

VHFA INSTRUCTIONS TO THE OPERATING BUDGET PROJECTION (Rev. 8/13)

Please read these instructions in their entirety before starting to prepare your budget.

The VHFA Operating Budget Projection Form 805 (Rev. 2013) can be found on our website (http://www.vhfa.org/documents/property_managers/budget.xlsx) and download. Click on “Rentals”, then “For Property Managers”, then “Forms Documents and Memos”, then 2014 Annual Operating Budget and Supplement to enjoy the convenience of a minimum of data entry and the ease of automatic calculation. (Formulas and links are embedded to speed your budget preparation.) Completed forms should be sent via e-mail to MFFinancials@vhfa.org.

Budgets are due on (or before) **60 days prior to the end of the fiscal year**, unless another date has been jointly agreed upon. Budgets are reviewed on a first-come, first-served basis; **early submissions are welcome**. When your budget is approved, a copy initialed and dated by the VHFA Management Officer will be sent to you.

The following instructions explain the Operating Budget Projection Form. Please be sure to complete the Budget Projection Form 805 (Rev. 2013) and Supplement One. Please also remember to complete information at the top of the form – e.g. Year ending, Project Name, Location and Number of units. This is especially important with electronic submissions.

A. OPERATING INCOME

1. GROSS RENT POTENTIAL

- a. 5120 Tenant Rent Contribution: The portion of rent collected directly from the tenant. (This will be an estimate based on current tenant contributions.)
- b. 5121 Housing Assistance Payments: The amount of rent requisitioned from the Vermont State Housing Authority, HUD, or VHFA.
- c. 5140 Commercial Rent: Rent collected on VHFA-approved commercial space. This may be the community space rented to social organizations or space originally constructed for commercial use.
- d. Total Rent Potential: Taken from the calculation on the Supplement One.

2. FINANCIAL REVENUE

- a. 5490 Investments / Interest: Any unrestricted interest generated from invested project operating cash such as savings accounts, NOW accounts, and C.D. accounts or other unrestricted accounts. Do not include security deposit or Replacement Reserve interest.
- b. Total Financial Revenue: Consists of a. above.

3. OTHER REVENUE

- a. 5910 Laundry: Income derived from laundry machines.
- b. 5970 Gifts: Income derived from gifts or donations.
- c. 5990 Miscellaneous: Any other income that should be credited to the property; i.e. tenant utilities paid to owner, tenant lockout fees, etc.
- d. Total Other Revenue: Add Laundry, Gifts and Other.

4. **ADJUSTMENTS**

- a. 5220 Vacancy Loss - Rents: For elderly units, use a figure of at least 1 percent (1%) of Total Rent Potential. If the project is family housing or will have been in operation less than six months, use a figure of at least 2 percent (2%). Non-Section 8 projects should use the pro-forma figures or recent rental history in estimating rent loss. *Please identify which percentage you use.*
- b. 5240 Vacancy Loss - Commercial: Use a figure equivalent to no less than 5 percent (5%).
- c. Total Adjustments: Add amounts claimed for rent and commercial loss.

5. **TOTAL INCOME**: The sum of Gross Rent Potential and Other Income, minus Adjustments.

B. **OPERATING EXPENSES**

1. **ADMINISTRATIVE EXPENSES**

- a. 6203 Conventions & Meetings: Any expense associated with conventions.
- b. 6204 Management & Consultants
- c. 6210 Advertising & Marketing: Any cost of advertising the rental property.
- d. 6310 Office Salaries: Salaries paid to office employees responsible for the front-line operation of the project regardless of whether the employee works on-site or in the agent's office (do not include resident manager). This does not include Workmen's Comp or payroll taxes.
- e. 6311 Office Expenses: This includes office rent, supplies (postage, stationary, copying, etc) and utilities for the office (telephone, internet bills, etc).
- f. 6320 Management Fee: Fees are approved on a project-by-project basis and are based on management performance and cash flow. **There may be a 2.0% increase this year in management fees, if sanctioned by the owner and approved by VHFA Management Staff and should not exceed VHFA's maximum unless the Management Contract is put out to competitive bid as detailed in the 2014 Budget Memo .**
- g. 6330 Manager or Superintendent Salaries: Salaries paid to a resident manager or superintendent. This does not include Workmen's Comp, Health or other benefits or payroll taxes. This can include the contract rent of any rent-free unit provided to a resident manager or superintendent which would otherwise be considered rent producing.
- h. 6340 Legal Expenses: Legal fees or services incurred on behalf of the project (i.e. legal fees for eviction procedures, etc.).
- i. 6350 Audit Expense: Auditing expenses incurred by the project that are directly related to requirements from HUD/VHFA. This does not include costs of routine maintenance or review of the project's books and records.
- j. 6351 Bookkeeping Fees / Accounting Services: Cost of bookkeeping fee, accounting or computing services not included in the management fee, but paid to either the agent or a third party.
- k. 6390 Miscellaneous Administrative Expenses: Any other expenses that should be credited to the property (i.e. TRACS, LIHTC fees, telephone, training, **condo fees**, etc).
- l. Total Administrative: Add categories A-K.

NOTE: Computer, TRACS software, photocopier purchases and other similar non-annually recurring expenses should NOT be included as line item expenses. Please include them as part of the Capital/Extraordinary Expenditures on Line F.

2. **ELDERLY OR SOCIAL SERVICE EXPENSE**

- a. 6990 Other Service Expenses (Social Services): This is an opportunity to use project operating funds toward the cost of supportive social services for the elderly or families. These services include: service coordination, congregate meals, transportation, and home health care services. **A Social Service Plan is still required and must be submitted with the budget.** The plan should detail what services are being provided, by whom and the frequency.

3. UTILITY EXPENSES

- a. 6420 Fuel: Cost of oil, propane, kerosene, or wood. If electric heat is separately billed, enter your heating cost here.
- b. 6450 Electricity: Estimated cost excluding those units that are individually-metered and the tenant pays the cost of utilities.
- c. 6451 Water: Anticipated cost of water use.
- d. 6452 Fuel (Gas): Cost of gas fuel.
- e. 6453 Sewer: Anticipated cost of sewer use, including septic pump-outs, but not septic system repairs.
- f. Total Utility: Add Fuel, Electricity, Water, Gas and Sewer.

4. MAINTENANCE EXPENSES

- a. 6510 Payroll (Maintenance, Grounds, Repairs): This includes payroll for all maintenance, grounds care and repairs. Also include the value of the rental unit if the person lives in a subsidized unit, partially or fully rent-free, as part of their compensation.
- b. 6515 Supplies: Cost of repairs, janitorial, grounds and **painting supplies**.
- c. 6520 Contracts: Cost of contract fees for grounds care, exterminating, repairs, elevator maintenance, **painting costs when contracted to another party**, etc.
- d. 6525 Garbage & Trash Removal: Cost of removing rubbish and recycling.
- e. 6546 HVAC Repairs / Maintenance: All projected expenses for heating, ventilating and air conditioning systems including contract repairs and service, front-line maintenance and the cost of parts.
- f. 6548 Snow Removal: Cost of snow plowing, snow shoveling, sanding and salting roads and walkways.
- g. 6570 Vehicle & Maintenance Equipment Operation & Repair
- h. 6590 Miscellaneous Operating & Maintenance Expense: Includes any costs that do not fit into another maintenance expense category.
- i. Total Maintenance: The sum of all maintenance category line item expenses.

NOTE: Non-annually recurring maintenance expenses such as exterior painting or paving an entire parking area and driveway should NOT be included here as a line item expense. Please include these amounts and similar expenses on the Capital Expenditures Line Item F of the 805 Budget Form.

5. TAXES & INSURANCE

- a. 6710 Real Estate Tax: The estimated cost of property tax assessments.
- b. 6711 Payroll Taxes: The project's share of FICA, State and Federal Unemployment taxes.
- c. 6720 Property Insurance: Hazard, liability, property and rent loss coverage.
- d. 6722 Workmen's Compensation: Cost of workman's compensation insurance for employees of the project.
- e. 6723 Health Insurance & Other Benefits: Cost of any health insurance and other employee benefits paid to employees of the project. This does not include contract rent of any rent-free unit provided to a resident mgr or superintendent.
- f. 6790 Miscellaneous Taxes, Permits, Licenses, Insurance: Includes any costs that do not fit into another tax & insurance expense category.

6. FINANCIAL EXPENSE

- a. 6820 Principal and interest on Mortgage: This category is to be used to indicate VHFA principal and interest only.
- b. 6830 Other Notes Payable: This category is to be used to indicate principal and interest for all loans other than VHFA loans.
- c. 6890 Miscellaneous Financial Expense: Any legitimate project expense for which no category has been provided, such as land lease payments or mortgage insurance premiums (MIP) including HUD Risk Share premiums
- d. Total – Financial Expenses: Combined VHFA mortgage, other debt service info and miscellaneous financial expenses.

7. TOTAL COST OF OPERATIONS: The sum of Administrative, Utility, Maintenance, Taxes & Insurance and Financial Expense categories.

C. OPERATING PROFIT/(LOSS): Subtract Total Cost of Operations from Total Income.

D. RETURN ON EQUITY: Enter no more than the maximum annual amount allowed under the Regulatory Agreement or other controlling documents.

E. NET PROFIT/(LOSS): Subtract Return on Equity from Operating Profit/(Loss).

- F. TOTAL CAPITAL EXPENDITURES:** Review the Capital Needs Assessment (CNA) for the current year, noting any items that need to be completed. Non-annually recurring Capital Expense items should be included here as a line item expense. Then, look at the items identified as needing replacement or repair in the current fiscal year. Carefully consider the financial capacity of the property, particularly reserves and escrows, in prioritizing the Capital Expenditures that you have identified. The sum of these identified Capital Expenses should be entered as the Total Cost per Year for the current fiscal year.
- G. REPLACEMENT RESERVE:** This deposit amount is calculated by one of two methods. It is based on either 1) an amount increased yearly by an index or Annual Adjustment Factor applied to project rents or 2) a specific deposit amount that is based on a CNA. If, in consultation with your Management Officer, another deposit amount has been agreed to, please use this amount. If you're not sure which method to use, contact your Management Officer at VHFA for guidance.

NOTE: Please be advised that budget approval of capital expenditures is **not** a substitute for our usual review and approval process for withdrawal of funds from the Replacement Reserve account. Remember that three (3) written bids are now required only for work in excess of \$7,500.

Please print name of preparer, their e-mail address and phone number and date completed before submitting.

SUPPLEMENT ONE

RENT CALCULATION

Please Note: If you download Form 805 and are completing it in Excel, Total Rent by Bedroom Size, Total Monthly Contract Rents and Total Annual Rent Potential will be calculated for you electronically.

Please remember to include the current Utility Allowances and date the Utility Allowances were implemented i.e. effective date.

VACANCY RATE

Enter the Vacancy Rate for the property for the fiscal year based on the last 12 month's experience.

ESSENTIAL MAINTENANCE PRACTICES SECTION

Please indicate when you have last submitted your Compliance Statements, or when you anticipate doing so for this fiscal year. If this is not applicable, please indicate whether the project was built after 1978 or if the project is exempt under law. For more information on VT law and other lead paint regulations please visit www.LeadSafeVermont.org.