



Budget Committee Minutes
Board of Commissioners – Rhode Island Housing
September 1, 2011

Commissioners Present: Paul Dimeo (Chair), Paul McGreevy, Joe Monteiro, Jim DeRentis (Chairman)

Also Present: Susan Bodington, Richard Godfrey, Kara Lachapelle, Nicole Turner

A meeting of the Budget Committee of the Board of Commissioners was called to order at approximately 10:00 a.m. Staff presented information and documents associated with the proposed fiscal year 2012 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 the operating context for the budget, particularly with regard to reduced revenues from HUD and the State mandated funding of \$1,500,000 for NOP. This will require significant cuts to operating and program budgets. While operating costs have been trimmed in prior years, this will be the first major reduction in program spending in more than 20 years. Operating support for the core business lines, single family and multi-family lending, is critical as is maintaining the asset strength necessary to assure access to lending markets. The overall budget strategy for 2012 is to closely match revenues and expenses while shifting to a lower funding base line. Should business income rebound with the economy, Rhode Island Housing can then re-grow its non-revenue-generating assistance to external partners and customers.

Staff then described major elements of the balance sheet and the revenue/expense statement. Single-family loan production was down in 2011 and is forecast to be low by historical standards in 2012, but prepayments should be lower as well. The Treasury Department bond purchase program will be of significant help to us again in 2012. 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 administration of federal programs, is projected to be lower than last year due to a reduction in fees related to the HUD Section 8 Contract Administration Program.

Ms. Lachapelle described the operating and programmatic budgets for 2012. With regard to operating expenses, management philosophy is focused on controlling expenses at levels below budget. The actual expenses for 2011 were under budget by \$1,399,000 or 6.49%. The budget for 2012 reflects a decrease as compared to 2011 budget of \$425,000 or 1.97%.

Ms. Bodington explained the rationale for cuts in spending necessary to reduce the program budget from an annual 2011 budget of \$9,380,000 to \$6,849,000 in 2012. The bulk of the cuts are to the State Rental Assistance Program (State RAP). Reductions will be achieved by refinancing the remaining developments in the program, ending State RAP subsidies upon turnover, and implementing minimum rent payments for tenants. The Road Home Program will continue subsidies for current tenants. Other major reductions are in grant assistance to our non-profit community partners and municipal planning grants. Implicit costs of deferred loan programs will be reduced from \$5,096,000 to \$3,281,000.

Also discussed was the provision for loan loss and expenses related to real estate owned properties. Staff described the methodology for calculating the provision which is in line with other lending institutions and reviewed annually by our external auditors.

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. Copies of a report comparing certain financial benchmarks for all HFA's was discussed and provided to committee members.

After additional discussion, the Committee agreed to recommend to the Board of Commissioners the 2012 Budget as presented. After motion duly made and seconded, it was:

Resolved: That the fiscal year 2012 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 10:40 a.m.

Approved:

Paul Dimeo, Chair

Date: _____