

**Budget Committee Minutes**  
**Board of Commissioners – Rhode Island Housing**

*September 16, 2010*

Commissioners Present: Michael Marques (Chair), Denise Barge  
Also Present: Susan Bodington, Richard Godfrey, Thomas Hogg, Kara Lachapelle

A meeting of the Budget Committee of the Board of Commissioners was called to order at approximately 10:05 a.m. Staff presented information and documents associated with the proposed fiscal year 2011 Budget.

The presentation was composed of three parts: (1) an overview of the operating context for our activities and the objectives for our programming this year, (2) a description of the six major components of financial projections in the Budget and resulting net revenues, and (3) a discussion of rating agency considerations used in their reviews.

Mr. Godfrey first described an operating context for the budget, particularly with regard to the marketplace and the economic environment. The current environment presents significant challenges which we've been coping with and which we expect to continue. He also spoke about the guiding principles we've adopted in this environment in four areas particularly: our financial stability, help for those in crisis, credit availability to those that need it and community support and development. Mr. Godfrey listed the major challenges we're facing, especially unemployment in the State, as well as some of the factors that should help us in the next twelve months, including the federal "Hardest Hit Funds" program.

Staff then described major elements of the balance sheet and the revenue/expense statement. Areas of focus for 2010 were discussed. Loan production in 2011 is forecast to be low by historical standards, but prepayments should be lower as well. The Treasury Department bond purchase program will be of significant help to us again in 2011. Net interest income is the largest component of income and is expected to remain flat at last year's level, especially considering the near zero level of investment yield available on our escrow assets. Fee income, which reimburses us for expense associated with lending and contract administration activities, is projected to be slightly lower than last year due to, among other things, reduced lending activity.

Ms. Lachapelle described the operating and programmatic budgets for 2011. With regard to operating expenses, management philosophy is focused on controlling expenses at levels below budget. Consequently, a budget-to-budget comparison is more instructive than a comparison of prior year actual to projected year budget. Accordingly, a budget-to-budget comparison shows an increase of \$389 thousand or 1.8% for 2011 versus 2010. An alternative comparison of 2010 actual to 2011 budget reflects a much larger increase of \$2.5 million or 13%. However, consistent with our philosophy of expense control, last year's actual expense level was less than budget by \$2.1 million or about 10%. Considering this under-spent amount as an expense reserve and applying it to the comparison above, the \$2.5 million difference would be reduced to about \$400 thousand, similar to the budget-to-budget comparison.

Ms. Bodington explained the larger components of the programmatic budget, especially as it relates to our community development partners. The budget for direct support in 2011 is \$9.3 million which reflects a review of all 26 categories of mission related support, with adjustments made where appropriate.

A significant unknown is the depth and duration of this period of unemployment, foreclosure and real estate devaluation. In that regard, Mr. Marques inquired about the sufficiency of the reserve for loan loss which the budget addresses with a \$2 million additional provision. Mr. Hogg responded that the reserve is at a satisfactory level based on methodologies generally utilized by lending institutions.

Lastly, considerations used by the rating agencies were described. Our general obligation rating comes from Standard & Poor's and benchmarks used by them are monitored as an especially important discipline for our financial management.

After additional discussion, the Committee agreed to recommend to the Board of Commissioners the 2011 Budget as presented. After motion duly made and seconded, it was:

**Resolved:** That the fiscal year 2011 Budget contained in the material attached be recommended to the Board of Commissioners for approval.

There being no further business, the meeting was adjourned at approximately 11:10 a.m.

Approved:

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Michael Marques, Chair

Date: \_\_\_\_\_