

**MEMORANDUM**

TO: NROC Board of Directors  
FROM: NROC Budget Committee  
RE: New Northgate Housing, LLC Operating Budget Proposal 2020  
DATE: 22 October 2020

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Attached for your review and approval is the proposed 2019 Operating Budget for Northgate Apartments.

As per the approved procedure, the budget was developed by the Northgate Budget Committee consisting of Carol Jaramillo, Linda Romeo, Brian Walker, Tim Moran, Donna Chagnon, Rick Noth, Sara Noth, and Kathy Luce. The Committee held a series of working meetings during the past month and this budget packet is the product of our work. This is the 30<sup>th</sup> Operating Budget developed by the Budget Committee starting back in 1990!

Highlights are as follows:

**Rental Income**

Income – Overall rental income is increased based upon the rent increase plan projected in the proforma budget approved as part of the restructure and refinancing plan in 2011. The rent increase for non-Section 8 households for 2020 is 2.5%, as in past years.

Further, there is a HUD OCAF rent increase for Section 8 subsidies effective on 11/1/19 of approx. 2% per HUD regulations. There was a significant HUD contract rent increase in 2017 based upon a rent comp study, which is on schedule to be done every 5 years.

The 2019/2020 rent schedule is attached.

**Expenses**

Administrative Expenses – Overall expenses are decreased by 3% based on actual costs that will carry over into to 2020; this savings helps to offset increases in overall maintenance costs.

Maintenance Expenses – Overall expenses are increased by 6.75% based on increased overall costs. The increases are primarily related to increased cost of boiler replacement parts, grounds, unit turnover costs, and trash removal.

Utilities – Overall expenses are increased by 1.49%. There continues to be savings in electricity due to the installation of LED bulbs site-wide and savings in gas consumption due to our continued conservation efforts. Water and Sewer costs are budgeted to increase by 4% in 2020 and will likely continue to increase as the City works on storm water system upgrades city-wide.

Taxes & Insurance – Overall expenses are decreased by 1.79% with savings in some line items reallocated to cover projected increases in others. Current real estate tax bill is increased by 2% and 6% budgeted increases for property & liability insurance costs.

Ownership Entity Expenses – Overall expenses increased by 1%; this includes NROC Board Budget and CHT Services. NROC Budget is increased to cover merit salary increase and benefits cost increase projection.

Replacement Reserve Deposits – the annual deposit into replacement reserves has been increased by 2% in accordance with the Capital Plan updated and adopted in 2017.

**Total Operating Costs – Overall operating cost increase is 1.12%.**

**NEW NORTHGATE, LLC  
OPERATING BUDGET NARRATIVE**

**RECEIPTS**

Rental Income - Base rents for each income tier have been included based on the current rent roll plus 2.5% effective on March 1<sup>st</sup>. Rent increases are implemented in accordance with the plan included in the proforma used for the restructure and refinance with VHFA and HUD in November of 2011. Effective on November 1, 2016 the HAP Contract Rents paid by HUD were increased to the rents per the rent comp study in accordance with the Mark Up to Market HAP Contract. Section 8 contract rents were also increased by HUD on 11/1/2019 by the published OCAF. A rent comp study will be required again in 2020 and rents can be adjusted accordingly up to market area rents for the Section 8 Contract rents only – this will not increase resident rents.

Vacancy allowance is budgeted based on prior year trend, which is less than the proforma and adjusted based on the historical actuals at less than 1% for many years.

**ADMINISTRATIVE EXPENSES**

**Management Fee**

Covers cost of monthly and quarterly financial reporting, bill paying, supervision and support of on-site staff, overall financial management, and for services provided by vice president/regional manager and other senior staff members of the firm.

Proposed 3% increase

**Administrative Salaries**

This line includes salaries for the four positions in the on-site management office including Co-Managers (2), one full-time Office Administrative Assistant and one full-time Operations and Systems Coordinator.

Merit salary increases are budgeted at 3%

**Administrative Employee Benefits**

Includes the cost of health insurance, dental insurance, life insurance and limited long-term disability insurance for 4 administrative employees. Staff members contribute 30% toward the family plan and 10% toward individual plan.

Insurance cost increase is budgeted based on current rates plus 6% on 6/1 renewal date.

### **Advertising/Marketing Expenses**

This is budgeted based on minimal past expenses;

Credit/CORI Reports – includes the cost for running credit and criminal record screenings for applicants.

### **Legal Expenses**

Northgate utilizes Nadine Scibek for legal services including summary process; attorney fees; sheriff fees; court costs; and small claims court costs.

### **Auditing Fees**

This line item is based on the actual cost of the audit. Audit reports are required by HUD and VHFA. This also includes the costs associated with preparing the tax returns for the ownership entity of New Northgate Housing, LLC and NROC. Otis/Atwell is the firm who performs this work annually.

### **Telephone/Communications**

This includes the phone system and service, internet throughout the building, fax machine, a 24-hour answering service, pager service for NROC business, and all communication related costs for management and resident services offices.

### **Office Expenses**

Includes regular and routine office expenses such as forms, leases, copy machine contract, copy paper, stationary, envelopes, translation services, computer software and support, water in all the offices, coffee, and supplies for the Board room, etc. Includes expenses for all NROC business, management, and resident services offices, including the newsletter copying and distribution. This also includes the website utilizing Yardi and some costs associated with the timeline in 2019. Also includes new software and submission required by HUD for resident services data, which is a new HUD requirement implemented in 2019.

### **Training & Education**

This includes site training costs for Board and staff.

## **Resident Services**

This includes salary, benefits, tax expenses for a Resident Services Coordinator & a Food Pantry Coordinator plus all resident services program/events and youth activity expenses. Also includes Food Pantry supplies and expenses.

## **MAINTENANCE EXPENSES**

### **Maintenance Salaries**

Includes base salary and emergency & snow removal related overtime for seven full-time positions: Maintenance Superintendent, 5 Maintenance Technicians, and one Janitor/Cleaner plus one half-time admin clerk for computer support and utility tracking, as needed. Also included in this are on-call expenses (beeper coverage).

Merit salary increases are budgeted at 3%.

### **Maintenance Employee Benefits**

This includes the cost of health insurance, dental insurance, life insurance and limited long-term disability insurance for 7 maintenance employees. Each staff member contributes 30% toward the family plan and 10% toward an individual plan. Current expense is 2 family plans and 5 individual plans.

This is based on current staff needs and a projected 6% increase at 6/1 renewal.

### **Janitorial Materials & Contract**

This line item includes cleaning materials for apartment turnovers, offices and the common areas in the community center. Also includes the weekly service for floor runners in the community building.

### **Cleaning Contract**

The maintenance staff completes all cleaning in the community building. This includes some funds for contracting out stripping and waxing the community room floors during the year, and also the rented runners for specific areas that are cleaned and rotated regularly.

### **Grounds Materials**

This line item includes all materials for:

- 1) Materials used for repairs to roads and parking lots (painting, striping, cold patch repairs)

- 2) Includes materials related to planting flowers, shrubs, trees, tree care, mulch and lawn fertilizing & soil enrichment materials.

### **Grounds Contract**

This line item is used to hire outside contractors to complete repairs such as road/curb/sidewalk repair and tree removal that require special equipment or expertise. Vehicle towing costs for parking policy enforcement are also included in this line item.

### **Decorating Materials**

Includes costs of materials needed to carry out the turnover and repairs related to turnovers. Materials include but are not limited to paint, drywall, polyurethane, bath tiles, etc.

### **Decorating Contract**

This is the cost for contracting out of routine painting only of vacant units at an average of \$940.00 per unit, plus other decorating contract related work. On-site staff completes all prep and repair work in turnovers

### **Carpentry Materials**

This covers the cost of all materials for interior and exterior wood related repairs such as window and doorframes, stairways, fencing, decks, and exterior siding and trim. Materials for capital replacement programs are paid for with replacement reserves.

### **Carpentry Contract**

This item is for repairs such as contracting out of siding and wood trim repairs or hardwood floor refinishing, as well as extra contract labor when staff vacancies occur. These items are replacement reserve expenses if required.

### **Electrical Materials**

This item includes materials for interior and exterior site lighting, receptacles and switch replacement, circuit breaker repairs, thermostat replacements and replacement of hall lighting fixtures as needed. All exterior light bulbs are being replaced over time with LED for reduced energy usage and savings.

### **Electrical Contract**

This line item is for electrical work that would require a licensed electrician and electrical Permits, (i.e. main electrical panels or house panels).

### **Plumbing Materials**

This includes materials for boiler parts, faucet, sink, garbage disposals, toilet, piping, and sewer system repairs. Costs increase for replacement parts as the heating system ages. The boiler parts continue to increase in cost due to manufacturer increases; the boilers are 9 years old and still have a lot of life left in them, so it is cost effective to make needed repairs and replace parts as needed to extend the life of the system.

### **Plumbing Contract**

This item is used for furnace work and sewer line preventive maintenance and repair, which includes steam cleaning the main and house lines once per year and boiler inspections and repairs by experts.

### **Appliance Materials**

This line item is for replacement of range and refrigerator components for repairs. Replacement of appliances is covered by reserves.

### **Fire and Safety Systems**

Covers costs of annual testing fire alarms and extinguishers and any replacement/repairs. The smokes/co detectors are on a replacement schedule to be replaced every 7 years.

### **Locks and Keys**

This is for the purchase of key blanks and locks as needed.

### **Exterminating Contract**

Includes pest control and removal of skunks, and some bed bug treatment as needed.

### **Garbage & Trash Removal**

This covers weekly curbside trash removal and recycling costs for each apartment, composting program, and the cost of the periodic dumpster days throughout the year per the schedule approved by the Board in 2019.

### **Snow Removal**

This includes all snow-related materials such as sand and salt, ice melt and the rental of additional snow removal equipment in case of heavy snowfall. Does not include labor costs, which are included in maintenance salaries.

## **Maintenance Equipment**

This line item is used for gas and other fluids, replacement of hand tools and smaller pieces of equipment, preventive maintenance and routine repair of all vehicles, grounds and power equipment owned by Northgate.

## **Uniforms**

Includes winter and summer work gear; plus worker safety equipment.

## **UTILITIES**

### **Electricity**

Includes exterior common area site lighting, Community Building, Maintenance Garage and maintaining services to vacant apartments. Reduced based on LED lighting phase-in program.

### **Natural Gas**

This includes heat and hot water for community building, offices, maintenance building and maintaining services to vacant apartments.

### **Water and Sewer**

Covers site wide costs of water/sewer.

## **SECURITY**

This includes contracted foot patrols during June through October. Coverage has been provided random evening and weekend hours when the offices are closed. The staff will work with RAC in 2017 to draft a security plan.

## **TAXES AND INSURANCE**

### **Real Estate Taxes**

This has been budgeted based on current tax bill plus 2%.

### **Administrative Payroll Taxes**

Includes all payroll taxes applied to salaries in accordance with federal and state law.

### **Maintenance Payroll Taxes**

Includes all payroll taxes applied to salaries in accordance with federal and state law.



### **Misc. Taxes**

Includes the Apartment Rental Inspection fee paid to the City.

### **Property Insurance**

Includes cost of building, liability and vehicle insurance for the property. This is based on the renewal pricing for 2019 plus 6% contingency for market increases. This also includes D&O insurance coverage for NROC and coverage required for the resident services programs and events.

### **Workers' Compensation**

This is based on actual rates applied to total administrative, maintenance, and resident services salaries.

### **FINANCIAL EXPENSES**

Includes the interest paid according to the amortization schedule for:

New Northgate, LLC VHFA Mortgage  
Mortgage Insurance Premium – paid to HUD  
HUD Flex Loan – Supportable – this is the payment required to be made in accordance with the new loan agreement.

### **ENTITY EXPENSES**

**Social Services Expenses (entity) – these are the NROC/Board Expenses –**  
This includes salary, benefits, payroll tax expenses for NROC Community Builder plus NROC Board expenses for administrative, travel, board development and recruitment. Office and business operating expenses associated with NROC are allocated in the applicable line items above under Administrative Expenses (i.e., office, telephone, etc.) and not in this line item.

### **Special Asset Management Fee (CHT Technical Assistance)**

The Board contracts with Champlain Housing Trust (CHT) to provide technical services and assistance in accordance with the contract approved by the NROC Board.

### **Cash Flow Adjustments**

Reflects activity in the Replacement Reserve accounts and other restricted accounts, as well as principal payments on the mortgages. Replacement Reserve annual deposits are budgeted in accordance with capital needs planning.

### **Cash Flow Allocation**

Reflects the required payment to the HUD Flex Loan from cash flow; the loan agreements require that HUD is paid 60% of cash flow and that New Northgate Housing, LLC (NROC as managing member) retains 40%. Until 2017, Northgate had to deposit the 40% payment into the Operating Reserve held by VHFA until the balance reached \$543,000, which it did in 2017. There are no restrictions on the use of the 40% cash flow distribution that NROC will receive in future years based on cash flow calculation in the audited financial statement. In 2019, the Board voted that future cash flow distributions would be utilized for the NROC Scholarship fund which was set up with VSAC in 2019.