,769,098</b>	<b>38,647,362</b>	<b>39,546,140</b>	<b>40,465,911</b>	<b>686,672,614</b>
17) <b>Annual Deposit to Replacement Reserve</b>	<b>2,252,710</b>	<b>2,829,967</b>	<b>577,257</b>	<b>2,297,764</b>	<b>2,343,718</b>	<b>2,390,592</b>	<b>2,438,404</b>	<b>2,487,171</b>	<b>2,536,915</b>	<b>2,587,655</b>	<b>2,639,408</b>	<b>2,692,197</b>	<b>2,746,041</b>	<b>2,800,962</b>	<b>2,856,981</b>	<b>2,914,121</b>	<b>2,972,403</b>	<b>3,031,852</b>	<b>3,092,490</b>	<b>3,154,338</b>	<b>3,217,424</b>	<b>3,281,773</b>	<b>58,142,143</b>
18) <b>Net Operating Income</b>	<b>7,260,361</b>	<b>10,307,660</b>	<b>3,047,298</b>	<b>7,327,932</b>	<b>7,395,379</b>	<b>7,462,667</b>	<b>7,529,770</b>	<b>7,596,651</b>	<b>7,663,287</b>	<b>7,729,630</b>	<b>7,795,655</b>	<b>7,861,330</b>	<b>7,926,614</b>	<b>7,991,475</b>	<b>8,055,872</b>	<b>8,119,766</b>	<b>8,183,116</b>	<b>8,245,875</b>	<b>8,308,011</b>	<b>8,369,487</b>	<b>8,430,247</b>	<b>8,490,254</b>	<b>171,098,339</b>
19) Debt Service	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20) <b>Operating Cash Flow</b>	<b>7,260,361</b>	<b>10,307,660</b>	<b>3,047,298</b>	<b>7,327,932</b>	<b>7,395,379</b>	<b>7,462,667</b>	<b>7,529,770</b>	<b>7,596,651</b>	<b>7,663,287</b>	<b>7,729,630</b>	<b>7,795,655</b>	<b>7,861,330</b>	<b>7,926,614</b>	<b>7,991,475</b>	<b>8,055,872</b>	<b>8,119,766</b>	<b>8,183,116</b>	<b>8,245,875</b>	<b>8,308,011</b>	<b>8,369,487</b>	<b>8,430,247</b>	<b>8,490,254</b>	<b>171,098,339</b>
21) Per Unit	157	223	66	158	160	161	163	164	166	167	169	170	171	173	174	176	177	178	180	181	182	184	
22) Non-Routine Expenses	531,867	83,282	(448,585)	544,632	557,702	571,086	584,791	598,826	613,198	627,915	642,986	658,418	674,220	690,400	706,969	723,936	741,311	759,102	777,319	795,975	815,078	834,639	13,085,068
23) <b>CNA Capital Expenses</b>	<b>7,318,212</b>	<b>11,418,874</b>	<b>4,100,662</b>	<b>896,733</b>	<b>1,997,148</b>	<b>1,471,304</b>	<b>904,186</b>	<b>1,335,448</b>	<b>2,714,739</b>	<b>2,506,493</b>	<b>1,428,111</b>	<b>2,366,704</b>	<b>1,475,964</b>	<b>3,674,871</b>	<b>1,835,756</b>	<b>2,162,391</b>	<b>1,164,818</b>	<b>4,568,055</b>	<b>2,891,882</b>	<b>2,956,943</b>	<b>1,959,609</b>	<b>1,878,108</b>	<b>63,027,012</b>
Capital Salaries and Benefits	300,000	-	(300,000)	307,200	314,572	322,123	329,854	337,771	345,877	354,179	362,680	371,384	380,297	389,424	398,770	408,340	418,141	428,176	438,452	448,976	459,751	470,785	7,286,752
24) Transfer in from Replacement Reserve	7,318,212	5,814,168	(1,504,044)	896,733	1,997,148	1,471,304	904,186	1,335,448	2,714,739	2,506,493	1,428,111	2,366,704	1,475,964	3,674,871	1,835,756	2,162,391	1,164,818	4,568,055	2,891,882	2,956,943	1,959,609	1,878,108	51,817,599
25) Cash Distributions Transfer In/Out	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
26) <b>Net Cash Flow</b>	<b>6,428,494</b>	<b>4,619,671</b>	<b>(1,808,823)</b>	<b>6,476,100</b>	<b>6,523,105</b>	<b>6,569,458</b>	<b>6,615,125</b>	<b>6,660,054</b>	<b>6,704,212</b>	<b>6,747,536</b>	<b>6,789,989</b>	<b>6,831,528</b>	<b>6,872,097</b>	<b>6,911,651</b>	<b>6,950,133</b>	<b>6,987,490</b>	<b>7,023,664</b>	<b>7,058,597</b>	<b>7,092,240</b>	<b>7,124,536</b>	<b>7,155,418</b>	<b>7,184,830</b>	<b>134,897,435</b>
27) Cumulative Cash Flow	6,428,494	4,619,671	(1,808,823)	12,904,594	19,427,700	25,997,158	32,612,282	39,272,337	45,976,549	52,724,084	59,514,074	66,345,602	73,217,699	80,129,350	87,079,483	94,066,973	101,090,637	108,149,234	115,241,474	122,366,010	129,521,428	136,706,258	
<b>Replacement Reserve</b>																							
Inflated Annual Needs	Year 1 7,318,212	7,318,212		Year 2 896,733	Year 3 1,997,148	Year 4 1,471,304	Year 5 904,186	Year 6 1,335,448	Year 7 2,714,739	Year 8 2,506,493	Year 9 1,428,111	Year 10 2,366,704	Year 11 1,475,964	Year 12 3,674,871	Year 13 1,835,756	Year 14 2,162,391	Year 15 1,164,818	Year 16 4,568,055	Year 17 2,891,882	Year 18 2,956,943	Year 19 1,959,609	Year 20 1,878,108	55,722,420
Beginning Balance	9,381,000	9,381,000		4,409,308	5,854,432	6,259,546	7,241,430	8,848,062	10,088,266	10,011,324	10,192,600	11,505,823	11,946,374	13,335,915	12,595,365	13,742,543	14,631,699	16,585,601	15,215,254	15,568,014	15,921,090	17,338,115	9,381,000
Annual Deposit	2,252,710	2,829,967		2,297,764	2,343,718	2,390,592	2,438,404	2,487,171	2,536,915	2,587,655	2,639,408	2,692,197	2,746,041	2,800,962	2,856,981	2,914,121	2,972,403	3,031,852	3,092,490	3,154,338	3,217,424	3,281,773	57,564,886
Withdrawals	(7,318,212)	(5,814,168)		(896,733)	(1,997,148)	(1,471,304)	(904,186)	(1,335,448)	(2,714,739)	(2,506,493)	(1,428,111)	(2,366,704)	(1,475,964)	(3,674,871)	(1,835,756)	(2,162,391)	(1,164,818)	(4,568,055)	(2,891,882)	(2,956,943)	(1,959,609)	(1,878,108)	(53,321,643)
Interest on Reserve	93,810	-		44,093	58,544	62,595	72,414	88,481	100,883	100,113	101,926	115,058	119,464	133,359	125,954	137,425							