

Rhode Island Housing and Mortgage Finance Corporation
Minutes of the Meeting of the Management, Budget and Committee
June 12, 2015

The Management and Budget Committee of the Rhode Island Housing and Mortgage Finance Corporation convened at the offices of the Corporation on June 12, 2015. Committee members present were Vice Chair Macky McCleary, General Treasurer Seth Magaziner and Director of Administration Michael DiBiase. Also present was Executive Director Barbara Fields, Deputy Director Carol Ventura, CFO Kara Lachapelle, Controller Dora Garcia, Director of Homeownership and Customer Service Peter Walsh, Special Projects Coordinator Stacy Wasserman, and Deputy Assistant Director Michael Milito

Vice Chair Macky McCleary called the meeting to order at 12:00 pm.

Staff made a presentation to the Committee regarding projected income and proposed expenses for FY 2016. Staff and the Committee engaged in discussions regarding the assumptions underlying the proposed budget.

The Committee asked a number of questions regarding the proposed budget, including the reasons for the increase in total operating expenses and the proposed increase in the salary line item of 3.0% to fund merit-based salary increases during FY 2016.

As to the increase of approximately \$5.8 million in operating expenses, approximately \$2.5 of the increase is attributable to an accounting reclassification resulting in an increase to fee income with an offsetting increase to operating expenses relating to income received to administer various federal grants, which included reimbursement for salary of staff who worked on those programs. In prior years, the federal funds were treated as “pass through” payments and were not included in Rhode Island Housing’s income or expense statement. Beginning with the FY 2016 budget we are recording those payments as income and reflecting salary & benefit costs of involved employees as an expense. Thus, both our income and expense statements are \$2.5 million greater than the FY 2015 budget; however, this does not amount to a real increase in either income or expenses but merely is an outcome of the new presentation.

The remaining \$3.3 million in increased expenses is related to \$1.8 million in salary & benefits and \$1.5 million in administrative costs. The increase in salary & benefits is primarily attributable to an increase of staffing since prior year’s budget relating to the significant increase in lending activity, new programs and increased grant regulations of approximately \$1,200,000 in salary & benefits, \$250,000 equal to 3.0% of total salaries for a pool to fund merit-based increases, and a projected increase in medical expenses of \$350,000. The increase in administrative costs are primarily due to increased loan volume as well as increased staff training and technology enhancements.

There was a period of discussion regarding the proposed pool for salary increases and how compensation for Rhode Island Housing employees compared to compensation offered to state employees.

Staff noted that Rhode Island Housing operates without any financial operating support from the State of Rhode Island. Revenues come from the lending and service business activities carried out

by employees. In that respect, Rhode Island Housing is similar to the private sector, although still governed by its public mission.

As to the comparison of compensation levels at Rhode Island Housing compared to the state, Staff reported that a comprehensive, independent salary study conducted for Rhode Island Housing in 2011 noted that, on average, salaries were 16.8% below comparable public sector levels. Due to cost and public perception considerations the recommendation to move salaries closer to those offered by competitive employers was not implemented.

Unlike the state, salary increases at Rhode Island Housing are not automatically applied across the board; rather, salary increases are merit-based. Since FY 2010, state employee salaries have increased by a total of 12.5%, with another 2.0% scheduled for FY 2016. Total funding for merit-based increases at Rhode Island Housing for the same period totaled 10.0%, with 3.0% proposed for FY 2016.

There are other significant differences between state and Rhode Island Housing employees. For example, Rhode Island Housing employees are statutorily exempt from state personnel laws, are “at will” employees, and may be discharged without cause. Our minimum workweek is 40 hours, which is more than most state employees. Rhode Island Housing employees do not participate in the state health or pension plans. We have a defined contribution pension, rather than a defined benefit plan. Rhode Island Housing employees do not receive an annual “step” increase. Salary increases are not automatic, but depends upon performance.

Following this discussion, the Committee recommended that the proposed FY 2016 budget be recommended for approval by the full board.

Respectfully submitted,

Macky McCleary, Vice Chair