10400 Detrick Avenue
Kensington, MD 20895-2484
(240) 627-9425

Budget, Finance and Audit Committee

February 21, 2024
10:00 a.m.

Livestream: https://youtube.com/live/ejn4b_AMd-c?feature=share

HOC's offices are now open to the public. The public is invited to attend HOC's February 21, 2024 Budget, Finance and Audit Committee meeting in-person.
HOC's Board of Commissioners and staff will continue to participate through a hybrid model (a combination of in-person and online participation).

Approval of Minutes:

Discussion/Action Items:

Minutes

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY

10400 Detrick Avenue

Kensington, Maryland 20895

(240) 627-9425

Budget, Finance, and Audit Committee Minutes
December 20, 2023

For the official record of the Housing Opportunities Commission of Montgomery County, an open meeting of the Budget, Finance and Audit Committee was conducted via a hybrid platform (with some participating in-person and some participating online/via teleconference) on Wednesday, December 20, 2023 with moderator functions occurring at 10400 Detrick Avenue, Kensington, Maryland beginning at 11:02 a.m. There was a livestream of the meeting held on YouTube, available for viewing here. Those in attendance were:

Present

Richard Y. Nelson-- Chair
Jeffrey Merkowitz - Commissioner
Frances Kelleher – Commissioner

Also Present

Chelsea Andrews, President/Executive Director
Kayrine Brown, Senior Executive Vice President
Terri Fowler, Budget Officer
Aisha Memon, Senior Vice President, Legal
John Wilhoit
Timothy Goetzinger, Chief Financial Officer
Richard Congo
Kathryn Hollister
Morgan Tucker
Ali Ozair

Present via Zoom

Claudia Wilson
John Broullire
Zachary Marks
Monte Stanford

IT Support

Aries "AJ" Cruz

Commission Support

Jocelyn Koon, Senior Executive Assistant

Commissioner Nelson opened the meeting with a welcome and introduction of Commissioner Kelleher, Commissioner Merkowitz, and President Chelsea Andrews. Commissioner Nelson began the meeting with the approval of the minutes.

APPROVAL OF MINUTES

1. **Approval of Budget, Finance and Audit Committee Minutes November 3, 2023**
2. **Approval of Budget. Finance and Audit Committee Minutes November 3, 2023- Closed Session**

The minutes of the November 3, 2023 open meeting and closed session meeting were approved as submitted with a motion by Commissioner Kelleher and seconded by Commissioner Merkowitz. Affirmative votes were cast by Commissioners Nelson, Merkowitz and Kelleher.

ACTION/DISCUSSION ITEMS

1. **2024 (FY'24) First Quarter Budget to Actual Statements: Presentation of First Quarter FY'24 Budget to Actual Statements**

Commissioner Nelson introduced Chelsea Andrews, President, to provide an overview of the presentation. President Andrews introduced Tim Goetzinger, Chief Development Funds Officer/Chief Financial Officer and Terri Fowler, Budget Officer, to provide a summary of the financial positions of the agency. Staff addressed questions from the Committee. Staff recommended that the Budget, Finance, and Audit Committee join its recommendation to the Commission to accept the First Quarter FY'24 Budget to Actual Statements. The motion was moved by Commissioner Merkowitz and seconded by Commissioner Kelleher. Affirmative votes were cast by Commissioners Kelleher, Nelson, and, Merkowitz.

2. **Fiscal Year 2024 (FY'24) First Quarter Budget Amendment: Presentation of the FY'24 First Quarter Budget Amendment**.

Commissioner Nelson introduced Chelsea Andrews, President, to provide an overview of the presentation. President Andrews introduced Tim Goetzinger, Chief Development Funds Officer/ Acting Chief Financial Officer, and Terri Fowler, Budget Officer, to provide a summary of the financial positions of the agency. Staff addressed questions from the Committee. Staff recommended that the Budget, Finance, and Audit Committee join its recommendation to the Commission for approval of the proposed FY'24 First Quarter Budget Amendment. The motion was moved by Commissioner Merkowitz and seconded by Commissioner Kelleher. Affirmative votes were cast by Commissioners Kelleher, Nelson, and, Merkowitz.

3. **Fiscal Year 2024 First Quarter Unaudited Financial Statements: Presentation of the Unaudited Financial Statements for the First Quarter Ended September 30, 2023**

Commissioner Nelson introduced Chelsea Andrews, President, to provide an overview of the presentation. President Andrews introduced Francisco Vega, Assistant Controller, who provided the detailed presentation on the Unaudited Financial Statements for the First Quarter Ended September 30, 2023. Staff addressed questions from the Committee. After the presentation concluded, Commissioner Nelson advanced to the next item on the agenda.

4. Uncollectible Tenant Accounts Receivable: Presentation of Request to Write-Off Uncollectible Tenant Accounts Receivable (July 1, 2023 – September 30, 2023)

Commissioner Nelson introduced Chelsea Andrews, President, to provide an overview of the presentation. Timothy Goetzinger introduced Nilou Razeghi, Accounting Manager, who provided the detailed presentation. Staff recommended that the Budget, Finance, and Audit Committee join its recommendation to the full Commission authorizing the write-off of uncollectible tenant accounts receivable of $132,684. The motion was made by Commissioner Kelleher and seconded by Commissioner Nelson. Affirmative votes were cast by Commissioners Kelleher, Nelson, and, Merkowitz.

5. Renewal of Primary Auditor Contract: Approval to Renew the Primary Audit Contract with CliftonLarsonAllen LLP for One Additional Year

Commissioner Nelson introduced Chelsea Andrews, President, to provide an overview of the presentation. President Andrews introduced Timothy Goetzinger, Chief Development Funds Officer/ Acting Chief Financial Officer who provided the detailed presentation. Staff requested that the Budget, Finance, and Audit Committee join its recommendation to the full Commission to renew the primary audit contract with CliftonLarsonAllen LLP for a one-year term. The motion was made by Commissioner Merkowitz and seconded by Commissioner Kelleher. Affirmative votes were cast by Commissioners Kelleher, Nelson, and, Merkowitz.

6. Extension of Property Management Contracts: Request to Extend Property Management Agreements Expiring in First Quarter Calendar Year 2024

Commissioner Nelson introduced Chelsea Andrews, President, to provide an overview of the presentation. President Andrews introduced Ali Ozair, Director of Property Management, who provided the detailed presentation. Staff recommends that the Budget Finance and Audit Committee join staff's recommendation that the Commission approve the extension of the property management services contracts with the respective management companies for The Barclay, Fairfax Court, Fenton Silver Spring, Pooks Hill Towers, Pooks Hill Court, Residences On the Lane, Rad 6 (Ken Gar, Parkway Woods, Sandy Spring Meadow, Seneca Ridge, Towne Center Place, Washington Square), Camp Hill Square, Shady Grove Apartments, Dale Drive, Manchester Manor, Southbridge, Tanglewood & Sligo, Spring Garden Apartments, The Willows, Timberlawn Crescent, Oaks at Four Corners, and Paddington Square. The motion was made by Commissioner Kelleher and seconded by Commissioner Merkowitz. Affirmative votes were cast by Commissioners Kelleher, Nelson, and, Merkowitz.

7. Approval of Property Management Contract: Approval to Select Bozzuto as Property Manager for Hillandale Gateway

Commissioner Nelson introduced Chelsea Andrews, President, to provide an overview of the presentation. President Andrews introduced Ali Ozair, Director of Property Management, who provided the detailed presentation. Staff recommended that the Budget, Finance, and Audit Committee join its recommendation to the full Commission for the President/Executive Director to execute a management contract with Bozzuto for property management services at Hillandale Gateway. Commissioner Kelleher suggested the wording provided to Bozutto specifies a performance based payment as opposed to a flat fee. Commissioner Kelleher also would like it to be clarified if the payment is a residential, not commercial. The motion was made by Commissioner Kelleher to move the item to the full Commission with the clarifications that was discussed. Commissioner Merkowitz seconded. Affirmative votes were cast by Commissioners Kelleher, Nelson, and, Merkowitz.

8. Proposed Protocol for Future Audit Presentations

Commissioner Kelleher provided the presentation. Commissioner Kelleher offered a resolution that formalizes best practices of having external auditors present audit reports to the Commission instead of staff. The motion was made by Commissioner Kelleher to move the resolution to the full Commission. Commissioner Merkowitz seconded. Affirmative votes were cast by Commissioners Kelleher, Nelson and Merkowitz.

Based upon this report and there being no further business to come before this session of the Commission, the Commission adjourned the open session at 12:14 p.m.

Respectfully submitted,

Chelsea Andrews
Secretary-Treasurer

/mpt

Discussion Items

MEMORANDUM

TO: Housing Opportunities Commission of Montgomery County
Budget, Finance and Audit Committee

VIA: Chelsea J. Andrews, President/Executive Director

FROM: Staff: Timothy Goetzinger, Senior Vice President Finance/CFO
Terri Fowler, Budget Officer

RE: **Fiscal Year 2024 (FY'24) Second Quarter Budget to Actual Statements:** Presentation of Second Quarter FY'24 Budget to Actual Statements

DATE: February 21, 2024

BACKGROUND:
The President/Executive Director is presenting the Second Quarter Budget to Actual statements to the Budget, Finance and Audit Committee for review. Staff will present any proposed budget amendments and recommendations to the full Commission for formal action.

ISSUES FOR CONSIDERATION:
To assess the financial performance of the Housing Opportunities Commission of Montgomery County ("Agency") for the second quarter of FY'24 against the budget for the same period.

BUDGET IMPACT:
None for FY'24.

TIME FRAME:
For informal discussion at the February 21, 2024 Budget, Finance and Audit Committee meeting. For formal Commission action at the March 6, 2024 meeting.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:
Staff recommends that the Budget, Finance and Audit Committee join its recommendation to the Commission to accept the Second Quarter FY'24 Budget to Actual Statements.

DISCUSSION – SECOND QUARTER BUDGET TO ACTUAL STATEMENTS

This review of the Budget to Actual Statements for the Agency through the second quarter of FY'24 consists of an overall summary and additional detail on the Opportunity Housing properties, the Development Corporation properties, the Housing Choice Voucher ("HCV") Programs and all Capital Improvements Budgets.

HOC Overall (see Attachment A)

The Agency's Audited Financial Statements are presented on an accrual basis, which reflects non-cash items such as depreciation and the mark-to-market adjustment for investments.

The Commission approves the Operating Budget at the fund level based on a modified accrual basis, which is similar to the presentation of budgets by governmental organizations. The purpose is to ensure that there is sufficient cash income and short-term receivables available to pay for current operating expenditures.

The Commission approves the revenues, expenses, and unrestricted net cash flow from operations for each fund. Unrestricted net cash flow in each fund is what is available to the Commission to use for other purposes. The FY'24 Second Quarter Operating Budget to Actual Comparison (Attachment A) shows unrestricted net cash flow or deficits for each of the funds. Attachment A also highlights the FY'24 Second Quarter Budget to Actual Comparison for Capital Expenses.

The Agency ended the quarter with a net cash flow shortfall of ($3,653,386). This shortfall resulted in a second quarter budget to actual negative variance of ($3,300,330) when compared to the anticipated second quarter net cash flow shortfall of ($353,056). The primary causes continue to be lower unrestricted cash flow in some of the unrestricted Opportunity Housing properties as a result of property performance (see Opportunity Housing Fund), coupled with lower fee income in the General Fund partially offset by savings in various expense categories in the fund (see General Fund).

Explanations of Major Variances by Fund

The **General Fund** consists of the basic overhead costs for the Agency. This fund ended the period with a deficit of ($3,978,406), which resulted in a positive variance of $203,485, when compared to the projected deficit of ($4,181,891).

As of December 31, 2023, income in the General Fund was $3,075,861 lower than budgeted and expenses were $3,279,346 lower than budgeted.

The negative income variance was primarily the result of delays in the receipt of the Commitment and Development Fees scheduled for the first six months of FY 2024. It is important to recognize that the numbers are estimates based on current plans; however, they are subject to changes in the financial market and project costs.

- The Commitment and Development Fees for the Metropolitan will not be received until FY 2025, based a shift in the timing of the renovation, and have been incorporated into the FY 2025 Budget that is being developed. The commitment fee is currently anticipated to be lower by approximately $428k of which 40% or $171k will negatively impact the General Fund.

- Both fees for Hillandale have shifted to the third quarter of FY 2024; however, the commitment fee amount is anticipated to be lower by approximately $671k of which 40% or $268k will negatively impact the General Fund, based on the current rate environment, which has resulted in a lower loan amount.

- The Development Fees for Bauer Park have shifted to the second half of FY 2024 and have also been reduced slightly to account for the final payment, following the completion issuance of the Internal Revenue Service Form 8609, Low-Income Housing Credit Allocation and Certification, now anticipated for September 2024.

- The projected Development Fees for the Leggett were delayed and are now anticipated to be received in two equal installments of approximately $796k; one in late FY 2024 and one in FY25, based on achieving certain milestones. The fee for FY'25 has been incorporated into the FY 2025 Budget that is being developed.

- Stewartown Homes received a portion of the anticipated fees with the projected balance of $528k to be received by FY 2024 year-end.

- Finally, Residences on the Lane received the majority of its anticipated fees in December 2023 and the balance of $150k will be received in the fourth quarter of FY 2024.

There were also lower draws from the Opportunity Housing Reserve Fund ("OHRF") for Real Estate personnel and predevelopment costs.

The positive expense variance was primarily the result of lapse in salary and benefits coupled with savings in professional services, computer software, utilities, maintenance contracts, and savings in capital projects, which resulted in lower transfers from the operating budget to cover the cost of the projects.

The **Multifamily Bond Fund** and **Single Family Bond Fund** are budgeted to balance each year.

Income (the bond drawdowns that finance the administrative costs for these funds) is consistent with the budget. The Multifamily and Single Family Bond Funds experienced positive expense variances of $101,526 and $88,962, respectively, as a result of salary and benefit lapse coupled with savings in legal and financial services in the multifamily fund.

The Opportunity Housing Fund

Attachment B is a chart of the Net Cash Flow for the Development Corporation properties. This chart divides the properties into two groups.

The first group includes properties that were budgeted to provide unrestricted net cash flow toward the Agency's FY'24 Operating Budget. This group ended the quarter with cash flow of $1,717,863 or $1,337,160 less than projected.

- **Alexander House Dev Corp** ended the quarter with a deficit of ($200,683), which resulted in a negative cash flow variance of $174,097 when compared to the projected negative deficit of ($26,586), primarily from greater than anticipated maintenance and bad debt expense coupled with higher concessions and vacancy loss.
- **The Barclay Dev Corp** negative cash flow was $47,172 less than anticipated based on savings in most expense categories.
- **Glenmont Westerly Dev Corp** experienced a negative cash flow variance of $50,033 resulting from higher maintenance, bad debt and utility expenses coupled with higher vacancy loss that was partially offset by savings in administrative costs.
- Cash flow for **Magruder's Discovery Dev Corp** was $213,773 lower than budget at the end of December 2023 primarily based on higher vacancy loss coupled with overages in maintenance and utility costs partially offset by savings in administrative costs.
- **Metropolitan Affordable** experienced a negative cash flow variance of $29,692 based on overages in maintenance, utility and administrative costs partially offset by lower vacancy loss at the property.
- Cash flow at **Montgomery Arms Dev Corp** was $114,157 lower than anticipated primarily due to lower rental gross rents and higher vacancy loss. The property also experienced higher than anticipated bad debt, maintenance and administrative costs that were countered by savings in utilities expenses.
- **Paddington Square** ended the quarter with a negative cash flow variance of $153,910 largely due to restoration expenses following a fire in one of the units coupled with lower rental revenue and higher vacancy loss. An insurance claim for the fire was

submitted last April and staff will request reimbursement for the fire related expenses.

- Cash flow for **Scattered Site One Dev Corp** was $100,629 more than budget primarily as a result of lower bad debt and administrative costs coupled with lower vacancy loss that was partially offset by higher maintenance expense.
- Cash flow at **Sligo MPDU III** ended the period with a negative cash flow variance of $36,296 due to higher bad debt expenses partially offset by savings in administrative and maintenance expenses.
- Cash flow for **VPC One** was $542,165 lower than budget primarily resulting from higher vacancy loss and lower rental revenue coupled with higher bad debt, maintenance, and utility expenses that were partially offset by savings in administrative costs due to staff vacancies and lower debt service payments resulting from the refinance that occurred in August resulting in no payment for September.
- **VPC Two** experienced a negative cash flow variance of $158,757 based on higher bad debt and utility costs coupled with higher vacancy loss partially offset by lower debt service payments resulting from the refinance that occurred in August resulting in no payment for September and savings in administrative expenses.

The second group consists of properties whose cash flow will not be used for the Agency's FY'24 Operating Budget. The deficit from this group of Development Corporation properties was $754,977 more than budgeted through December 31, 2023.

- The **RAD 6 Dev Corp** properties ended the second quarter with a deficit of ($1,071,719), which resulted in a negative cash flow variance of $773,017 when compared to the projected deficit of ($298,702). Collectively, this resulted from lower rental revenue and higher vacancy loss coupled with overages in maintenance, utility, and bad debt expenses.

Attachment C is a chart of the Net Cash Flow for the Opportunity Housing Properties. This chart divides the properties into two groups.

The first group includes properties that were budgeted to provide unrestricted net cash flow toward the Agency's FY'24 Operating Budget. This group ended the quarter with negative cash flow of $321,124 or $1,393,638 less than projected. Continued expenses at the vacated Elizabeth House make up $227,561 of this cumulative deficit due to final utility payments and maintenance expenses.

Other properties are reporting year-to-date deficits based on property performance primarily due to higher maintenance costs and bad debt expense. This group contains a large segment of our scattered site portfolio. Maintenance staff have begun to inspect the units finding deferred maintenance and repairs needing attention. In addition, non-payment of rent has continued at some of the properties. Asset Management has confirmed that properties have resumed applying late fees and started collection efforts as directed by the Commission. Some tenants have begun making payments, seeking rental assistance, or moving out which has also resulted in higher vacancy loss. Due to procedural constraints and court timelines, a transitional period with more evictions is expected, leading to increased vacancy loss. This will be managed through proactive resident payments or, if needed, eviction procedures resulting in immediate write-offs and external collections. Asset Management is exploring delinquency trackers for properties with sustained high delinquency levels in partnership with Property Management.

- **MPDU I (64)** experienced a negative cash flow variance of $52,620 because of overages in bad debt, maintenance and utility costs partially offset by lower vacancy loss and savings in administrative expenses.
- **Avondale Apartments** reported a negative cash flow variance of $81,953 based on higher debt service expense, due to increased rates on the PNC Real Estate Line of Credit ("RELOC") and higher maintenance, bad debt, and utility expenses coupled with lower rental revenue and higher vacancy loss partially offset by lower administrative expenses.
- **Barclay Affordable** experienced a negative cash flow variance of $31,072 resulting from higher maintenance and bad debt expense that were partially offset by savings in utility and administrative expenses coupled with lower vacancy loss.
- **Battery Lane** experienced a negative cash flow variance of $266,567 largely due to higher bad debt, maintenance, and debt service expenses, due to increased rates on the PNC Real Estate Line of Credit ("RELOC") coupled with higher vacancy loss and slightly lower rental revenue that was partially offset by savings in administrative and utility expenses.
- **Bradley Crossing** ended the period with a negative variance of $612,378 as a result of overages in maintenance, administrative, and debt expenses, due to increased rates on the PNC Real Estate Line of Credit ("RELOC") coupled with, lower rental revenue and slightly higher concessions that were partially offset by lower bad debt expense.
- **Camp Hill Square** experienced a negative cash flow variance of $126,873 because of higher maintenance, bad debt, and administrative expenses coupled with higher vacancy loss that were partially offset by lower utility expenses.
- The deficit at **Holiday Park** was $33,780 more than anticipated as a result of higher utility, maintenance and bad debt expenses that were partially offset by slightly lower vacancy loss.
- **Jubilee Horizon Court** experienced a negative cash flow variance of $11,797 due to overages in maintenance to repair bathroom floors, bad debt, and utility costs.
- **Manchester Manor** reported a deficit of $127,577 resulting in a negative cash flow variance of $46,645 due to lower higher vacancy loss coupled with audit payments

that were not provided for in the budget and overages in bad debt and administrative expenses partially offset by savings in maintenance costs.

- **McKendree** experienced a negative cash flow variance of $24,145 because of higher bad debt and maintenance expenses coupled with unplanned vacancy at the property.
- The shortfall for **MHLP IX – Pond Ridge** was $31,411 less than budget largely based on lower vacancy loss coupled with savings in administrative costs partially offset by overages in bad debt and utility expenses.
- **MHLP IX Scattered Sites** experienced a positive cash flow variance of $40,678 mainly due to lower vacancy loss coupled with savings in administrative costs that were partially offset by overages in bad debt, maintenance and utility expenses and lower rental revenue.
- Cash flow for **MHLP X** was $44,651 more than budget as a result of lower debt service payments resulting from the refinance that occurred in August resulting in no payment for September and slightly lower vacancy loss partially offset by higher bad debt and HOA fee expenses.
- **Pooks Hill Mid-Rise** experienced a negative cash flow variance of $44,178 primarily as a result of lower rental revenue and higher vacancy loss coupled with overages in maintenance costs that were partially offset by savings in administrative and utility expenses.
- **Strathmore Court** reported a negative cash flow variance of $28,461 as a result of overages in utility, bad debt, maintenance, and administrative expenses partially offset by higher rental income.
- Cash flow for **TPP LLC Pomander Court** was $43,815 more than anticipated due to savings in most expense categories.
- **Westwood Towers** experienced a positive cash flow variance of $83,036 because of savings in security, tenant services, and utility expenses coupled with lower concessions partially offset by higher legal and maintenance costs coupled with higher vacancy loss at the property.
- Cash flow at **The Willows** was $40,029 lower than anticipated due to overages in maintenance and utility expenses that were partially offset by savings in administrative expenses coupled with higher gross rents.

The second group consists of properties whose cash flow will not be used for the Agency's FY'24 Operating Budget. Some of these properties have legal restrictions on the use of cash flow; others may have needs for the cash flow. The Cash flow deficit for this group of properties was $1,710,697 more than budgeted. Similar to the unrestricted properties in this chart, several properties reported a deficit at the end of the period with major contributors of higher maintenance, utility and bad debt expense coupled with higher vacancy loss at some of the properties.

- The demolition of **The Ambassador** was completed in April of 2020. The property experienced expenses of $49,963 driven by interest paid on the outstanding debt on the PNC RELOC, filing fees for the tax return and personal property taxes. There are sufficient reserves at the property to cover the costs.
- **Brooke Park** experienced a negative cash flow variance of $46,579, mainly resulting from a delay in occupying the units post renovation coupled with small overages in most expense categories.
- **Brookside Glen** reported a negative cash flow variance of $167,099 at the end of the second quarter due to higher vacancy loss coupled with higher maintenance, utility, and bad debt expenses that were partially offset by savings in administrative costs.
- **Cider Mill** reported a negative cash flow variance of $1,395,529 due to overages in bad debt, maintenance, administrative, utility, and security costs coupled with higher vacancy loss.
- **Diamond Square** ended the period with a negative cash flow variance of $70,199 primarily resulting from higher bad debt, administrative, and utility costs coupled with higher vacancy loss that was partially offset by savings in maintenance expenses.
- Cash flow for the **NCI** and **NSP** units collectively were $29,196 and $14,959 lower than budget, respectively, due to four of the fourteen NCI units remaining vacant coupled with overages in maintenance and bad debt expenses, and two of the seven NSP units remaining vacant.
- **State Rental Combined** experienced a negative cash flow variance of $40,946 due to higher overages in bad debt and utility expenses that were partially offset by lower vacancy loss coupled with small savings in administrative and maintenance costs.

<u>The Public Fund</u> (Attachment D)

- The Housing Choice Voucher Program ("HCVP") ended the second quarter with a surplus of $1,474,315. This is comprised of an administrative surplus of $1,658,856 countered by Housing Assistance Payment ("HAP") payments that exceeded HAP revenue by $184,541. The HAP shortfall will be covered by a draw from the HCVP reserve known as the Net Restricted Position ("NRP"), which includes funds received in prior years that were recognized but not used. The administrative surplus was the result of higher than anticipated administrative fee income coupled with savings in administrative expenses due largely to staff turnover. The higher administrative fee income was primarily the result of a higher utilization and fees received for additional homeless vouchers.

<u>Tax Credit Partnerships</u>

The Tax Credit Partnerships have a calendar year end and as a result are not included in this fiscal year presentation.

<u>The Capital Budget</u> (Attachment E)

Attachment E is a chart of the Capital Improvements Budget for FY'24. The chart is grouped in two sections – General Fund and Opportunity Housing properties. This report is being presented for information only. Most of the variances in the capital budgets reflect the timing of expenditures. Capital projects are long-term; therefore, it is difficult to analyze each project on a quarterly basis. We will keep the Commission informed of any major issues or deviations from the planned Capital Improvements Budget.

There were several properties with nominal unplanned capital expenditures that have sufficient reserves to cover the expense.

- **Battery Lane** exceeded its capital budget as a result of unplanned flooring replacements.
- **Bradley Crossing** exceeded its capital budget as a result of boiler repairs after a burst pipe, coupled with unbudgeted HVAC replacements.
- **Glenmont Crossing** exceeded its capital budget as a result of higher than expected flooring, HVAC and appliance replacements.
- **Holiday Park** exceeded its capital budget due to unanticipated replacements of HVAC and water heater units.
- **Jubilee Horizon Court** experienced unanticipated capital expenditures as a result of a water leak.
- **Ken Gar** experienced unanticipated capital expenditures for window, roofing, flooring and appliance replacements.
- **Metropolitan Affordable** exceeded its capital budget as a result of higher than anticipated HVAC expenditures.
- **Pooks Hill Highrise** exceeded its capital budget primarily due to restoration of three elevators.
- **Pooks Hill Midrise** exceeded its capital budget due to unanticipated replacements of flooring, HVAC, and appliances.
- **Sligo MPDU III** exceeded its capital budget as a result of unanticipated kitchen and bathroom work, and HVAC replacements.
- Finally, **Washington Square** exceeded its capital budget due to flooring and appliance replacements and a full renovation of one unit.

The majority of the properties have sufficient property reserves to cover the overages. Where this is not the case, staff are reviewing the obligations from the Opportunity Housing Property Reserve ("OHPR") to ensure sufficient funds are available to cover the balance of the overages.

FY 2024 Second Quarter Operating Budget to Actual Comparison

	Unrestricted Net Cash Flow (6 Months) Budget	Unrestricted Net Cash Flow (6 Months) Actual	Variance
General Fund			
General Fund	($4,181,891)	($3,978,406)	$203,485
Administration of Multifamily and Single Family Fund			
Multifamily Fund	$1,184,359	$1,285,885	$101,526
Draw from / (Restrict to) Multifamily Bond Fund	($1,184,359)	($1,285,885)	($101,526)
Single Family Fund	$7,356	$96,318	$88,962
Draw from / (Restrict to) Single Family Bond Fund	($7,356)	($96,318)	($88,962)
Opportunity Housing Fund			
Opportunity Housing Properties	$1,072,514	($321,124)	($1,393,638)
Development Corporation Property Income	$3,055,023	$1,717,863	($1,337,160)
Restricted Development Corporations with Deficits	($298,702)	($1,071,719)	($773,017)
OHRF			
OHRF Balance	$4,739,217	$710,206	($4,029,011)
Excess Cash Flow Restricted	($4,739,217)	($710,206)	$4,029,011
Draw from existing funds	$0	$0	$0
Net -OHRF	**$0**	**$0**	**$0**
SUBTOTAL - General Fund, Multifamily, Single Family, Opportunity Housing	**($353,056)**	**($3,653,386)**	**($3,300,330)**
Public Fund			
(1) Housing Choice Voucher Program HAP	($4,000,518)	($184,541)	$3,815,977
(2) Housing Choice Voucher Program Admin	$32,739	$1,658,856	$1,626,117
Total -Public Fund	**($3,967,779)**	**$1,474,315**	**$5,442,094**
Public Fund - Reserves			
(1) Draw from / Restrict to HCV Program Cash Reserves	$4,000,518	$184,541	($3,815,977)
(2) Draw from / Restrict to HCV Program Excess Admin Fee	($32,739)	($1,658,856)	($1,626,117)
SUBTOTAL - Public Funds	**$0**	**$0**	**$0**
TOTAL - All Funds	**($353,056)**	**($3,653,386)**	**($3,300,330)**

FY 2024 Second Quarter Operating Budget to Actual Comparison

	Capital Expenses (12 Months) Budget	Capital Expenses (6 Months) Actual	Variance
General Fund			
880 Bonifant	$50,000	$4,483	$45,517
East Deer Park	$207,000	$0	$207,000
Kensington Office	$100,000	$33,123	$66,877
Information Technology	$915,000	$336,674	$578,326
Opportunity Housing Fund	$8,259,366	$3,282,396	$4,976,970
TOTAL - All Funds	**$9,531,366**	**$3,656,676**	**$5,829,173**

FY 2024 Second Quarter Operating Budget to Actual Comparison

Development Corp Properties - Net Cash Flow

	(6 Months) Net Cash Flow Budget	Variance Income	Variance Expense	(6 Months) Net Cash Flow Actual	Variance
Properties with unrestricted cash flow for FY 2024 operating budget					
Alexander House Dev Corp	($26,586)	($44,287)	($129,810)	($200,683)	($174,097)
The Barclay Dev Corp	($92,464)	($828)	$48,000	($45,292)	$47,172
Glenmont Crossing Dev Corp	$219,076	($9,216)	$14,413	$224,273	$5,197
Glenmont Westerly Dev Corp	$87,450	($13,515)	($36,517)	$37,417	($50,033)
Magruder's Discovery Dev Corp	$350,781	($137,455)	($76,318)	$137,008	($213,773)
The Metropolitan Dev Corp	$946,691	$83,825	($74,906)	$955,611	$8,920
Metropolitan Affordable	($205,667)	$19,291	($48,983)	($235,359)	($29,692)
Montgomery Arms Dev Corp	$166,733	($47,050)	($67,107)	$52,576	($114,157)
MPDU II (59) Dev Corp	$132,732	($11,580)	($4,886)	$116,266	($16,466)
Paddington Square Dev Corp	$215,294	($42,751)	($111,159)	$61,384	($153,910)
Pooks Hill High-Rise Dev Corp	$220,324	($6,183)	($4,006)	$210,135	($10,189)
Scattered Site One Dev Corp	($78,016)	$13,475	$87,154	$22,613	$100,629
Scattered Site Two Dev Corp	($66,036)	($44,469)	$44,925	($65,579)	$457
Sligo MPDU III Dev Corp	($4,864)	$966	($37,262)	($41,160)	($36,296)
VPC One Dev Corp	$681,872	($447,027)	($95,139)	$139,707	($542,165)
VPC Two Dev Corp	$507,703	($57,420)	($101,337)	$348,946	($158,757)
Subtotal	**$3,055,023**	**($744,224)**	**($592,938)**	**$1,717,863**	**($1,337,160)**
Properties with restricted cash flow (external and internal)					
MetroPointe Dev Corp	($72,403)	$2,513	($5,222)	($75,112)	($2,709)
Oaks at Four Corners Dev Corp	$30,645	($2,134)	$22,883	$51,394	$20,749
RAD 6 Dev Corp Total	**($298,702)**	**($282,012)**	**($491,006)**	**($1,071,719)**	**($773,017)**
Ken Gar Dev Corp	$5,811	($37,832)	($62,319)	($94,340)	($100,151)
Parkway Woods Dev Corp	$10,139	($35,137)	($16,318)	($41,316)	($51,455)
Sandy Spring Meadow Dev Corp	$229	($52,015)	($92,477)	($144,262)	($144,491)
Seneca Ridge Dev Corp	($226,931)	($53,342)	($45,245)	($325,518)	($98,587)
Towne Centre Place Dev Corp	($4,208)	($62,380)	($155,989)	($222,577)	($218,369)
Washington Square Dev Corp	($83,742)	($41,306)	($118,658)	($243,706)	($159,964)
Subtotal	**($340,460)**	**($281,633)**	**($473,345)**	**($1,095,437)**	**($754,977)**
TOTAL ALL PROPERTIES	**$2,714,563**	**($1,025,857)**	**($1,066,283)**	**$622,426**	**($2,092,137)**

FY 2024 Second Quarter Operating Budget to Actual Comparison

For Opportunity Housing Properties - Net Cash Flow

	(6 Months) Net Cash Flow Budget	Variance Income	Variance Expense	(6 Months) Net Cash Flow Actual	Variance
Properties with unrestricted cash flow for FY 2024 operating budget					
MPDU I (64)	$1,546	$25,363	($77,983)	($51,074)	($52,620)
Avondale Apartments	$19,061	($20,478)	($61,474)	($62,892)	($81,953)
Barclay Affordable	$9,660	$8,645	($39,717)	($21,412)	($31,072)
Battery Lane	$216,184	($109,838)	($156,729)	($50,383)	($266,567)
Bradley Crossing	$664,391	($189,406)	($422,972)	$52,013	($612,378)
Camp Hill Square	$10,992	($28,886)	($97,986)	($115,881)	($126,873)
Chelsea Towers	$58,629	($14,034)	$10,488	$55,083	($3,546)
Day Care at Lost Knife Road	($28,344)	$0	($6,634)	($34,978)	($6,634)
Elizabeth House Interim RAD	$0	$5,082	($232,642)	($227,561)	($227,561)
Fairfax Court	($6,443)	$4,898	$11,604	$10,059	$16,502
Holiday Park	($69,636)	$6,743	($40,524)	($103,416)	($33,780)
Jubilee Falling Creek	($1,302)	($495)	($7,319)	($9,116)	($7,814)
Jubilee Hermitage	($13,583)	$275	$1,382	($11,926)	$1,657
Jubilee Horizon Court	($240)	($529)	($11,268)	($12,037)	($11,797)
Jubilee Woodedge	($7,636)	($114)	$3,009	($4,741)	$2,895
King Farm Village	$1,902	$387	($4,290)	($2,001)	($3,903)
Manchester Manor	($80,932)	($20,567)	($26,078)	($127,577)	($46,645)
McHome	$6,347	($9,630)	$12,862	$9,579	$3,232
McKendree	$19,209	($5,688)	($18,457)	($4,936)	($24,145)
MHLP VII	($83,988)	$468	$3,846	($79,674)	$4,314
MHLP VIII	($3,521)	$18,790	($29,864)	($14,595)	($11,074)
MHLP IX Pond Ridge	($91,304)	$42,118	($10,707)	($59,893)	$31,411
MHLP IX Scattered Sites	($163,226)	$81,318	($40,640)	($122,548)	$40,678
MHLP X	($41,108)	$2,936	$41,715	$3,543	$44,651
MPDU 2007 Phase II	$8,852	($7,169)	($5,642)	($3,959)	($12,811)
Olney Sandy Spring Road	$0	$125	($1,558)	($1,433)	($1,433)
Pooks Hill Mid-Rise	$98,825	($18,902)	($25,277)	$54,647	($44,178)
Strathmore Court	$86,972	$25,245	($53,706)	$58,511	($28,461)
TPP LLC Pomander Court	($16,191)	$1,086	$42,730	$27,624	$43,815
TPP LLC Timberlawn	$244,774	($2,040)	$11,751	$254,484	$9,710
Westwood Tower	$165,605	$31,869	$51,167	$248,641	$83,036
The Willows	$67,019	$24,123	($64,151)	$26,990	($40,029)
Subtotal	**$1,072,514**	**($148,305)**	**($1,245,329)**	**($321,124)**	**($1,393,638)**
Properties with restricted cash flow (external and internal)					
The Ambassador	$0	$0	($49,963)	($49,963)	($49,963)
Brooke Park	$20,377	($36,602)	($9,977)	($26,202)	($46,579)
Brookside Glen (The Glen)	$35,829	($99,547)	($67,551)	($131,270)	($167,099)
Brookville Road	($183,141)	($273)	$69,684	($113,730)	$69,411
CDBG Units	$5,192	($430)	$3,490	$8,252	$3,060
Cider Mill Apartments	($53,119)	($455,650)	($939,878)	($1,448,648)	($1,395,529)
Dale Drive	($10,878)	($256)	$6,035	($5,099)	$5,779
Diamond Square	$91,779	($10,550)	($59,649)	$21,580	($70,199)
NCI Units	$12,966	($15,757)	($13,439)	($16,230)	($29,196)
NSP Units	$13,652	($17,654)	$2,695	($1,307)	($14,959)
Paint Branch	$23,486	$55,366	($36,077)	$42,776	$19,290
Southbridge	$27,334	($11,823)	$18,055	$33,567	$6,233
State Rental Combined	($289,107)	$29,190	($70,136)	($330,053)	($40,946)
Subtotal	**($305,630)**	**($563,986)**	**($1,146,711)**	**($2,016,327)**	**($1,710,697)**
TOTAL ALL PROPERTIES	**$766,884**	**($712,291)**	**($2,392,040)**	**($2,337,451)**	**($3,104,335)**

FY 2024 Second Quarter Operating Budget to Actual Comparison
For HUD Funded Programs

	(6 Months) Budget	(6 Months) Actual	Variance
Housing Choice Voucher Program			
HAP revenue	$57,829,010	$62,482,939	$4,653,929
HAP payments	$61,829,528	$62,667,480	$837,952
Net HAP	**($4,000,518)**	**($184,541)**	**$3,815,977**
Admin.fees & other inc.	$5,631,306	$6,793,332	$1,162,026
Admin. Expense	$5,598,567	$5,134,476	$464,091
Net Administrative	**$32,739**	**$1,658,856**	**$1,626,117**
Net Income	**($3,967,779)**	**$1,474,315**	**$5,442,094**

Attachment D

FY 2024 Second Quarter Operating Budget to Actual Comparison

For Capital Improvements

	(12 Months) Budget	(6 Months) Actual	Variance
General Fund			
880 Bonifant	$50,000	$4,483	$45,517
East Deer Park	$207,000	$0	$207,000
Kensington Office	$100,000	$33,123	$66,877
Information Technology	$915,000	$336,674	$578,326
Subtotal	**$1,272,000**	**$374,280**	**$897,720**
Opportunity Housing			
Alexander House Dev Corp	$220,700	$47,231	$173,469
Avondale Apartments	$18,148	$21,819	($3,671)
The Barclay Dev Corp	$176,508	$50,313	$126,195
Barclay Affordable	$187,440	$39,517	$147,923
Battery Lane	$44,000	$56,047	($12,047)
Bradley Crossing	$86,898	$106,672	($19,774)
Brooke Park	$2,400	$0	$2,400
Brookside Glen (The Glen)	$110,654	$74,023	$36,631
Camp Hill Square	$38,600	$28,219	$10,381
CDBG Units	$6,324	$2,429	$3,895
Chelsea Towers	$13,800	$7,547	$6,253
Cider Mill Apartments	$1,987,388	$417,423	$1,569,965
Dale Drive	$8,700	$9	$8,691
Diamond Square	$156,628	$27,682	$128,946
Elizabeth House Interim RAD	$0	$203	($203)
Fairfax Court	$133,152	$32,531	$100,621
Glenmont Crossing Dev Corp	$39,997	$77,572	($37,575)
Glenmont Westerly Dev Corp	$56,759	$52,506	$4,253
Holiday Park	$9,615	$19,819	($10,204)
Jubilee Falling Creek	$0	$518	($518)
Jubilee Hermitage	$600	$0	$600
Jubilee Horizon Court	$0	$11,806	($11,806)
Jubilee Woodedge	$600	$3,867	($3,267)
Ken Gar Dev Corp	$0	$9,198	($9,198)
King Farm Village	$0	$23	($23)
Magruder's Discovery Dev Corp	$82,200	$65,596	$16,604
Manchester Manor	$68,580	$39,077	$29,503
McHome	$27,264	$12,602	$14,662
McKendree	$32,184	$22,856	$9,328
MetroPointe Dev Corp	$187,634	$45,291	$142,343
The Metropolitan Dev Corp	$81,302	$51,565	$29,737
Metropolitan Affordable	$7,250	$19,742	($12,492)
Montgomery Arms Dev Corp	$87,000	$36,511	$50,489
MHLP VII	$28,470	$26,927	$1,543
MHLP VIII	$61,593	$31,900	$29,693
MHLP IX - Pond Ridge	$94,588	$23,372	$71,216
MHLP IX - Scattered Sites	$73,596	$60,293	$13,303
MHLP X	$115,548	$31,937	$83,611
MPDU 2007 Phase II	$2,540	$0	$2,540
617 Olney Sandy Spring Road	$0	$2	($2)
MPDU I (64)	$67,416	$28,195	$39,221
MPDU II (59) Dev Corp	$74,275	$8,642	$65,633
Oaks at Four Corners Dev Corp	$153,080	$31,028	$122,052
NCI Units	$8,484	$7,629	$855
NSP Units	$5,004	$6,705	($1,701)
Paddington Square Dev Corp	$211,614	$79,936	$131,678
Paint Branch	$15,480	$16,825	($1,345)
Parkway Woods Dev Corp	$63,850	$6,192	$57,658
Pooks Hill High-Rise Dev Corp	$142,400	$164,222	($21,822)
Pooks Hill Mid-Rise	$21,900	$48,851	($26,951)
Sandy Spring Meadow Dev Corp	$38,075	$6,603	$31,472
Scattered Site One Dev Corp	$227,031	$75,042	$151,989
Scattered Site Two Dev Corp	$73,110	$38,833	$34,277
Seneca Ridge Dev Corp	$72,216	$34,189	$38,027
Sligo MPDU III Dev Corp	$17,136	$24,466	($7,330)
Southbridge	$27,996	$7,439	$20,557
State Rental Combined	$589,788	$160,873	$428,915
Strathmore Court	$837,552	$231,079	$606,473
Towne Centre Place Dev Corp	$23,500	$27,727	($4,227)
TPP LLC Pomander Court	$23,300	$21,830	$1,470
TPP LLC Timberlawn	$271,370	$28,431	$242,939
VPC One Dev Corp	$257,600	$97,097	$160,503
VPC Two Dev Corp	$200,292	$95,190	$105,102
Washington Square Dev Corp	$45,796	$60,312	($14,516)
Westwood Tower	$250,000	$206,639	$43,361
The Willows	$292,441	$213,776	$78,665
Subtotal	**$8,259,366**	**$3,282,396**	**$4,976,970**
TOTAL	**$9,531,366**	**$3,656,676**	**$5,874,690**

M E M O R A N D U M

TO: Housing Opportunities Commission of Montgomery County
Budget, Finance and Audit Committee

VIA: **Chelsea J. Andrews, President/Executive Director**

FROM **Staff:** **Timothy Goetzinger, Senior Vice President Finance/CFO**
Eugenia Pascual, Controller
Francisco Vega, Assistant Controller
Claudia Wilson, Accounting Manager
Nilou Razeghi, Accounting Manager
Miriam Caballero, Accounting Manager

RE: **Fiscal Year 2024 (FY'24) Second Quarter Un-Audited Financial Statements:**
Presentation of the Un-Audited Financial Statements for the Second Quarter Ended December 31, 2023

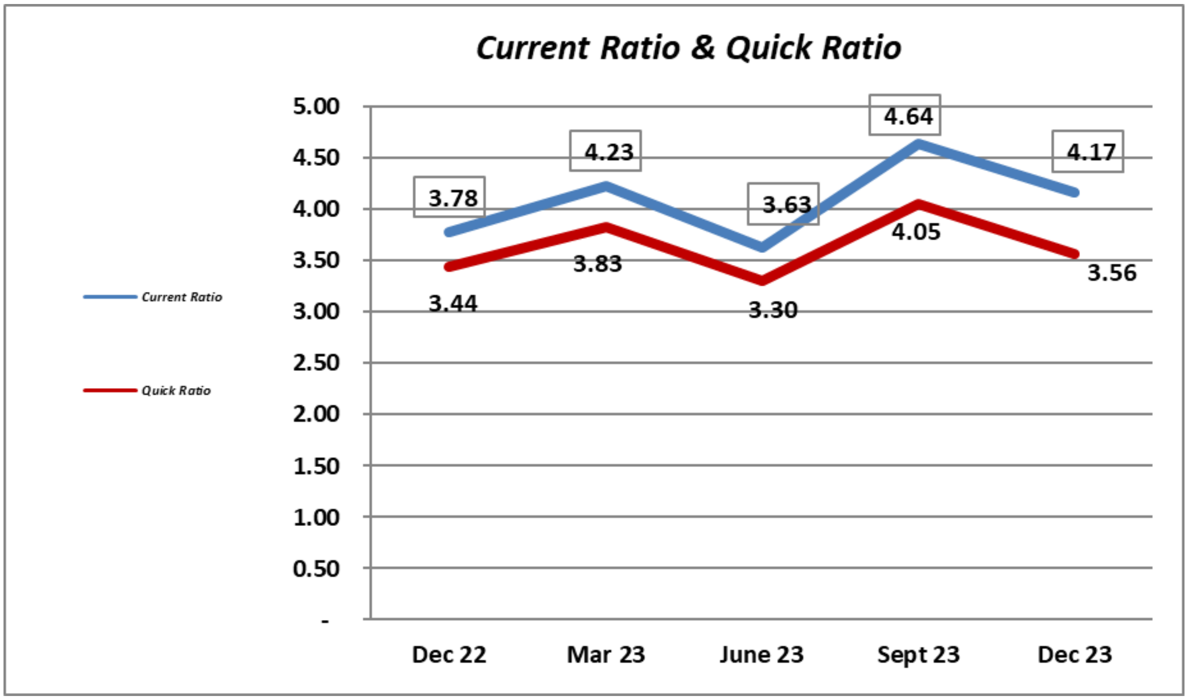
DATE: February 21, 2024

Attached please find the un-audited consolidated financial statements for the Housing Opportunities Commission of Montgomery County ("HOC" or "Commission") for the second quarter ended December 31, 2023.

Financial Highlights:

- Although the Commission's net position decreased by $2.6 million or 0.87% from last year attributed to the net operating loss during the second quarter ending December 31, 2023, total assets increased to $2.1B or up $43.8M from fiscal year end 2023, primarily due to an increase in restricted long-term investments. After adjusting, the net loss for the unrealized gains/(losses) on investment, HOC ended the second quarter with an adjusted net loss of $3.5 million compared to an adjusted net loss of $1.6 million for the same period last fiscal year.

- The Commission's current ratio (ratio of current assets to current liabilities) increased from 3.63 in June 2023 to 4.17 in December 2023. The quick ratio (the ratio is an indicator of liquidity, reflecting current assets that can be converted to cash within 90 days) also increased from 3.30 in June 2023 to 3.56 in December 2023. The increase is mainly attributed to the decrease in the current bond payables driven by scheduled bond redemptions within both bond funds, along with the decrease in the Multifamily Bond Fund undrawn proceeds payable to HOC at Westside Shady Grove LLC ("Westside Shady Grove") and HOC at Georgian Court LLC ("Georgian Court").



- As previously mentioned, the Commission's total assets excluding the deferred outflows of resources increased by $43.8 million or 2.16% since June 30, 2023. This is largely due to an increase in the restricted short-term and long-term investments, partially offset by a decrease in the restricted and unrestricted cash and cash equivalents. The mortgage and construction loans receivable, advances to component units, and accounts receivable and other assets also accounted for the increase in total assets.

- The increase in restricted short-term and long-term investments is attributed primarily to the investment of the undrawn bond proceeds from the issuance of the Multiple Purpose ("MP") 2023 Series C bonds for the HOC Headquarters and mortgage-backed securities ("MBS") purchases under the Single Family Fund.

- The decrease in restricted cash and cash equivalents is mainly driven by the Single Family Fund MBS transactions and a decrease in undrawn bond proceeds for Westside Shady Grove and Georgian Court under the Multifamily Fund.

- The decrease in unrestricted cash and cash equivalents is largely due to a decrease in the Opportunity Housing Reserve Fund ("OHRF"), attributed primarily to advances for predevelopment expenses at HOC at Shady Grove LLC and Hillandale Gateway LLC as well as funding of HOC equity contribution to CCL Multifamily LLC ("The Lindley"). The General Fund also decreased, mainly driven by the payment of FY2024 commercial liability insurance, property taxes and Yardi annual license and maintenance for Yardi Saas private cloud system, partially offset by operating expense reimbursements from the Housing Choice Voucher Program and Multifamily FY2024 operating budget drawdown. Furthermore, the unrestricted cash at the property level also decreased attributed primarily to Cider Mill Apartments, HOC at Bradley Crossing LLC, HOC at Battery Lane LLC, VPC One Corporation and VPC Two Corporation and advances to several component units increased as well.

- The increase in total mortgage and construction loans receivable is mainly attributed to PNC Real Estate Line of Credit ("RELOC") advances for HOC at Willow Manor LLC and EH III/The Leggett, partially offset by the repayment of RELOC loans for HOC at Upton II ("Upton/The Residence Lane"). Similarly, the OHRF mortgage receivables also increased largely due to additional draws for HOC at Shady Grove LLC and Hillandale Gateway LLC and HOC equity contribution to CCL Multifamily LLC ("The Lindley").

- The increase in accounts receivable and other assets is largely due to prepaid insurance, Yardi license and maintenance fees and semi-annual asset management fees receivables under the General Fund, Public Fund receivables from the County Main Grant and the McKinney program, and insurance claims receivables under the Opportunity Housing Fund.

- The increase in advances to component units is primarily driven by the timing of the payment and the reimbursement of capital and operating expenditures at several properties through the Central Disbursement System. Major contributors consist of Elizabeth House III LP ("EH III/The Leggett"), South County Regional Recreation and Aquatic Center ("SCRRAC"), HOC at Stewartown Homes LLC, Hillandale Gateway LLC, HOC at Veirs Mill Road LLC, Bauer Park Apartments LP, Town Center Apartments, CCL Multifamily LLC ("The Lindley") and HOC at Westside Shady Grove LLC ("The Laureate").

- The Multifamily Bond Fund issued a total of $135 million new bonds under the MP 2023 Series A&B Bonds for VPC One Corporation ("VPC1"), VPC Two Corporation ("VPC2"), Scattered Site Two Development Corporation ("Scattered Site2") and Montgomery Homes Limited Partnership X ("MHLP X") and MP 2023 Series C for HOC Headquarters. The Multifamily Bond Fund also redeemed and retired bonds for $6.6 million under the Multifamily Housing Development Bonds (1996 Indenture) and $0.6 million under the Stand Alone 1998 Issue.

- The Single Family Bond Fund redeemed and retired bonds under the 1979 Indenture for $21 million, the 2019 Indenture for $1.4 million and the 2009 Indenture for $0.4 million.

- The amount of U.S. Department of Housing and Urban Development ("HUD") Housing Choice Voucher Program, Housing Assistance Revenue received by the Commission increased by 7.94% from $64.4 million in FY'23 to $69.5 million in FY'24.

Overall Agency Net Income (Loss)

The Commission has a net loss of $2.6 million as of the second quarter ending December 31, 2023, compared to a net loss of $8.5 million for the same period last year. However, after adjusting the net loss for the recording of unrealized gains/(losses) on investments, HOC ended the fiscal period with a net loss of $3.5 million as compared to a net loss of $1.6 million for the same period last fiscal year.

	FY 2024	FY 2023
Net Income (Loss)	$ (2,595,221)	$ (8,493,796)
Less:		
Unrealized Gains/(Losses) on Investments	(865,719)	6,862,812
Adjusted Net Income (Loss)	$ (3,460,940)	$ (1,630,984)
Amount of (Decrease)	$ (1,829,956)	

The unrealized (gains)/losses on investments in both bond funds reflect the hypothetical (gains)/losses on investments that would have been received or lost if those investments had been sold on the last day of the reporting period. HOC does not actively trade in securities; however, if planned properly or held to maturity, no recognized gain or loss should result from the investments.

Major contributors to HOC's adjusted net loss of $3.5 million as of the second quarter ending December 31, 2023 are provided in the below chart along with a comparison of the fiscal year ending December 31, 2022:

	Fiscal Year 2024 (in millions)	Fiscal Year 2023 (in millions)	Variance (in millions
Housing Assistance Payments (HAP) Income	$ 69.5	$ 64.4	$ 5.1
Other Federal/State & County Grants	9.7	8.4	1.4
Investment Income	9.7	6.3	3.4
Interest on Mortgage and Construction Loans Receivable Income	4.5	4.0	0.5
Dwelling Rental Income	49.0	50.3	(1.4)
HAP Expense	(71.1)	(65.6)	(5.6)
Administration Expense	(27.8)	(23.1)	(4.7)
Maintenance Expense	(15.5)	(14.3)	(1.2)
Utilities Expense	(4.1)	(3.4)	(0.7)
Fringe Benefits	(4.5)	(6.2)	1.7
Interest Expense	(22.6)	(20.6)	(2.0)
Depreciation and amortization	(10.5)	(10.3)	(0.2)
Other Income Net of Other Expenses	10.0	8.4	1.7
Adjusted Net Income	$ (3.5)	$ (1.6)	$ (1.8)

The Housing Assistance Payments (HAP) – revenue increased within the HCV Main Program, Emergency Housing Vouchers, HCV Incoming Portables, and Homeless Voucher Program, partly offset by a decrease in earned HAP revenue under the 2017 Mainstream Program. The increase in HAP expense is largely driven by an increase in leasing and leasing costs within the HCV Main Program, HCV Outgoing and Incoming Portables, HCV Project Based Vouchers, Non-Elderly Persons with disabilities and Emergency Housing Vouchers, partly offset by a decrease in HCV VPC One Dev. Corp., HCV VPC Two Dev. Corp., and Designated Plan Vouchers.

The increase in state and county grants is largely due to the County Grants for Elizabeth House WSSC Sewer and Storm Line Improvement as well as Elizabeth House demolition. The County Main also increased partially offset by a decrease in the County Capital Improvement and McKinney – HUD Program.

The increase in the investment income is mainly driven by the MP 2023 Series C for HOC Headquarters Bonds, Housing Production Fund ("HPF") Series 2021 Limited Obligation Bonds and various Multifamily Housing Development Bonds ("MHDB") as well as the Single Family Mortgage Revenue Bonds ("MRB') 2023 Series A&B and 2022 Series ABCD. Interest rates continue to remain high throughout the year and contributed to the increase in investment income as well.

The decrease in dwelling rental income is largely due to Elizabeth House RAD Interim Property, VPC One Corporation, RAD 6-Towne Centre Place, Cider Mill Apartments and Magruders Discovery Development Corp., partially offset by an increase at Westwood Towers Apartments, HOC at Bradley Crossing and Alexander House Development Corporation. Bad debt expense for the fiscal period July 2023 to Dec 2023 amounted to about $3.1 million. As of December 31, 2023, the tenant receivable balance has increased by $2,224,125 from June 30, 2023, totaling $11,765,847. Staff does anticipate that a portion of this amount will result in additional allowances and the potential for additional allowances to be set up in subsequent months to reflect the continuation of non-payments lingering from the COVID-19 pandemic.

The increase in administrative expense is mainly driven by the cost of issuance related to the MP2023 bonds issued for the Scattered Sites and HOC Headquarters, and the increase in the General Fund administrative salaries, online information services, and other operating professional services related to consulting and recruiting services. The Public Fund expenses did not change materially. The disbursement of the rental assistance funding for McKinney X-HUD, CDBG, and County Main is almost fully offset by a decrease in on-line information services expenses.

The increase in maintenance expense is mainly due to an increase in flooring and carpeting contracts, paint and wallcovering, plumbing/kitchen/bath contracts and supplies, health/safety materials, contract maintenance/janitorial salaries and other miscellaneous contracts and supplies, primarily at Cider Mill, RAD 6 properties, Bradley Crossing, Battery Lane, Paddington and Timberlawn. In addition, General Fund maintenance expenses for computer equipment and software application development and technical services also increased.

The decrease in fringe benefits is largely attributed to a decrease in pension expense and accrued leave within the General Fund. The amortization payment to the Employees'

Retirement System's Unfunded Actuarial liability for FY'23 was made in September 2023. The amount due for FY'24 was paid in January 2024.

The increase in interest expense is primarily driven by the Multifamily Fund MP 2023 Series AB for Scattered Sites, MP 2023 Series C for HOC Headquarters and MHDB 2023 Series A for Upton II bonds, as well as the Single Family Fund Mortgage Revenue Bonds ("MRB") 2023 Series AB, 2022 Series ABCD partially offset by MRB 2007 Series CDE.

The increase in other income net of other expense is primarily due to an increase in HAP Administrative fees income as well as development and property management fees.

Adjusted Operating Revenue

The revenues from operations, when adjusted for HAP income and unrealized loss on investments, increased by $5.5 million for the second quarter ending December 31, 2023, when compared to the same period last year.

		FY 2024		FY 2023
Total Operating Revenue	$	154,581,327	$	136,212,319
Less:				
Housing Assistance Revenue		(69,530,698)		(64,418,824)
Unrealized Loss on Investments		(865,719)		6,862,812
Adjusted Total Operating Revenue	$	84,184,910	$	78,656,307
Amount of Increase (Decrease)	$	5,528,603		

All of the income categories registered an increase in FY'24 except Dwelling Rental Income which decreased slightly compared to the same period last year. The increase in investment income, HAP administrative fees and state and county grants largely accounted for the increase in the total adjusted operating revenue.

Adjusted Operating Expenses

The operating expenses, when adjusted for HAP expense, increased by $7.5 million for the second quarter ending December 31, 2023, when compared to the same period last fiscal year.

		FY 2024		FY 2023
Total Operating Expenses	$	159,911,816	$	146,838,440
Less:				
Housing Assistance Payments (HAP)		(71,100,440)		(65,545,721)
Adjusted Total Operating Expenses	$	88,811,376	$	81,292,719
Amount of Increase (Decrease)	$	7,518,657		

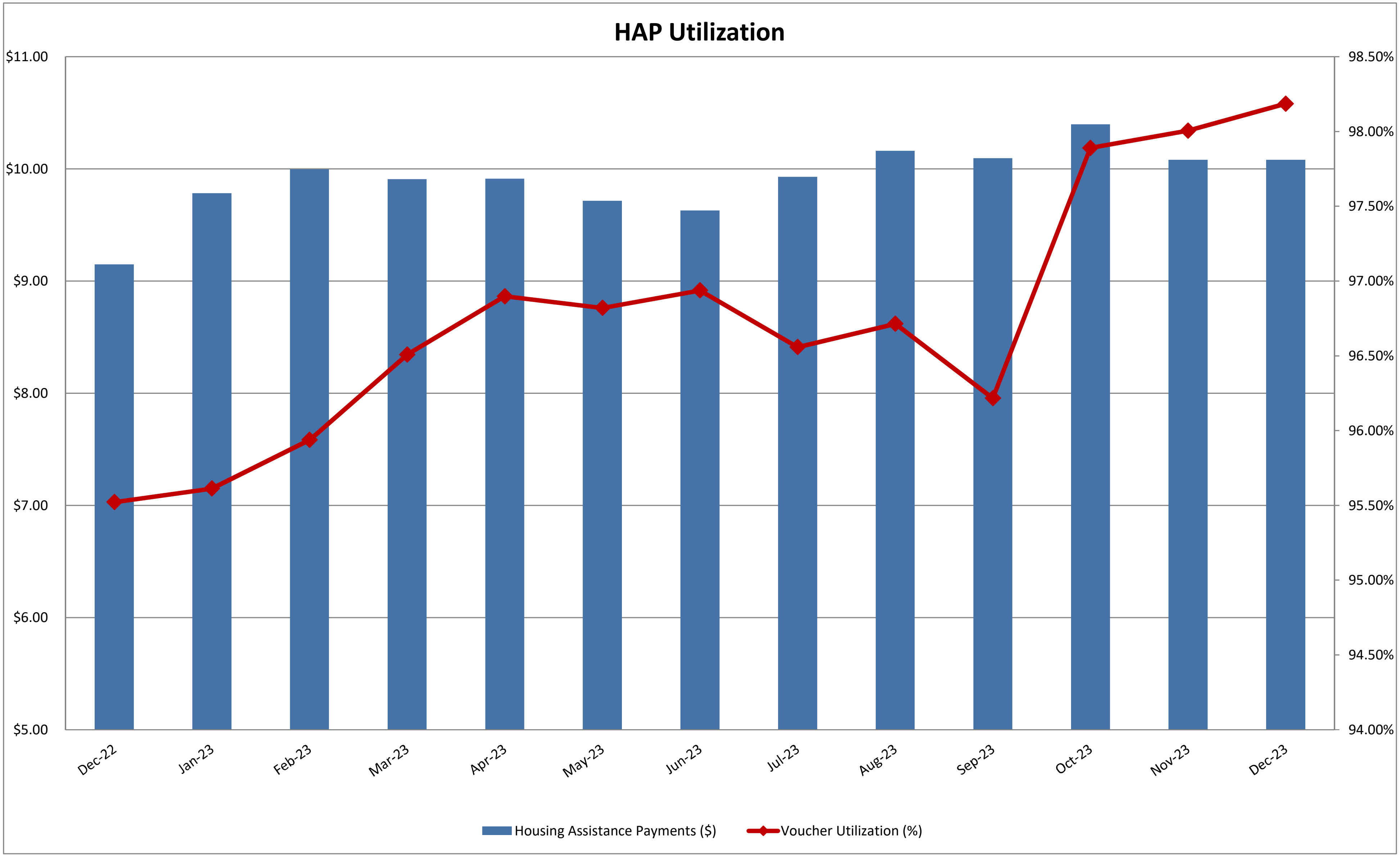
The increase in the adjusted operating expenses is mainly driven by an increase in administrative expense, interest expense and maintenance expense partly offset by a decrease in fringe benefits.

Non-operating Revenues (Expenses)

The non-operating net revenues amount to $2.7 million for the second quarter ending December 31, 2023, as compared to a net income of $2.1 million for the same period last year. The increase in non-operating revenues is attributed to an increase in investment income, non-operating interest income on mortgage and construction loans receivable, and other grants partially offset by an increase in non-operating interest expense.

	FY 2024	FY 2023
Total Non-Operating Revenues (Expenses)	$ 2,735,268	$ 2,132,325
Amount of Increase (Decrease)	$ 602,943	

	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23
Housing Assistance Payments ($)	$9,147,758	$9,782,366	$9,996,391	$9,906,793	$9,910,697	$9,714,369	$9,627,978	$9,928,251	$10,161,070	$10,094,789	$10,395,433	$10,080,814	$10,079,218
Voucher Utilization (%)	95.52%	95.61%	95.94%	96.51%	96.90%	96.82%	96.94%	96.56%	96.71%	96.22%	97.89%	98.01%	98.19%
UNITS under LEASE	7,358	7,366	7,391	7,435	7,465	7,459	7,468	7,463	7,475	7,477	7,607	7,616	7,630
HUD Authorized BASE LINE	7,703	7,704	7,704	7,704	7,704	7,704	7,704	7,729	7,729	7,771	7,771	7,771	7,771



Housing Opportunities Commission of Montgomery County, Maryland
Combined Statements of Net Position
As of December 31, 2023 and June 30, 2023

	Note Num.	12/31/2023	6/30/2023	Dollar Variance	Percentage Variance
Assets and Deferred Outflows					
Current Assets					
Unrestricted:					
Cash and cash equivalents	-1.a.-	$ 100,796,132	$ 122,787,629	$ (21,991,497)	(17.91%)
Advances to component units	-1.b.-	12,683,817	7,487,772	5,196,045	69.39%
Accounts receivable and other assets	-1.c.-	38,956,566	29,023,057	9,933,509	34.23%
Accrued interest receivable	-1.d.-	19,565,863	17,633,698	1,932,165	10.96%
Lease Receivable Current		1,106,005	1,106,005	0	0.00%
Mortgage and construction loans receivable -	-1.e.-	11,371,960	11,842,353	(470,393)	(3.97%)
Total unrestricted current assets		**184,480,343**	**189,880,514**	**(5,400,171)**	(2.84%)
Restricted cash and cash equivalents and investments:					
Restricted cash and cash equivalents	-1.f.-	134,927,665	168,603,553	(33,675,888)	(19.97%)
Restricted short-term investments	-1.g.-	3,313,341	2,139,278	1,174,063	54.88%
Cash for current bonds payable	-1.h.-	31,402,270	49,270,111	(17,867,841)	(36.27%)
Customer deposits		6,534,780	6,286,702	248,078	3.95%
Total restricted cash and cash equivalents and investmer		**176,178,057**	**226,299,644**	**(50,121,588)**	(22.15%)
Total current assets		**360,658,400**	**416,180,158**	**(55,521,758)**	(13.34%)
Noncurrent Assets					
Restricted long-term investments	-1.i.-	268,364,866	175,141,780	93,223,086	53.23%
Lease Receivable, Net of Current		7,438,772	7,438,772	0	0.00%
Mortgage and construction loans receivable	-1.e.-	722,480,996	716,135,179	6,345,817	0.89%
Capital assets, Being Depreciated, Net	-1.j.-	497,748,285	508,014,018	(10,265,733)	(2.02%)
Capital assets, Not Being Depreciated, Net	-1.j.-	170,217,209	160,765,869	9,451,340	5.88%
Right-to-Use Asset		334,568	334,568	0	0.00%
Derivative Asset		3,627,396	4,322,996	(695,600)	(16.09%)
Investment in Component Units	-1.k.-	38,775,313	37,523,980	1,251,333	3.33%
Total noncurrent assets		**1,708,987,406**	**1,609,677,162**	**99,310,244**	6.17%
Total Assets		**2,069,645,806**	**2,025,857,320**	**43,788,486**	2.16%
Deferred Outflows of Resources					
Derivative Instrument	-1.l.-	20,005,625	20,637,912	(632,287)	(3.06%)
Employer -Related Pension Activities	-1.l.-	6,707,859	6,707,859	(0)	(0.00%)
Employer -Related OPEB Activities	-1.l.-	4,331,747	4,331,747	(0)	(0.00%)
		31,045,231	**31,677,518**	**(632,287)**	(2.00%)
Total Assets and Deferred Outflows		**$ 2,100,691,037**	**$ 2,057,534,838**	**$ 43,156,199**	2.10%
Liabilities and Net Position					
Current Liabilities					
Accounts payable and accrued liabilities	-1.m.-	$ 29,077,401	$ 28,474,734	$ 602,667	2.12%
Undrawn Mortgage Proceeds Payable	-1.n.-	5,058,726	15,010,336	(9,951,610)	(66.30%)
Accrued interest payable		10,499,662	10,573,849	(74,187)	(0.70%)
Loans payable to Montgomery County - current	-1.o.-	97,547	247,073	(149,526)	(60.52%)
Lease Payable Current		126,470	126,470	(0)	(0.00%)
Mortgage notes and loans payable - current	-1.p.-	4,799,321	5,985,136	(1,185,815)	(19.81%)
Total current unrestricted liabilities		**49,659,126**	**60,417,598**	**(10,758,472)**	(17.81%)
Current Liabilities payable from restricted assets:					
Customer deposit payable		5,477,856	5,314,212	163,644	3.08%
Accrued interest payable	-1.q.-	11,686,930	9,615,948	2,070,982	21.54%
Bonds payable - current	-1.r.-	19,584,647	39,654,165	(20,069,519)	(50.61%)
Total current liabilities payable from restricted assets		**36,749,432**	**54,584,325**	**(17,834,893)**	(32.67%)
Total current liabilities		**86,408,558**	**115,001,923**	**(28,593,365)**	(24.86%)
Noncurrent Liabilities					
Bonds payable	-1.r.-	881,530,482	755,574,475	125,956,007	16.67%
Mortgage notes and loans payable	-1.p.-	616,633,821	669,817,703	(53,183,882)	(7.94%)
Loans payable to Montgomery County	-1.o.-	93,837,620	93,710,306	127,314	0.14%
Lease Payable Net of Current		209,081	209,081	(0)	(0.00%)
Unearned Revenue	-1.s.-	35,242,620	33,997,564	1,245,056	3.66%
Escrow and other deposits		21,457,879	20,561,989	895,890	4.36%
Net Pension liability		10,257,154	10,257,154	0	0.00%
Net OPEB liability		14,123,111	14,123,111	(0)	(0.00%)
Total noncurrent liabilities		**1,673,291,767**	**1,598,251,383**	**75,040,384**	4.70%
Total Liabilities		**1,759,700,325**	**1,713,253,306**	**46,447,019**	2.71%
Deferred Inflows of Resources					
Derivative Instrument	-1.l.-	3,627,396	4,322,996	(695,600)	(16.09%)
Unamortized Lease Receivable	-1.l.-	8,113,988	8,113,988	0	0.00%
Unamortized Pension Net Difference	-1.l.-	21,869,285	21,869,285	0	0.00%
Unamortized OPEB Net Difference	-1.l.-	13,181,185	13,181,185	-	0.00%
Total Deferred Inflows of Resources		46,791,855	47,487,454	(695,599)	(1.46%)
Net Position					
Net investment in capital assets		(146,286,098)	(139,672,412)	(6,613,686)	4.74%
Restricted		123,463,333	106,315,757	17,147,576	16.13%
Unrestricted		317,021,622	330,150,733	(13,129,111)	(3.98%)
Total Net Position		**294,198,857**	**296,794,078**	**(2,595,221)**	(0.87%)
Total Liabilities and Net Position		**$ 2,100,691,037**	**$ 2,057,534,838**	**$ 43,156,199**	2.10%

Housing Opportunities Commission of Montgomery County, Maryland
Combined Statements of Revenues and Expenses
As of December 31, 2023 and December 31, 2022

	Note Num.	2nd Qtr FY2024 12/31/2023	2nd Qtr FY2023 12/31/2022	Dollar Variance	Percentage Variance
Operating Revenues					
Dwelling rental	**-1.aa.-**	48,981,041	50,331,647	$ (1,350,606)	(2.68%)
Investment income	**-1.bb.-**	9,712,452	6,327,358	3,385,094	53.50%
Unrealized gains (losses) on investment	**-1.cc.-**	865,719	(6,862,812)	7,728,531	(112.61%)
Interest on mortgage and construction loans receivable	**-1.dd.-**	4,542,987	4,036,577	506,410	12.55%
Management fees and other income	**-1.ee.-**	4,477,873	4,119,261	358,611	8.71%
U.S. Department of Housing and Urban Development grants:					
Housing Assistance Payments (HAP)	**-1.ff.-**	69,530,698	64,418,824	5,111,874	7.94%
HAP administrative fees	**-1.gg.-**	6,763,790	5,486,664	1,277,126	23.28%
Other grants	**-1.hh.-**	2,820,274	2,663,637	156,637	5.88%
State and County grants	**-1.ii.-**	6,886,493	5,691,163	1,195,330	21.00%
Total operating revenues		**154,581,327**	**136,212,319**	**18,369,008**	13.49%
Operating Expenses					
Housing Assistance Payments (HAP)	**-1.ff.-**	71,100,439	65,545,721	(5,554,718)	(8.47%)
Administration	**-1.jj.-**	27,776,434	23,126,336	(4,650,098)	(20.11%)
Maintenance	**-1.kk.-**	15,513,825	14,286,556	(1,227,269)	(8.59%)
Depreciation and amortization		10,449,225	10,271,396	(177,829)	(1.73%)
Utilities	**-1.ll.-**	4,096,257	3,440,774	(655,483)	(19.05%)
Fringe benefits	**-1.mm.-**	4,460,159	6,181,713	1,721,554	27.85%
Interest expense	**-1.nn.-**	22,578,207	20,614,861	(1,963,346)	(9.52%)
Other expense	**-1.oo.-**	3,937,270	3,371,083	(566,187)	(16.80%)
Total operating expenses		**159,911,816**	**146,838,440**	**(13,073,376)**	(8.90%)
Operating income (loss)		**(5,330,489)**	**(10,626,121)**	**5,295,632**	(49.84%)
Nonoperating Revenues (Expenses)					
Investment Income		2,849,067	1,939,632	909,435	46.89%
Interest on mortgage and construction loans receivable		2,971,188	1,989,780	981,408	49.32%
Interest expense	**-1.nn.-**	(3,192,874)	(2,054,642)	(1,138,232)	55.40%
Other grants		107,887	257,555	(149,668)	(58.11%)
Total nonoperating revenues (expense)		**2,735,268**	**2,132,325**	**602,943**	28.28%
Income (loss) before capital contributions		**(2,595,221)**	**(8,493,796)**	5,898,575	(69.45%)
Income (Loss) before contributions and transfers		**(2,595,221)**	**(8,493,796)**	5,898,575	(69.45%)
Transfer from Discrete Component Units		-	-	-	
Capital contributions/(distributions)		-	-	-	
Net income (loss)		**(2,595,221)**	**(8,493,796)**	**5,898,575**	**(69.45%)**

Housing Opportunities Commission of Montgomery County

Combined Statement of Net Position

As of December 31, 2023

Assets	General Fund	Opportunity Housing Fund	Public Fund	Single Family Fund	Multi Family Fund	Elimination	12/31/2023 Total Funds with Elimination	6/30/2023 Total Funds with Elimination
Current Assets								
Unrestricted:								
Cash and Cash Equivalents	$ 30,669,274	$ 59,736,376	$ 7,089,757	844,894	$ 2,455,831	$ -	$ 100,796,132	$ 122,787,629
Interfund Receivable	-	4,289,777	-		1,148,166	(5,437,943)	-	-
Advances to Component Units	11,948,592	735,225	-	-	-	-	12,683,817	7,487,772
Accounts Receivable and Other Assets,Net	82,035,889	17,103,804	12,171,659	614,832	10,933	(72,980,550)	38,956,566	29,023,057
Accrued Interest Receivable	8,249,893	9,587,961	-	670,976	2,163,615	(1,106,582)	19,565,863	17,633,698
Lease Receivable - Current	-	1,106,005					1,106,005	1,106,005
Mortgage & Construction Loans Receivable, Current	5,601,629	1,437,630	-	3,894,808	13,192,082	(12,754,190)	11,371,960	11,842,353
Total Unrestricted Current Assets	**138,505,277**	**93,996,779**	**19,261,416**	**6,025,510**	**18,970,627**	**(92,279,265)**	**184,480,343**	**189,880,514**
Restricted Cash and Cash Equivalents nd Investments:								
Restricted Cash and Cash Equivalents	9,519,144	44,530,427	197,631	24,752,098	55,928,365	-	134,927,665	168,603,553
Restricted Short-Term Investments	-	-	-	3,313,341	-	-	3,313,341	2,139,278
Restricted for Current Bonds Payable	-	-	-	9,391,782	22,010,488	-	31,402,270	49,270,111
Restricted for Customer Deposits	-	3,441,885	3,092,895	-	-	-	6,534,780	6,286,702
Total Restricted Cash and Cash Equivalents for Investments	**9,519,144**	**47,972,313**	**3,290,526**	**37,457,220**	**77,938,853**	**-**	**176,178,057**	**226,299,644**
Total Current Assets	**148,024,421**	**141,969,091**	**22,551,942**	**43,482,731**	**96,909,481**	**(92,279,265)**	**360,658,400**	**416,180,158**
Noncurrent assets:								
Restricted Long - Term Investments	-	-	-	131,564,658	136,800,207	-	268,364,866	175,141,780
Lease Receivable - Net of Current	-	7,438,772	-				7,438,772	7,438,772
Mortgage & Construction Loans Receivable, Net of Current	507,427,788	196,187,615	2,005,615	29,766,179	615,888,237	(628,794,438)	722,480,996	716,135,179
Capital Assets, Being Depreciated, Net	3,146,921	490,900,511	3,700,853	-	-	-	497,748,285	508,014,018
Capital Assets, Not Being Depreciated	10,855,499	154,890,044	4,471,666				170,217,209	160,765,869
Right-to-Use Asset	334,568	-	-				334,568	334,568
Derivative Asset	-	995,867	-	1,142,630	1,488,899.33		3,627,396	4,322,996
Investment in Component Units	2,073,221	36,702,092	-	-	-	-	38,775,313	37,523,980
Total Noncurrent Assets	**523,837,996**	**887,114,902**	**10,178,133**	**162,473,468**	**754,177,344**	**(628,794,438)**	**1,708,987,406**	**1,609,677,162**
Deferred Outflows of Resources								
Derivative Instrument	-	20,005,625	-	-	-	-	20,005,625	20,637,912
Fair Value of Hedging Derivatives	-	-	-	-	-	-	-	-
Employer -Related Pension Activities	2,578,239	1,570,850	2,558,770	-	-	-	6,707,859	6,707,859
Employer -Related OPEB Activities	3,399,093	169,075	763,579	-	-	-	4,331,747	4,331,747
	5,977,331	**21,745,550**	**3,322,349**	**-**	**-**	**-**	**31,045,231**	**31,677,518**
Total Assets and Deferred Outflows	**677,839,749**	**1,050,829,544**	**36,052,425**	**205,956,198**	**851,086,825**	**(721,073,703)**	**2,100,691,037**	**2,057,534,838**

	General Fund	Opportunity Housing Fund	Public Fund	Single Family Fund	Multi Family Fund	Elimination	12/31/2023 Total Funds with Elimination	6/30/2023 Total Funds with Elimination
Liabilities and Net Position								
Liabilities								
Current Liabilities								
Accounts Payable and Accrued Liabilities	14,177,420	16,384,726	1,160,352	610,388	203,905	(3,459,392)	29,077,400	28,474,734
Undrawn Mortgage Proceeds Payable	-	-	-	-	74,579,884	(69,521,158)	5,058,726	15,010,336
Interfund Payable	2,922,171	-	2,362,490	153,283	-	(5,437,943)	-	-
Accrued Interest Payable	-	11,606,244	-	-	-	(1,106,582)	10,499,662	10,573,849
Loans Payable to Montgomery County - Current	-	97,547	-	-	-		97,547	247,073
Lease Payable - Current	126,470						126,470	126,470
Mortgage Notes and Loans Payable-Current	4,402,617	13,150,894	-	-	-	(12,754,190)	4,799,321	5,985,136
Total Current Unrestricted Liabilities	**21,628,678**	**41,239,411**	**3,522,842**	**763,671**	**74,783,789**	**(92,279,265)**	**49,659,125**	**60,417,598**
Current Liabilities Payable from Restricted Assets:								
Customer Deposits Payable	-	2,889,463	2,588,393	-	-	-	5,477,856	5,314,212
.Accrued Interest Payable	-	-	-	3,201,088	8,485,842	-	11,686,930	9,615,948
Bonds Payable-Current	-	-	-	6,060,000	13,524,647	-	19,584,647	39,654,165
Total Current Liabilities Payable from Restricted Assets	**-**	**2,889,463**	**2,588,393**	**9,261,088**	**22,010,488**	**-**	**36,749,432**	**54,584,325**
Total Current Liabilities	**21,628,678**	**44,128,874**	**6,111,234**	**10,024,759**	**96,794,277**	**(92,279,265)**	**86,408,557**	**115,001,923**
Non-Current Liabilities								
Bonds Payable	-	-	-	174,852,993	706,677,488	-	881,530,481.76	755,574,475
Mortgage Notes and Loans payable	512,448,815	732,739,443	-	240,000	-	(628,794,438)	616,633,820.76	669,817,703
Loans payable to Montgomery County	31,979,224	61,858,396	-	-	-	-	93,837,619.84	93,710,306
Lease Payable Net of Current	209,081						209,080.87	209,081
Unearned Revenue	22,629,824	11,765,632	847,165	-	-	-	35,242,620.10	33,997,564
Escrow and Other Deposits	18,403,179	-	-	-	3,054,700	-	21,457,878.83	20,561,989
Net Pension liability	6,188,525	1,245,549	2,823,080	-	-	-	10,257,154.14	10,257,154
Net OPEB liability	5,808,221	748,231	7,566,659	-	-	-	14,123,112.28	14,123,111
Derivative Investment - Hedging	-	-	-	-	-	-	-	-
Total Noncurrent Liabilities	**597,666,869**	**808,357,250**	**11,236,904**	**175,092,993**	**709,732,189**	**(628,794,438)**	**1,673,291,768.58**	**1,598,251,383**
Total Liabilities	**619,295,547**	**852,486,124**	**17,348,139**	**185,117,752**	**806,526,466**	**(721,073,703)**	**1,759,700,326**	**1,713,253,306**
Deferred Inflows of Resources								
Derivative Instrument	-	995,867		1,142,630	1,488,899		3,627,396.33	4,322,996
Unamortized Lease Receivable	-	8,113,988					8,113,988.12	8,113,988
Unamortized Pension Net Difference	14,635,673	1,835,246	5,398,366	-	-	-	21,869,285.42	21,869,285
Unamortized OPEB Net Difference	7,473,513	1,008,851	4,698,821	-	-	-	13,181,184.42	13,181,185
Total Deferred Inflows of Resources	22,109,186	11,953,952	10,097,187	1,142,630	1,488,899	-	46,791,854	47,487,454
Net Position								
Net investment in Capital assets	7,597,107	(162,055,723)	8,172,519	-	-	-	(146,286,098)	(139,672,412)
Amounts Restricted for:								
Debt Service	-	44,530,427	-	18,850,922	40,615,628	-	103,996,978	96,751,533
Customer deposits and other	-	552,422	702,134	-	-	-	1,254,555	2,193,900
Closing cost assistance program and other	18,211,800	-	-	-	-	-	18,211,800	7,370,324
Unrestricted (deficit)	10,626,109	303,362,341	(267,554)	844,894	2,455,831	-	317,021,622	330,150,733
Total net position	**36,435,016**	**186,389,467**	**8,607,099**	**19,695,816**	**43,071,459**	**-**	**294,198,857**	**296,794,078**
Total Liabilities, Deferred Inflows and Net Position	**677,839,749**	**1,050,829,544**	**36,052,425**	**205,956,198**	**851,086,825**	**(721,073,703)**	**2,100,691,037**	**2,057,534,838**

Housing Opportunities Commission of Montgomery County, Maryland

Combining Statement of Revenue and Expenses

For the Quarter Ended December 31, 2023 (with comparative totals for the Quarter Ended December 31, 2022)

	General Fund	Opportunity Housing Fund	Public Fund	Single Family Fund	Multi Family Fund	Elimination	12/31/2023 Total Funds with Elimination	12/31/2022 Total Funds with Elimination
Operating Revenues								
Dwelling Rental	$ -	$ 48,631,281	$ 349,760	$ -	$ -	$ -	$ 48,981,041	$ 50,331,647
Investment Income	-	-	-	3,528,185	6,184,267	-	9,712,452	6,327,358
Unrealized Gains (Losses) on Investments	-	-	-	1,015,811	(150,092)	-	865,719	(6,862,812)
Interest on Mortgage & Construction Loans Receivable	-	-	-	710,699	8,279,773	(4,447,484)	4,542,987	4,036,578
Management Fees and Other Income	9,912,502	2,075,425	64,050	-	-	(7,574,104)	4,477,873	4,119,261
U.S. Department of Housing and Urban								
Developement Grants:								
Housing Assistance Payments (HAP)	-	-	69,530,698	-	-	-	69,530,698	64,418,824
HAP Administrative Fees	-	-	6,763,790	-	-	-	6,763,790	5,486,664
Other Grants	-	-	2,820,274	-	-	-	2,820,274	2,663,637
State and County Grants	-	-	6,886,493	-	-	-	6,886,493	5,691,163
Total Operating Revenues	**9,912,502**	**50,706,706**	**86,415,065**	**5,254,694**	**14,313,948**	**(12,021,588)**	**154,581,327**	**136,212,320**
Operating Expenses								
Housing Assistance Payments	-	-	71,100,439	-	-	-	71,100,439	65,545,721
Administration	9,640,562	11,079,666	9,969,214	625,380	1,444,922	(4,983,310)	27,776,434	23,126,336
Maintenance	1,172,081	14,340,528	1,215	-	-	-	15,513,825	14,286,556
Depreciation and amortization	166,038	10,283,187	-	-	-	-	10,449,225	10,271,395
Utilities	92,209	3,828,942	175,106	-	-	-	4,096,257	3,440,774
Fringe Benefits	1,419,315	1,415,726	1,402,785	81,080	141,253	-	4,460,159	6,181,713
Interest expense	-	14,210,916	-	2,919,758	9,895,017	(4,447,484)	22,578,207	20,614,861
Other Expense	758,533	4,959,747	809,785	-	-	(2,590,794)	3,937,270	3,371,083
Total operating expenses	**13,248,738**	**60,118,712**	**83,458,544**	**3,626,218**	**11,481,192**	**(12,021,588)**	**159,911,816**	**146,838,439**
Operating Income (loss)	**(3,336,236)**	**(9,412,006)**	**2,956,522**	**1,628,476**	**2,832,755**	**-**	**(5,330,489)**	**(10,626,119)**
Nonoperating Revenues (Expenses)								
.Investment Income	707,268	2,072,596	69,204	-	-	-	2,849,067	1,939,631
.Interest on Mortgage and Construction Loans Receivable	8,548,635	682	-	-	-	(5,578,128)	2,971,188	1,989,780
.Interest Expense	(8,138,715)	(632,287)	-	-	-	5,578,128	(3,192,874)	(2,054,642)
Other Grants	-	107,887	-	-	-	-	107,887	257,555
Gain/(Loss) on Sale of Assets	-	-	-	-	-	-	-	-
Total nonoperating revenues (expenses)	**1,117,187**	**1,548,878**	**69,204**	**-**	**-**	**-**	**2,735,268**	**2,132,324**
Income (loss) before capital contributions and transfers	**(2,219,049)**	**(7,863,128)**	**3,025,725**	**1,628,476**	**2,832,755**	**-**	**(2,595,221)**	**(8,493,795)**
Operating transfers in (out)	(995,355)	995,355	-	-		-	-	-
Change in Net Position	**$ (3,214,404)**	**(6,867,773)**	**$ 3,025,725**	**$ 1,628,476**	**$ 2,832,755**	**$ -**	**$ (2,595,221)**	**$ (8,493,795)**

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND
(A Component Unit of Montgomery County, Maryland)
Notes to Financial Statements
December 31, 2023

Note 1 – Discussion of specific lines of the Combined Statements of Net Position and the Combined Statements of Revenue and Expenses

		FY'24	FY'23	Dollar Variance	Percentage Variance
1.a	**Cash and Cash Equivalents**	**100,796,132**	**122,787,629**	**(21,991,497)**	**(17.91%)**

The decrease in cash and cash equivalents is largely due to a decrease in the Opportunity Housing Reserve Fund ("OHRF") mainly driven by advances for predevelopment expenses at HOC at Shady Grove LLC and Hillandale Gateway LLC as well as funding of HOC equity contribution to CCL Multifamily LLC ("The Lindley"). The General Fund also contributed to the decrease mainly attributed to payment of FY2024 commercial liability insurance, property taxes and Yardi annual license and maintenance for Yardi Saas private cloud system, partially offset by operating expense reimbursements from the Housing Choice Voucher Program and Multifamily FY2024 operating budget drawdown. Additionally, the unrestricted cash at the property level also decreased attributed primarily to Cider Mill Apartments, HOC at Bradley Crossing LLC, HOC at Battery Lane LLC, VPC One Corporation and VPC Two Corporation. Advances to several component units increased as well (See note 1.b), which also contributed to the decrease in unrestricted cash.

1.b	**Advances to Component Units**	**12,683,817**	**7,487,772**	**5,196,045**	**69.39%**

The increase in the advances to component units is primarily driven by the timing of the payment and the reimbursement of capital and operating expenditures at several properties through the Central Disbursement System. Major contributors consist of Elizabeth House III LP ("EH III/The Leggett"), South County Regional Recreation and Aquatic Center ("SCRRAC"), HOC at Stewartown Homes LLC, Hillandale Gateway LLC, HOC at Veirs Mill Road LLC, Bauer Park Apartments LP, Town Center Apartments, CCL Multifamily LLC ("The Lindley") and HOC at Westside Shady Grove LLC ("The Laureate").

1.c	**Accounts Receivable and Other Assets**	**38,956,566**	**29,023,057**	**9,933,509**	**34.23%**

The increase in accounts receivable and other assets is largely due to prepaid insurance, Yardi license and maintenance fees and semi-annual asset management fees receivables under the General Fund, Public Fund receivables from the County Main Grant and the McKinney program as well as insurance claims receivables under the Opportunity Housing Fund.

1.d	**Accrued Interest Receivable**	**19,565,863**	**17,633,698**	**1,932,165**	**10.96%**

The increase in the accrued interest receivable is driven by interests on Seller Notes from Alexander House LP,HOC at Stewartown Homes LLC, HOC at Georgian Court LLC and HOC at Shady Grove LLC, Greenhills LP and Arcola RAD LP.

1.e	**Mort. & Const. Loans Receivable-Current**	**11,371,960**	**11,842,353**	**(470,393)**	**(3.97%)**
1.e	**Mort. & Const. Loans Receivable-Non-Current**	**722,480,996**	**716,135,179**	**6,345,817**	**0.89%**
	Total	**733,852,957**	**727,977,532**	**5,875,425**	**0.81%**

The increase in total mortgage and construction loans receivable is mainly driven by PNC Real Estate Line of Credit ("RELOC") advances for HOC at Willow Manor LLC, EH III LP ("The Leggett") as well as additional draws from the OHRF for HOC at Shady Grove LLC, Hillandale Gateway LLC and HOC equity contribution to CCL Multifamily LLC ("The Lindley"). This increase is partially offset by the repayment of RELOC loans for HOC at Upton II ("Upton/The Residence Lane").

1.f	**Restricted Cash & Cash Equivalents**	**134,927,665**	**168,603,553**	**(33,675,888)**	**(19.97%)**

The decrease in the restricted cash and cash equivalents is driven by the Single Family Bond Fund mortgage-backed securities purchases and a decrease in undrawn bond proceeds for HOC at West Side Shady Grove LLC and HOC at Georgian Court LLC within the Multifamily Bond.

1.g	**Restricted Short-term Investments**	**3,313,341**	**2,139,278**	**1,174,063**	**54.88%**

The increase in restricted short-term investments is primarily driven by the Single Family Bond Fund mortgage-backed securities transactions.

1.h	**Cash for Current Bonds Payable**	**31,402,270**	**49,270,111**	**(17,867,841)**	**(36.27%)**

The decrease in the cash for current bonds payable is driven by a decrease in current maturing bonds within the Single Family Bond Fund partially offset by an increase within the Multifamily Bond Fund.

1.i	**Restricted Long-term Investments**	**268,364,866**	**175,141,780**	**93,223,086**	**53.23%**

The increase in restricted long-term investment is mainly due to undrawn bond proceeds from the issuance of Multiple Purpose Bond 2023 Series C for HOC Headquarters and mortgage-backed securities purchases under the Single Family Mortgage Revenue Bonds.

1.j	**Capital Assets, Being Depreciated, Net**	**497,748,285**	**508,014,018**	**(10,265,733)**	**(2.02%)**
1.j	**Capital Assets, Not Being Depreciated, Net**	**170,217,209**	**160,765,869**	**9,451,340**	**5.88%**
	Total	**667,965,495**	**668,779,887**	**(814,392)**	**(0.12%)**

The slight decrease in net capital assets is attributed to the normal depreciation of assets, which is almost fully offset by the waterproofing and plaza repair contract at The Metropolitan, the predevelopment costs for the Sandy Spring Missing Middle project and HOC Headquarters; and Capital Improvement Program at Elizabeth House and Scattered Sites.

1.k	**Investment in Component Units**	**38,775,313**	**37,523,980**	**1,251,333**	**3.33%**

The increase in the investment in component units is driven by additional HOC equity contributions as General Partner in the CCL Multifamily LLC (“The Lindley”) and Bauer Park Apartments LP.

1.l	**Deferred Outflows-Derivative Instrument**	**20,005,625**	**20,637,912**	**(632,287)**	**(3.06%)**
1.l	**Deferred Outflows-Pension Activities**	**6,707,860**	**6,707,860**	**(0)**	**(0.00%)**
1.l	**Deferred Outflows-OPEB Activities**	**4,331,747**	**4,331,747**	**(0)**	**(0.00%)**
	Total	**31,045,232**	**31,677,519**	**(632,287)**	**(2.00%)**

As of December 31, 2023, all of HOC’s interest rate swaps were deemed effective hedges. Therefore, under GASB No. 53, *Accounting and Financial Reporting for Derivative Instruments,* the changes in fair values of hedging derivative instruments are reported as either deferred inflows or outflows in the Statements of Net Position. HOC’s interest rate swaps consists of ($1,142,630) in the Single Family Bond Fund, ($1,488,899) in the Multifamily Bond Fund and ($995,867) in the Opportunity Housing Fund related to Elizabeth House III.

The interest rate swaps on The Lindley and Alexander House were terminated on September 8, 2019, which required HOC to make a swap termination payment of $12,701,474 and $12,590,000, respectively. These payments are included in the deferred outflows, hedging derivatives and are being amortized to interest expense on a straight-line basis over the 40-year term of the first mortgage loans with the Federal Financing Bank. The unamortized balance of the swap termination payment is $20,005,625 reported as deferred outflows of resources as of December 31, 2023.

In accordance with GASB No. 68, *Accounting and Financial Reporting for Pensions,* and GASB No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other than Pension Plans,* HOC is required to report deferred outflows of resources and deferred inflows of resources related to pensions and other post-employment benefits (OPEB).

1.m	**Accounts Payable and Accrued Liabilities**	**29,077,401**	**28,474,734**	**602,667**	**2.12%**

The increase in accounts payable and accrued liabilities is mainly driven by an increase in the General Fund group health insurance payable and accrued liabilities partially offset by a decrease in the Public Fund and Opportunity Housing Fund accrued expenses.

1.n	**Undrawn Mortgage Proceeds payable**	**5,058,726**	**15,010,336**	**(9,951,610)**	**(66.30%)**

The decrease in undrawn mortgage proceeds payable is driven by bond draws from HOC at Westside Shady Grove LLC (“WSSG”) and HOC at Georgian Court LLC.

1.o	**Loans Payable to Montgomery Co-Current**	**97,547**	**247,073**	**(149,526)**	**(60.52%)**
1.o	**Loans Payable to Montgomery Co-Non-Current**	**93,837,620**	**93,710,306**	**127,314**	**0.14%**
	Total	**93,935,167**	**93,957,379**	**(22,212)**	**(0.02%)**

The loans payable to Montgomery County did not change materially since last fiscal year. The increase in the General Fund due to additional funding for the Montgomery County Homeownership Fund ("McHAF") program is almost fully offset by the payoff of the Scattered Site Two Development Corporation ("Scattered Site2"), Montgomery Homes LP X ("MHLP X"), and Holiday Park.

1.p	**Mortgage Notes & Loans Payable-Current**	**4,799,321**	**5,985,136**	**(1,185,815)**	**(19.81%)**
1.p	**Mortgage Notes & Loans Payable-Non-Current**	**616,633,821**	**669,817,703**	**(53,183,882)**	**(7.94%)**
	Total	**621,433,142**	**675,802,839**	**(54,369,697)**	**(8.05%)**

The decrease in total mortgage notes and loans payable is attributed primarily to the refinancing of the existing mortgage loans of VPC One Corporation ("VPC1"), VPC Two Corporation ("VPC2"), Scattered Site2, MHLP X and HOC Headquarters with the issuance of Multiple Purpose Bonds 2023 Series ABC. The RELOC draws for Upton II were also repaid from the LIHTC Equity. This decrease is partially offset by additional RELOC draws for HOC at Willow Manor LLC, EH III/The Leggett, SCRRAC and Wheaton Gateway.

1.q	**Accrued Interest Payable - Restricted**	**11,686,930**	**9,615,948**	**2,070,982**	**21.54%**

The increase in restricted accrued interest payable is driven by the semi-annual interest payable to the Multifamily and Single Family bond holders that was paid after the reporting period.

1.r	**Bonds Payable - Current**	**19,584,647**	**39,654,165**	**(20,069,519)**	**(50.61%)**
1.r	**Bonds Payable - Non-Current**	**881,530,482**	**755,574,475**	**125,956,007**	**16.67%**
	Total	**901,115,128**	**795,228,640**	**105,886,488**	**13.32%**

The increase in the total outstanding bonds payable is mainly attributed due to $135 million of new bonds issued under the Multiple Purpose ("MP") Indenture (2023 Series A, B, and C Bonds), for the scattered site properties and HOC Headquarters, partially offset by the scheduled bond redemptions within both bond funds. The Multifamily Bond Fund redeemed and retired bonds for $6.6 million under the Multifamily Housing Development Bonds (1996 Indenture) and $0.6 million under the Stand Alone 1998 Issue. The Single Family Bond Fund redeemed and retired bonds under the 1979 Indenture for $21.1 million, the 2019 Indenture for $1.4 million and the 2009 Indenture for $0.4 million.

1.aa	**Dwelling Rental**	**48,981,041**	**50,331,647**	**(1,350,606)**	**(2.68%)**

The decrease in the dwelling rental income is largely due to Elizabeth House RAD Interim Property, VPC One Corporation, RAD 6-Towne Centre Place, Cider Mill Apartments and Magruder's Discovery Development Corp., partially offset by an increase in tenant income from Westwood Towers Apartments, HOC at Bradley Crossing and Alexander House Development Corporation. Bad debt expense for the fiscal period July 2023 to Dec 2023 amounted to about $3.1 million. As of December 31, 2023, the tenant receivable balance has increased by $2,224,125 from June 30, 2023, totaling $11,765,847. Staff does anticipate that a portion of this amount will result in additional allowances and the potential for additional allowances to be set up in subsequent months to reflect the continuation of non-payments lingering from the COVID-19 pandemic.

1.bb	**Investment Income**	**9,712,452**	**6,327,358**	**3,385,094**	**53.50%**

The increase in investment income is mainly driven by the MP 2023 Series C HOC Headquarters Bonds, Housing Production Fund ("HPF") Series 2021 Limited Obligation Bonds and various Multifamily Housing Development Bonds ("MHDB") as well as the Single Family Mortgage Revenue Bonds ("MRB') 2023 Series AB and 2022 Series ABCD. Interest rates continue to remain high throughout the year and contributed to the increase in investment income as well.

1.cc	**Unrealized Gains (Losses) on Investments**	**865,719**	**(6,862,812)**	**7,728,531**	**(112.61%)**

Unrealized gains (losses) on investment reflect the hypothetical gains and/or losses on investments HOC would have experienced if those investments had sold on the last day of the reporting period. If planned properly and held to maturity, no recognized gain or loss should result from the investments.

1.dd	**Interest on Mortg. & Const. Loans Receivable**	**4,542,987**	**4,036,577**	**506,410**	**12.55%**

The increase is primarily due to the Multifamily Bond Fund mortgage receivables related to MHDB 2023 Series A for Upton II, MHDB 2021 Series A for West Side Shady Grove and MHDB 2021 Series BCD for Willow Manor, Shady Grove, Georgian Court and Stewartown.

1.ee	**Management Fees & Other Income**	**4,477,873**	**4,119,261**	**358,611**	**8.71%**

The increase in management fees and other income is due to an increase in development fee income.

1.ff	**Housing Assistance Payments-Revenue**	**69,530,698**	**64,418,824**	**5,111,874**	**7.94%**
1.ff	**Housing Assistance Payments-Expense**	**71,100,439**	**65,545,721**	**5,554,718**	**8.47%**

The Housing Assistance Payments (HAP) – revenue increased within the HCV Main Program, Emergency Housing Vouchers, HCV Incoming Portables, and Homeless Voucher Program, partly offset by a decrease in earned HAP revenue under the 2017 Mainstream Program. The increase in HAP expense is driven by an increase in leasing and leasing costs within the HCV Main Program, HCV Outgoing Portables, HCV Project Based Vouchers, HCV Incoming Portables, and Non-Elderly Persons with disabilities, partly offset by a decrease in HCV VPC One Dev. Corp., Designated Plan Vouchers, and HCV VPC Two Dev. Corp.

1.gg	**HAP Administrative Fees-Income**	**6,763,790**	**5,486,664**	**1,277,126**	**23.28%**

The increase in HAP administrative fees-income is driven by an increase in leasing and proration factor.

1.hh	**Other Grants**	**2,820,274**	**2,663,637**	**156,637**	**5.88%**

The increase in state and county grants is attributed to an increase in the McKinney X-HUD Grant ROSS FSS Award.

1.ii	**State and County Grants**	**6,886,493**	**5,691,163**	**1,195,330**	**21.00%**

The increase in state and county grants is largely due to the County Grants for Elizabeth House WSSC Sewer and Storm Line Improvement as well as Elizabeth House demotion. The County Main also increased partially offset by a decrease in the County Capital Improvement and McKinney – HUD Program.

1.jj	**Administration**	**27,776,434**	**23,126,336**	**4,650,098**	**20.11%**

The increase in administrative expense is driven by the Opportunity Housing Fund and General Fund. The increase in the Opportunity Housing Fund is largely due to the cost of issuance related to the permanent financing of VPC1, VPC2, Scattered Sites2 and MHLP X. The increase in the General Fund driven by cost of issuance for the HOC Headquarters, administrative salaries, online information services, and other operating professional services related to consulting and recruiting services. The Public Fund expenses did not change materially. The disbursement of the rental assistance funding for McKinney X-HUD, CDBG, and County Main is almost fully offset by a decrease in on-line information services expenses.

1.kk	**Maintenance**	**15,513,825**	**14,286,556**	**1,227,269**	**8.59%**

The increase in maintenance expense is mainly due to an increase in flooring and carpeting contracts, paint and wallcovering, plumbing/kitchen/bath contracts and supplies, health/safety materials, contract maintenance/janitorial salaries and other miscellaneous contracts and supplies, primarily at Cider Mill, RAD 6 properties, Bradley Crossing, Battery Lane, Paddington, and Timberlawn. The General Fund computer equipment and software expenses related to application development and technical services also contributed to the increase in maintenance costs.

1.ll	**Utilities**	**4,096,257**	**3,440,774**	**655,483**	**19.05%**

The increase in utilities is mainly due to an increase in water, electricity, and trash collection at RAD 6 properties, Paddington Square, Cider Mill, The Metropolitan and Barclay One Associates LP partially offset by a decrease at Glenmont Crossing Development Corp and Barclay Development Corp.

1.mm	**Fringe Benefits**	**4,460,159**	**6,181,713**	**(1,721,554)**	**(27.85%)**

The decrease in fringe benefits is primarily driven by a decrease in pension expense and accrued leave within the General Fund. The amortization payment to the Employees' Retirement System's Unfunded Actuarial liability for FY'23 was made in September 2023. The amount due for FY'24 was paid in January 2024.

1.nn	**Interest Expense - Operating**	**22,578,207**	**20,614,861**	**1,963,346**	**9.52%**
1.nn	**Interest Expense - Non-Operating**	**3,192,874**	**2,054,642**	**1,138,232**	**55.40%**
	Total	**25,771,082**	**22,669,503**	**3,101,578**	**13.68%**

The increase in total interest expense is primarily driven by the Multifamily Fund MP 2023 Series AB for Scattered Sites, MP 2023 Series C for HOC Headquarters and MHDB 2023 Series A for Upton II, as well as the Single Family Fund MRB 2023 Series AB and 2022 Series ABCD partially offset by a decrease in MRB 2007 Series CDE.

1.oo	**Other Expense**	**3,937,270**	**3,371,083**	**566,187**	**16.80%**

The increase in other expense is mainly due to an increase in the Opportunity Housing properties' liability insurance, fire and hazard insurance, mortgage insurance and solid waste tax, and an increase in security contracts at HOC offices.

M E M O R A N D U M

TO:	Housing Opportunities Commission of Montgomery County Budget, Finance and Audit Committee
VIA:	Chelsea J. Andrews President/Executive Director
FROM:	Staff: Timothy Goetzinger, Senior Vice President, Finance/CFO Eugenia Pascual, Controller Nilou Razeghi, Accounting Manager Ali Ozair, Vice President, Property Management
RE:	**Uncollectible Tenant Accounts Receivable**: Presentation of Request to Write-off Uncollectible Tenant Accounts Receivable (October 1, 2023 – December 31, 2023)
DATE:	February 21, 2024

BACKGROUND:

HOC's current policy is to provide for an allowance for any tenant accounts receivable balance, which are older than 90 days. HOC records all proposed write-offs of former tenant accounts receivable balances in HOC's Uncollectible Accounts Receivable Database as well as in the various individuals' Equifax Credit Bureau files. This process updates the financial records to reflect accurately the receivables and provides greater potential for outstanding receivable collection.

The last approved write-off of former tenant accounts receivable balances of $132,684 was on December 20, 2023, which covered the three-month period from July 1, 2023 through September, 30, 2023 (the first quarter of fiscal year 2024).

The proposed write-off of former tenant accounts receivable balances for the second quarter of fiscal year 2024, covering October 1, 2023 through December 31, 2023 is $368,862.

The second quarter write-off of $368,862 is attributable to former tenants within HOC's Opportunity Housing properties, Supportive Housing properties and Section 236 properties. The primary reasons for the write-offs across the properties include tenants who passed away ($2,537), needed more space ($226), are no longer in the program ($1,701), no longer qualify ($415), purchased a home ($457), skipped ($117,964), voluntarily vacated their units ($3,211), could not afford the unit ($1,061), were evicted due to non-payment of rent ($141,653), criminal activity ($1,872), failed to pay rent ($24,143), lease violation(s) ($47,811), non-compliance with program regulations ($3,506), and abandoned/vacated their unit ($22,305).

The following table shows the write-offs by fund/program.

Property Type	Current Write-offs 10/01/23 - 12/31/23	Prior Write-offs 07/01/23 - 09/30/23	$ Change 10/01/23 - 12/31/23	% Change 10/01/23 - 12/31/23	Fiscal Year 2024 Year-to-Date 07/01/23 - 12/31/23	Fiscal Year 2023 Year-to-Date 07/01/22 - 12/31/22
Opportunity Housing	361,512	73,570	287,942	391.39%	435,082	27,323
Supportive Housing	7,095	19,711	(12,616)	-64.00%	26,806	30,342
RAD Properties	-	39,403	(39,403)	-100.00%	39,403	104
236 Properties	255	-	255	0.00%	255	4,141
	$ 368,862	$ 132,684	$ 236,178	178.00%	$ 501,546	$ 61,910

The following tables show the write-offs by fund and property.

Opportunity Housing Fund

	Current Write-offs 10/01/23 - 12/31/23	Prior Write-offs 07/01/23 - 09/30/23	$ Change 10/01/23 - 12/31/23	% Change 10/01/23 - 12/31/23	Fiscal Year 2024 Year-to-Date 07/01/23 - 12/31/23	Fiscal Year 2023 Year-to-Date 07/01/22 - 12/31/22
Opportunity Housing (OH) Fund						
Chelsea Towers	$ -	$ 331	$ (331)	-100.00%	$ 331	$ -
Holiday Park	29,266	-	29,266	0.00%	29,266	-
Jubilee - Hermitage	-	6,232	(6,232)	-100.00%	6,232	-
Lasko Manor	565	-	565	0.00%	565	-
Magruders Discovery	-	-	-	0.00%	-	9,560
McHome	1,061	-	1,061	0.00%	1,061	-
McKendree	-	25	(25)	-100.00%	25	-
MHLP VII	-	2,191	(2,191)	-100.00%	2,191	-
MHLP X	-	1,136	(1,136)	-100.00%	1,136	-
MPDU I/64	-	-	-	0.00%	-	800
NCI-1 - 13057 Mill House Ct	2,793	-	2,793	0.00%	2,793	-
NSP-1 - 18884 McFarlin Dr	-	603	(603)	-100.00%	603	-
Paintbranch	-	-	-	0.00%	-	153
Scattered Site One Dev Corp	-	-	-	0.00%	-	10,840
Scattered Site Two Dev Corp	-	4,511	(4,511)	-100.00%	4,511	-
State Partnership Rental	415	2,051	(1,636)	-79.77%	2,466	634
TPM Dev Corp - MPDU II (59)	24,143	-	24,143	0.00%	24,143	769
VPC One Corp	49,099	26,787	22,312	83.29%	75,886	4,340
VPC Two Corp	254,170	29,703	224,467	755.70%	283,873	227
Total OH Fund	**$ 361,512**	**$ 73,570**	**$ 287,942**	**391.39%**	**$ 435,082**	**$ 27,323**

Within the Opportunity Housing portfolio, the $361,512 write-off amount was attributable to Holiday Park, Lasko Manor, McHome, NCI-1- 13507 Mill House Ct, State Partnership Rental, TPM Development Corporation – MPDU II (59), VPC One Corporation, and VPC Two Corporation. The write-offs were due to one tenant who passed away ($565), one tenant who needed more space ($226), one tenant who is no longer in the program ($1,701), one tenant who no longer qualified ($415), one tenant who purchased a home ($457), three tenants who skipped ($117,964), three tenants who voluntarily vacated their units ($3,211), one tenant who could not afford the rent ($1,061), four tenants who were evicted due to non-payment of rent ($141,653), one tenant who failed to pay rent ($24,143), two tenants for lease violation(s) ($47,811) and one tenants who abandoned/vacated their unit ($22,305).

Supportive Housing

	Current Write-offs 10/01/23 - 12/31/23	Prior Write-offs 07/01/23 - 09/30/23	$ Change 10/01/23 - 12/31/23	% Change 10/01/23 - 12/31/23	Fiscal Year 2024 Year-to-Date 07/01/23 - 12/31/23	Fiscal Year 2023 Year-to-Date 07/01/22 - 12/31/22
Supportive Housing						
McKinney X - HUD	$ 1,717	$ 19,711	$ (17,994)	-91.29%	$ 21,428	$ 15,621
McKinney XIV - HUD	5,378	-	5,378	0.00%	5,378	14,721
Total Supportive Housing	**$ 7,095**	**$ 19,711**	**$ (12,616)**	**-64.00%**	**$ 26,806**	**$ 30,342**

Within the Supportive Housing Program, there was one tenant who had criminal activity ($1,872), two tenants who passed away ($1,717), and two tenants who were non-compliant with program requirements ($3,506).

LIHTC/RAD Properties

	Current Write-offs 10/01/23 - 12/31/23	Prior Write-offs 07/01/23 - 09/30/23	$ Change 10/01/23 - 12/31/23	% Change 10/01/23 - 12/31/23	Fiscal Year 2024 Year-to-Date 07/01/23 - 12/31/23	Fiscal Year 2023 Year-to-Date 07/01/22 - 12/31/22
LIHTC/RAD Properties						
Arcola Towers LP	$ -	$ 3,562	$ (3,562)	-100.00%	$ 3,562	$ -
RAD 6 - Sandy Spring	-	25,897	(25,897)	-100.00%	25,897	-
RAD 6 - Washington Square	-	6,061	(6,061)	-100.00%	6,061	-
Waverly House LP	-	3,883	(3,883)	-100.00%	3,883	104
Total RAD Properties	**$ -**	**$ 39,403**	**$ (39,403)**	**-100.00%**	**$ 39,403**	**$ 104**

Within the LIHTC/RAD properties, there were no write-offs to report in the second quarter of FY ‘24.

HUD Section 236 Properties

	Current Write-offs 10/01/23 - 12/31/23	Prior Write-offs 07/01/23 - 09/30/23	$ Change 10/01/23 - 12/31/23	% Change 10/01/23 - 12/31/23	Fiscal Year 2024 Year-to-Date 07/01/23 - 12/31/23	Fiscal Year 2023 Year-to-Date 07/01/22 - 12/31/22
236 Properties						
Town Center Apts	$ 255	$ -	$ 255	0.00%	$ 255	$ 4,141
Total 236 Properties	**$ 255**	**$ -**	**$ 255**	**0.00%**	**$ 255**	**$ 4,141**

Within the 236 properties, there were one tenant who passed away ($255).

These write-offs will be reported for pursuit of collections in accordance with the procedures outlined below.

Finance Write-Off and Recovery Procedures

1. After a tenant vacates, Resident Accounting (“RA”) receives clearance from HOC Property Management (“PM”) to post the deposit accounting in Yardi.
2. If a balance is owed, RA prepares a letter to the resident with the balance owed. PM signs and mails the letter to the resident.

3. If a resident purchased a surety bond, PM submits a claim to the bond company to collect the balance owed up to the amount of the bond. Payments made by the bond company are posted to the resident's ledger.
4. If a balance is still owed (at the time of write-off review), it is submitted for consideration to be written-off. Once approved, the write-off is posted in Yardi.
5. PM informs Compliance of the write-off and reports outstanding balances to a collection Company.

The next anticipated write-off will be for the third quarter of FY'24 covering January 1, 2024 through March 31, 2024. Upon approval, the write-offs will be processed through Yardi's write-off function with the tenant detail placed into the uncollectible accounts receivable database.

ISSUES FOR CONSIDERATION:

Will the Budget, Finance and Audit Committee join staff's recommendation to the Commission to authorize the write-off of uncollectible tenant accounts receivable for the second quarter of fiscal year 2024, totaling $368,862?

BUDGET IMPACT:

The recommended write-off of the tenant accounts receivable balances does not affect the net income or cash flow of the individual properties or the Agency as a whole. The write-off expense was recorded when the initial allowance was established because of the receivable balance being 90 days past due. The recommended write-off is to adjust the balance sheet and remove the aged receivable balances.

TIME FRAME:

For discussion at the February 21, 2024 Budget, Finance and Audit Committee meeting. For formal Commission action at the March 6, 2024 meeting.

STAFF RECOMMENDATION:

Staff requests that the Budget, Finance and Audit Committee join its recommendation to the Commission authorizing the write-off of uncollectible tenant accounts receivable of $368,862.

Adjourn