

VHFA INSTRUCTIONS TO THE NEW OPERATING BUDGET PROJECTION (Rev. 7/11)

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

The VHFA Operating Budget Projection Form 805 (Rev. 7/11) can be found on our website (www.vhfa.org) and downloaded as an Excel 2000 document. We encourage those of you familiar with Microsoft Office to complete and submit the Operating Budget electronically. Click on “Rentals”, then “For Property Managers”, then “Forms Documents and Memos”, scroll down to find “Operating Budget Projection Form 805” to enjoy the convenience of a minimum of data entry and the ease of automatic calculation. (Formulas and links are embedded to speed your budget preparation.) Completed forms should be sent via e-mail to MFBudgets@vhfa.org.

Your property's budget is prepared on a calendar year basis beginning January 1. Budgets should be prepared on the VHFA Operating Budget Projection Form 805 (Rev. 7/11) either electronically as described above, on the enclosed form, or on a computer facsimile. Any submissions must include all requested information to be accepted.

Budgets are due on (or before) **November 1** unless another date has been jointly agreed upon. Budgets are reviewed on a first-come, first-served basis; **early submissions are welcome**. When your budget is approved, a copy initialed and dated by the VHFA Management Officer will be sent to you.

The following instructions explain the Operating Budget Projection Form. Please be sure to complete the Budget Projection Form 805 (Rev. 7/11) and Supplement One, including the Utility Information. Please Note: Also please remember to complete information at the top of the form – e.g. Year ending, Project Name, Location and # of Units. This is especially important with electronic submissions.

A. OPERATING INCOME

1. **GROSS RENT POTENTIAL**

- a. Tenant Rent Contribution: The portion of rent collected directly from the tenant. (This will be an estimate based on current tenant contributions.)
- b. Housing Assistance Payments: The amount of rent requisitioned from the Vermont State Housing Authority, HUD, or VHFA.
- c. Total Rent Potential: Taken from the calculation on the Supplement One.

2. **OTHER INCOME**

- a. Commercial Rent: Rent collected on VHFA-approved commercial space. This may be the community space rented to social organizations or space originally constructed for commercial use.
- b. Interest: Any unrestricted interest generated from invested project operating cash such as savings accounts, NOW accounts, and C.D. accounts or other unrestricted accounts. Do not include security deposit or Replacement Reserve interest.
- c. Laundry: Income derived from laundry machines.
- d. Other: Any other income that should be credited to the property; i.e. tenant utilities paid to owner, tenant lockout fees, etc.
- e. Total Other Income: Add Commercial Rent, Interest, Laundry and Other.

3. ADJUSTMENTS

- a. Vacancy Loss - Rents: For elderly units, use a figure of at least 1 percent (1%) of Total Rent Potential. If the project is family housing or will have been in operation less than six months, use a figure of at least 2 percent (2%). All projects located in the Burlington MSA should use 1 percent (1%). Non-Section 8 projects should use the pro-forma figures or recent rental history in estimating rent loss. *Please indicate which percentage you use.*
- b. Vacancy Loss - Commercial: Use a figure equivalent to 5 percent (5%).
- c. Total Adjustments: Add amounts claimed for rent and commercial loss.

4. TOTAL INCOME

The sum of Gross Rent Potential and Other Income, minus Adjustments.

B. OPERATING EXPENSES

1. ADMINISTRATIVE EXPENSES

- a. Management Fee: Fees are approved on a project-by-project basis and are based on management performance and cash flow. **There may be a 2.0% increase this year in management fees, if requested by the owner and approved by VHFA Management Staff.**

For other than large properties that were underwritten with lower management fees and approved administrative expenses as a project expense, management fees include the following:

- 1. Office salaries, including tenant certifications, required reports, rental process costs, and bookkeeping not related to the audit.
 - 2. Manager's salary including taxes, Worker's Compensation, and all benefits.
 - 3. Office expenses including telephone, copying, and postage.
 - 4. Computer service fees and supplies.
 - 5. Printing costs (applications, leases, etc., not covered by #3 above.)
 - 6. Fidelity bonding for personnel.
- b. Social Services: This is an opportunity to use project operating funds toward the cost of supportive social services for the elderly or families. These services include: service coordination, congregate meals, transportation, and home health care services. **A Social Service Plan is still required and must be submitted with the budget.**
 - c. Audit: The anticipated cost for the preparation of the annual audit report.
 - d. Legal: Only attorney's fees *directly* related to project operations; e.g. evictions, tax appeals.
 - e. Admin Other: Certain expenses must be approved by VHFA and be detailed on Budget Form 805 within the appropriate shaded box. These include:
 - 1. TRACS
 - 2. LIHTC Fee
 - 3. Training

4. Conference
5. Other – please detail.

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

- f. Total Administrative: Add Management Fee, Social Services, Audit, Legal and Other.

2. UTILITY EXPENSES

- a. Electricity: Estimated cost excluding those units that are individually-metered and the tenant pays the cost of utilities.
- b. Fuel: Cost of oil, propane, natural gas, kerosene, or wood. If electric heat is separately billed, enter your heating cost here. Indicate type of fuel.
- c. Water: Anticipated cost of water use
- d. Sewer: Anticipated cost of sewer use, including septic pump-outs, but not septic system repairs. Please Note: This category was previously included with C. Water above and is newly broken out for the 2012 budget term.
- e. Fire Alarm/Emergency Call: The cost of fire alarm and/or emergency call system hookups.
- f. Other: Any additional utility-related expense, e.g. energy audits (describe other).
- g. Total Utility: Add Electricity, Fuel, Water and Sewer, Fire Alarm/Emergency Call and Other.

3. MAINTENANCE EXPENSES

- a. Maintenance/Janitor Payroll: Include salary and taxes, Worker's Compensation and benefits. Also include the value of the rental unit if the person lives in a subsidized unit, partially or fully rent-free, as part of their compensation.
- b. Janitor Supplies: Cost of detergents, oven cleaners, waxes, polishes, paper products, brooms, mops, etc.
- c. Exterminating: Cost of either supplies or contract service.
- d. Trash Removal: Cost of removing rubbish and recycling.
- e. Snow Removal: Cost of snow plowing, snow shoveling, sanding and salting roads and walkways.
- f. Grounds: Supplies such as fertilizers, seed, flowers; services such as lawn mowing, mulching; and the cost of landscaping whether contract expense or in-house payroll.
- g. Repairs Material: Expenditures for parts and supplies related to plumbing, electrical, and general building maintenance.

- h. Repairs Contract: Anticipated contract maintenance expenses for plumbing, electrical, and general building repairs.
- i. HVAC Repairs/Maintenance: All projected expenses for heating, ventilating and air conditioning systems including contract repairs and service, front-line maintenance and the cost of parts.
- j. Elevator Contract/Repairs: Cost of service contract, parts and repairs.
- k. Painting and Decorating: Costs associated with painting or decorating related to normally recurring maintenance practices, whether contract, supplies or payroll.
- l. Other: Includes any costs that do not appropriately fit into another expense category.

NOTE: Non-annually recurring maintenance expenses such as exterior painting or paving an entire parking area and driveway should NOT be included here as a line item expense. Please detail these and similar expenses on Line F.

- m. Total Maintenance: The sum of all maintenance category line item expenses.

4. GENERAL EXPENSES

- a. Real Estate Tax: The estimated cost of property tax assessments.
- b. Property Insurance: Hazard, liability and rent loss coverage.
- c. Total - All VHFA Mortgage P & I: Combined principal and interest expense paid to VHFA for all VHFA mortgages/loans.
- d. Replacement Reserve: This deposit amount is calculated by one of two methods. It is based on either 1) an amount increased yearly by an index or Annual Adjustment Factor applied to project rents or 2) a specific deposit amount that is based on a CNA. If, in consultation with your Management Officer, another deposit amount has been agreed to, please use this amount. If you're not sure which method to use, contact your Management Officer at VHFA for guidance.
- e. Other Loan Payments: Principal and interest for any additional Non-VHFA loans.
- f. Other: Any legitimate project expense for which no category has been provided, such as land lease payments or mortgage insurance premiums (MIP). Please identify.

NOTE: Non-annually recurring Capital Expense items should not be included here as a line item expense. The Total Cost per Year for these and similar expenses should be entered for 2012 on Line F.

- g. Total General: Add Real Estate Tax, Property Insurance, Total - All VHFA Mortgage P & I, Replacement Reserve, Other (Non-VHFA) Loans, and Other (identify).

5. TOTAL COST OF OPERATIONS: The sum of Administrative, Utility, Maintenance, and General Expense categories.

C. OPERATING PROFIT/(LOSS): Subtract Total Cost of Operations (Line B5 or Cell C62) from Total Income (Line A4 or Cell C23).

- D. **RETURN ON EQUITY**: Enter no more than the maximum annual amount allowed under the Regulatory Agreement or other controlling documents.
- E. **NET PROFIT/(LOSS)**: Subtract Return on Equity from Operating Profit/(Loss).
- F. **TOTAL CAPITAL EXPENDITURES**: Review the Capital Needs Assessment for the current year, noting any items that need to be completed. Then, look at the items identified as needing replacement or repair in 2011. Carefully consider the financial capacity of the property, particularly reserves and escrows, in prioritizing the Capital Expenditures that you have identified. The sum of these identified Capital Expenses should be entered as the Total Cost per Year for 2011.

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

Please print name of preparer, their e-mail address and cell phone and date the form before submitting.

SUPPLEMENT ONE

RENT CALCULATION

Please Note: If you download Form 805 and are completing it in Excel, Total Rent by Bedroom Size, Total Monthly Contract Rents and Total Annual Rent Potential will be calculated for you electronically. The resulting Total Annual Rent Potential is linked and will be transferred to the appropriate space (box A.1.c. or cell C12) on Form 805.

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

VACANCY RATE

Enter the Vacancy Rate for the property for either calendar year 2011 OR for the last 12 months.

UTILITY INFORMATION

Please indicate if you have completed the on-line VHFA energy survey. This is the best way to access energy funding that is available under the Vermont Fuel Efficiency Program (VFEP). If this survey shows that your project is among the highest energy users, you may be given priority for an energy audit and other efficiency measures that are available through VFEP's program. You may also call your local weatherization office to schedule an audit for your property and access their programs directly.

SUPPLEMENT ONE includes a UTILITY INFORMATION section which must be completed for each property. Please begin by calculating the Monthly per Unit Cost of Utilities.