MEMORANDUM

To: The Chairperson and Members

From: Marc Jahr
President

Subject: Proposed FY 2014 Budget

Date: November 18, 2013

I am pleased to present the Corporation’s proposed budget for Fiscal Year 2014 ("FY 2014"). Since Mayor Bloomberg announced the New Housing Marketplace Plan (the “Plan”) in 2003, the Corporation has been striving to reach the ambitious goals set to preserve or create affordable housing. Under the Plan, the City committed to producing 165,000 new and rehabilitated affordable housing units between 2003 and 2014. As we near the end of the Plan, the Corporation has already surpassed its original goals, financing close to 74,000 units of housing, rather than the original goal of 44,000 units, plus an additional 20,139 units under the New York City Housing Authority (“NYCHA”) Federalization Program, as well as 15,372 units through the Coop City guarantee. All of this has been done while issuing approximately $13.7 billion in bonds and, as opposed to the original plan for HDC to commit $550 million of its corporate reserves to subsidize developments, it has used about $1.45 billion. This performance is strong confirmation of HDC’s past and continuing success.

This success has occurred despite a set of man-made and natural calamities that have punctuated the period 2003-2013. At the beginning of the Mayor’s Housing Plan in 2003, the nation and the City were all confronting the recovery from the tragedy of September 11th. In 2008, the real estate collapse and attendant Great Recession struck. And as we near the end of the plan we are facing the reconstruction challenges posed by Superstorm Sandy. Notwithstanding these daunting events, the Corporation has achieved yet another year of substantial growth. During FY 2013, HDC issued almost $1.77 billion in bonds while maintaining its strong AA credit rating. This brings the bonds outstanding to $9.5 billion at the end of FY 2013, almost triple the $3.3 billion at the end of FY 2003. Total assets of HDC are also almost triple the $4.65 billion at the
end of FY 2003, now standing at approximately $13 billion at the end of FY 2013. Additionally, net assets have more than doubled from $710 million at the end of FY 2003 to approximately $1.68 billion at the end of FY 2013. All the while, staff has grown at a much slower pace. Staff head count has only increased 47% during this time from 118 in FY 2003 to 174 in FY 2013.

During this same time period net income has continued to be significant. The Corporation ended FY 2013 with an excess of revenues over expenses, on a cash basis, of $73.66 million, an increase of $13.61 million over the budgeted amount of $60.06 million, for reasons to be discussed later in this report. Most importantly, this continues a trend that has existed since 2003, where net income, on a cash basis, has remained steady in the mid to high $50 million range each year (with some additional peaks here and there), culminating with $73.66 million this past year and $67.56 million in FY 2012.

HDC’s projected revenue stream remains strong, as does the future pipeline of housing production. The Corporation is curtailing costs where possible, balancing expenses while maintaining efficiencies, keeping pace with the continuously expanding portfolio we are required to oversee, and seeking to maximize its contributions to the City’s housing effort.

The excess revenues over the years, combined with the funds created by securitizations of the Corporation’s assets, have allowed the Corporation to pump close to $1.45 billion of corporate reserves into the Mayor’s Housing Plan since inception. The Corporation is forecasting to spend an additional $85 million in subsidy in FY 2014.

While the Corporation continues to flourish, we also continue to pay close attention to cost management: assets per employee continue to increase, from $39.4 million in 2003 when the plan first began, to $54.8 million by 2006, to $72 million in 2012, and a projected increase to approximately $74.3 million in 2013. This increased efficiency stems from the Corporation’s long term plan to invest in its employees, physical plant, and information systems.

A strategic challenge is to ensure that the Corporation’s growth in assets, projects under supervision and transactions undertaken does not outstrip its staff capacity to manage them. The budget senior management proposes for FY 2014 reflects our response to this challenge.
Summary of FY 2013 Budget Results and FY 2014 Proposed Budget (attached schedules in Appendix A)

As mentioned earlier, the Corporation ended FY 2013 with an excess of revenues over expenses, on a cash basis, of $73.66 million, an increase of $13.61 million over the budgeted amount of $60.06 million. This improvement was largely due to better-than-expected performance in the Open Resolution surplus, higher servicing fees, and fees received on loan originations and refinancings.

However, the outlook presented in the FY 2014 budget remains cautious due to the market environment that we are still experiencing. The Corporation’s most significant revenue source, the Open Resolution surplus, is expected to generate similar amounts of cash as it did in FY 2013 due to the over-collateralization of mortgages over bonds, the increased spread between underlying mortgage rates and the currently low interest rates on the variable rate debt in the Open Resolution. Investment income on corporate reserves is forecast to remain steady from FY 2013 due to the low interest rate environment. Although the Corporation’s Investment Committee has sought to prudently maximize the rates of return on investments in the current markets, income on corporate reserves is not expected to match or exceed what it was prior to FY 2009.

As the table on the next page indicates, total cash revenue of $88.34 million is budgeted for FY 2014, an increase of 1.79% from the FY 2013 budget of $86.78 million but a decrease of 12.0% from the 2013 actual, a variance to be explained later in this report. At the same time, operating expenses are budgeted to rise $1.3 million or 4.85% from the FY 2013 budget mainly due to an increase in the NYCERS pension costs and leasehold improvements, as well as an increase in salary and fringe. Without the increased costs related to NYCERS, which is beyond our control, and leasehold improvements, totaling to $467,000, the FY 2013 budget would only increase $831,191 or 3.1% from the FY 2013 budget.

An excess of revenue over expenses of $60.31 million is budgeted for FY 2014. The chart on the next page summarizes these results, which are briefly discussed in the following section and presented in greater detail in the attached schedules and notes of revenues and expenditures in Appendix A.
<table>
<thead>
<tr>
<th>Summary of Revenue And Expenditures (Cash Basis)</th>
<th>Adopted Budget FY 2013</th>
<th>Projected Actual FY 2013</th>
<th>Variance FY 2013</th>
<th>Proposed Budget FY 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment and Loan Income</td>
<td>58,200,000</td>
<td>59,855,758</td>
<td>1,655,758</td>
<td>57,400,000</td>
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<td>Servicing Fees</td>
<td>21,450,000</td>
<td>30,359,393</td>
<td>8,909,393</td>
<td>22,250,000</td>
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<td>Loan and Other Fees</td>
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<td>10,166,733</td>
<td>3,033,077</td>
<td>8,688,000</td>
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<tr>
<td>Total Revenue</td>
<td>86,783,656</td>
<td>100,381,884</td>
<td>13,598,228</td>
<td>88,338,000</td>
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<tr>
<td>Operating Expenses:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries and Related</td>
<td>20,347,365</td>
<td>20,742,537</td>
<td>(395,172)</td>
<td>21,595,200</td>
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<td>Contract Services</td>
<td>975,800</td>
<td>908,458</td>
<td>67,342</td>
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<td>Other Expenses</td>
<td>5,005,444</td>
<td>4,665,920</td>
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<td>DOI Fees</td>
<td>400,000</td>
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<td>400,000</td>
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<td>Total Expenses</td>
<td>26,728,609</td>
<td>26,716,914</td>
<td>11,695</td>
<td>28,026,800</td>
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<tr>
<td>Excess of Revenue Over Expenses</td>
<td>$60,055,047</td>
<td>$73,664,970</td>
<td>$13,609,923</td>
<td>$60,311,200</td>
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</tbody>
</table>

**FY 2013 Unaudited Budget Results**

*Operating Revenues*

The Corporation’s FY 2013 budget projected revenues of $86.78 million, and HDC realized revenues of $100.38 million, a variance of $13.6 million or 15.67%. This result was attributable to three main positive variances:

- Servicing fees from HDC financed loans were $8.79 million higher than budgeted. The increase was mainly due to an increase in the number of loans in the pipeline that converted to permanent as well as from mortgage satisfaction fees from prepayments that were received. Additionally, the Corporation has worked on automating and breaking out fees from the interest rate stack of the Open Resolution surplus income. This automation will create a cleaner tracking of all fees, and on a monthly basis as opposed to semi-annually when the surplus is taken. However, for this year only by taking the servicing fees monthly as opposed to semi-annually, the actuals for FY 2013 include the prior year’s semi-annual fees.
- Loan origination fees were $3.17 million higher than anticipated due to closing more loans than budgeted from the large 2013 pipeline, including the 2013 NYCHA Capital Fund Grant deal.
- The Open Resolution surplus was $2.0 million greater than anticipated because of the over-collateralization of mortgages over bonds, as well as increased spread between
underlying mortgage rates and the currently low interest rates on the variable rate debt in the Open Resolution.

Offsetting these positive variances were three smaller negative variances:

- Corporate owned mortgage interest was $1.12 million lower than budgeted due to the securitizations of corporate loans that were done during the fiscal year.
- Tax credit monitoring fees were $712,525 lower than budgeted mainly due the fact that the budget included some receipts of prepayment of fees for future years that were assumed to be annual. As FY 2013 was the first year that we segregated out these fees, HDC is now better able to forecast annual fees.
- Credit enhancement fees from the 2006A bond series were $138,469 lower than budgeted due to the bonds paying down faster than anticipated.

The attached Revenue Summary in Appendix A provides further budget and actual details on these and other, smaller variances.

**Operating Expenses**

The Corporation’s adopted FY 2013 operating expense budget was $26.73 million. Actual FY 2013 expenses were $26.72 million, a variance of $11,695 or 0.04%. The result was attributable to five major positive variances:

- Fringe Benefits – $241,999. This line was under budget due to lower than anticipated funds needed for hospital insurance, whose premium increases were lower than anticipated. FICA and Unemployment insurances were also slightly lower than anticipated.
- Legal Consultants – $62,877. This line item was under budget due to lower than anticipated funds needed for an ongoing labor litigation matter last year that reached a favorable conclusion for the Corporation and no additional invoices needed to be paid.
- Rent & Utilities – $42,018. This line item was under budget mainly due to lower escalation costs than anticipated.
- Training and Conferences – $65,670. This line item was under budget due to lower than anticipated use of employee development funds and conference funds available to the staff.
- Leasehold Improvements – $76,551. This line item was under budget mainly because HDC received a reimbursement for a portion of the tenant improvements made under the new lease and didn’t fully expend all the proceeds as planned. The unspent proceeds will be used in this fiscal year for additional improvements to the aging office space.

Offsetting these positive variances were two negative variances:

- Wages - $277,606. This line item was over budget mainly due to an extra, 27th payroll on the last day of the fiscal year, which was somewhat offset with a few vacancies during the year.
- NYCERS – $363,818. This line item was over budget. Due to an excess of funds in the total 2013 budget, the Corporation made an early payment to NYCERS for part of its FY 2014 appropriation.

The attached Expense Summary in Appendix A provides further budget and actual details on these and other, smaller variances.

**FY 2014 Proposed Budget**

*Operating Revenues*

The Corporation’s revenues are budgeted at $88.34 million in FY 2014. This is a $1.55 million increase from the FY 2013 adopted budget but a $12.04 million decrease from the FY 2013 actuals. The attached schedule shows revenue projections by line item for FY 2014. While several areas of HDC revenue are under pressure, the projected increase from the FY 2013 budgeted amounts derives from two key factors: (1) a forecasted increase in HDC servicing fees due to more construction loans converting to permanent, thereby allowing for the collection of monthly servicing fees, as well as more loans in the portfolio; additionally staff has worked on automating the collection of servicing fees in the Open Resolution so that they are better able to be tracked and segregated from the surplus taken from the indenture; and (2) an increase in credit enhancement fees expected with the anticipated refinancing of the 2006 Series A Loan Sale Program.

These two increases are offset by a forecasted decrease in corporate owned mortgage interest and tax credit monitoring fees. Corporate mortgage interest is declining due to the large amount of securitizations of loans being done from corporate. The tax credit monitoring fees have decreased from last year’s budget due to a change in the way we budget for this line item, and are more reflective of actual fee collections throughout the year.

Each revenue source is discussed in detail in Appendix A.

*Operating Expenses*

The Corporation’s proposed FY 2014 operating expense budget was based on FY 2013 actual expenditures, adjusted for identified changes in staffing, technology, office space and other costs.

The Corporation’s expenses are budgeted at $28.03 million in FY 2014. This is a $1.3 million or 4.85% increase from the FY 2013 adopted budget. The projected increase from the FY 2013 budgeted amounts derives from two key factors: (1) an increase in the NYCERS line due to a large number of staff who joined NYCERS last year with a deadline to get into Tier 4; and (2) an increase in leasehold improvements due to the necessary repairs and replacement of infrastructure that is 16 years old. Some of the leasehold improvement costs will be offset in FY 2015 when the Corporation, as part of renegotiating its lease in 2011, will receive a tenant improvement reimbursement from the landlord.
Included in the operating expenses are expenses incurred by staff who are working on the Superstorm Sandy Build It Back ("BIB") Program recovery efforts. For the past year, and ongoing to this day, staff have been working overtime to assist homeowners, landlords, and tenants in the five boroughs whose homes and properties were damaged by Superstorm Sandy. This effort continues. Between direct staff and fringe costs, as well as some indirect overhead costs, total annual costs are estimated to be around $996,100 based on budgeted amounts. If not for these necessary costs, the entire proposed budget would have only increased 1.13% from the FY 2013 budget. The costs are expected to be reimbursed through the Federal Community Development Block Grant – Disaster Relief ("CDBG–DR") Build It Back Multifamily Repair Program. HDC has budgeted reimbursement of these funds beginning mid-year and continuing into FY 2015. Please see details of Operating Revenues in Appendix A.

Expense projections by line item are discussed in detail in Appendix A.

**Projections for FY 2014**

The Corporation remains cautiously optimistic about its 2014 financial outlook. Even though the proposed FY 2014 development pipeline appears strong, with unabated interest in the Corporation’s programs, the effects of the market turbulence over the past few years still resonate. While the Corporation has had a strong financial performance during the extended economic downturn thus far, this budget reflects a conservative expectation of future income, balanced against the needs of a strong and growing organization.

As indicated, HDC’s pipeline remains strong in the near term; during calendar year 2013 to date the Corporation has received $214.1 million in volume cap from Albany, as well $281.1 million from the City. The Corporation also utilized $45 million in carry forward volume cap received from the State in 2012 for its project financings. Recently, HDC was informed that its request for $246.8 million in additional volume cap for 2013 developments was approved by the State. And requests for volume cap allocation will again be sent to Albany in early 2014 for next year’s deals.
Appendix A

FY 2014 Proposed Budget – Notes and Schedules

Overview of Corporation Revenues and Cash Receipts

The Corporation’s operating budget is presented and tracked on a cash basis. Before reviewing the details of the FY 2013 results and FY 2014 proposed budget, it will be useful to delineate the various categories of cash received by HDC in its operations.

First, it is important to note the distinction between Corporation revenues on a cash basis, as used in budgeting, and on a generally accepted accounting principles (GAAP) basis, as used in our financial reporting. For cash-based budgeting, revenues and expenditures are reported when received or paid, respectively. The GAAP figure matches revenues and expenses to the period to which they can be attributed, which may differ from the period in which they were received or billed.

Prior to this year, one large difference in the Corporation’s revenues between GAAP and cash accounting was that loan origination fees were recognized under GAAP over the life of the mortgage loan, typically 30 years, rather than when collected. However in 2012 the Governmental Accounting Standards Board ("GASB") issued Statement No. 65 which states that loan origination fees are now to be recognized when received, a more realistic standard. Therefore the Corporation early adopted GASB 65 at the end of FY 2012, and now recognizes loan origination fees when collected. As a result there is now no distinction between cash basis and accrual basis for loan origination fees. Also, please note that the income categories used for the Corporation’s budget are different from the categories required under GAAP for our financial reporting.

There are also cash receipts that are not considered revenues at all under GAAP and therefore are excluded entirely from the Corporation’s budget, though they do figure into cash flow analyses and affect our ability to lend corporate reserves to subsidize development. These non-revenue cash receipts include (1) principal repayments of corporate loans, (2) bond sale proceeds from the placement of corporate loans in the open resolution, (3) releases from the Claim Payment Fund, a reserve set up at HUD’s direction several decades ago to provide additional support for 223(f) projects, and (4) transfers of corporate reserves between the Open Resolution and the corporate services fund.

Details of Operating Revenues

The Corporation’s revenues are budgeted at $88.34 million in FY 2014. Each revenue source is discussed in detail below.
Investment and Loan Income

Investment of Corporate Reserves and Other Funds. The Corporation currently has $3.0 billion of cash and investments under management, but HDC retains the earnings on only a portion of those funds. Earnings on bond proceeds, HPD monies, reserves for replacement accounts, and bond revenue funds outside the open resolution (and in four cases, in the open resolution) are all returned to the related party or credited against interest payments due. The Corporation keeps the earnings on our corporate funds and on most of the loan-related escrows it maintains. (The Corporation also keeps most of the earnings on open resolution bond revenue deposits, but those earnings are covered below in “Open Resolution Surplus”). Earnings are affected by the level of interest rates, the term of investments and the funds available for investment. In FY 2013, the Corporation realized $6.28 million on investments of corporate reserves and other funds. Staff forecasts investment earnings will remain steady at $6.1 million from the 2013 actuals based largely on a continued low short-term interest rate environment.

Corporate-Owned Mortgage Interest. Although the Corporation has used over $1.45 billion of corporate reserves to make loans, the Corporation currently has a $340 million portfolio balance of loans as corporate owned mortgages, due to securitizations totaling around $781 million over the past few years. The loans have varying repayment terms, often with deferred amortization or balloon mortgages, and most are at very low interest rates. Of the 129 individual loans in the portfolio, 40 loans are at 0%, 82 are at 1% interest, and the remaining 7 loans range between 0.70% to 6.99%, for a total weighted average of 0.87%. Interest payments on the corporate-owned loans totaled $5.58 million in FY 2013. Current portfolio loan schedules indicate $4.3 million interest revenue in FY 2014, a decrease of 35.8% over the FY 2013 budget based on the current pipeline. This decrease is mainly due to $200 million of loan securitizations during FY 2013.

Open Resolution Surplus. The Corporation’s “AA” rated Open Resolution is the workhorse of our affordable housing production. Because the resolution pools a wide range of credits and cash flows, individual risks are mitigated and surplus cash flows from some loans provide needed coverage for the pool as a whole. The amount of surplus fluctuates depending on interest rates, varying mortgage and bond payment schedules, the calling of bonds, and the unpredictable prepayment of mortgages. Asset/liability ratios and debt service coverage are monitored closely by the ratings agencies and are modeled for the Corporation by JPMorgan Securities, which prepares a full cash flow each time the Corporation issues bonds under the Open Resolution.

Based on the cash flow model, and adjusted upward as discussed below, $47.0 million of Open Resolution surplus is included in the FY 2014 budget. This is due to the Corporation’s ongoing financing activities in the Open Resolution, as well as expected low interest rates on the variable rate debt backed by fixed rate mortgages, creating an additional interest spread as income. Interest rate caps, in addition to the Corporation’s significant short term investment portfolio, are hedges should interest rates change direction.

The Open Resolution cash surplus is generated by (a) the spread between mortgage rates and bond rates, which varies widely depending on the bond series and, for some series, the level of variable interest rates; and (b) interest earnings on monies held under the resolution, including

Servicing Fees

The Corporation earns servicing fees from three major areas of work: (1) servicing HDC loans (originated or purchased by HDC); (2) tax credit monitoring fees; (3) and servicing HPD construction and permanent loans.

**HDC Loan Servicing.** Loan servicing fees range from .025% for the initial Liberty Bonds to .10% for the small 8A loans purchased from HPD as well as the Mitchell-Lama loans, with most fees in the .125% to .5% area. Servicing fees for many variable rate projects in recent years have been set on a sliding scale to vary inversely with the interest rate on the bonds. Loan servicing fee income is projected to increase from the FY 2013 budget of $15.5 million to about $17 million due to more loans converting after construction completion to permanent status (when servicing fees become due on a monthly basis), as well as an increase in collections on the servicing fees in the Open Resolution bond programs. Additionally, this line includes income from servicing fees associated with the Corporation’s Preservation Lending Pilot Program.

The FY 2013 actual collection of HDC servicing fees was $24.29 million, which was $8.79 million over the budgeted amount. This variance was due to the collection of $3.4 million in mortgage satisfaction fees, $2.4 million in credit enhancement fees that were segregated from the interest rate stack, and the automation and segregation of servicing fees in the Open Resolution.

**Tax Credit Monitoring Fees.** Pursuant to a memorandum of understanding ("MOU") with HPD, HDC is responsible for monitoring low income housing tax credit compliance in accordance with Section 42 of the IRS code for properties financed by HDC that have allocations of 4% tax credits from HPD. Currently, the Corporation is monitoring over 260 HDC financed developments. Additionally, the Corporation is also earning a lump sum annual fee for monitoring the low income housing tax credit compliance on the NYCHA deal, which added an additional 14,465 units to the tax credit portfolio. In total, HDC is responsible for tax credit monitoring for developments containing approximately 46,000 units as of FY 2013.

The FY 2013 actual collection of tax credit monitoring fees was $712,525 under budget due to the budgeted amount containing the receipt of some prepayments of fees for future years rather than annual fees as it should have been. The FY 2014 budgeted amount includes only projections of annual fees.

**HPD Financed Loans.** HPD servicing fees are paid solely from investment earnings on funds under administration or, for permanent loans, debt service collections. As most construction loan fees are payable only out of investment income on associated HPD funds, fee income can vary
widely depending on the level of HPD funds on hand, as loans are drawn down and new loan
funds are sent over to be administered. Fee income is also affected by the overall level of interest
rates.

The FY 2014 budgeted amount of $4 million is slightly higher than the FY 2013 budgeted and
actual levels due to an anticipated increase in the conversion of loans from construction to
permanent. This amount is still lower than it should be due to an inability to collect the full
amount of construction servicing fees payable to the Corporation. As mentioned above, in this
low interest rate environment there will not be enough investment income to fully reimburse the
Corporation for its servicing fees on the construction loans. In FY 2014 the Corporation should
be due about $1.5 million in construction servicing fees but we are only projecting collections of
$375,300. This shortfall will be accrued.

The FY 2013 actual collection of HPD servicing fees was $4.53 million, which was $833,900
over the budgeted amount. This variance is due to more loans converting to permanent.

Other Fees

Credit Enhancement Fee. As part of the 2006A bond issue, through which HDC refinanced a
participation interest in pools of HPD loans previously purchased by the Corporation, HDC
agreed to provide credit support for a debt service reserve fund for the bonds through its general
obligation pledge. HDC secures its pledge with a set-aside of corporate funds, currently $1.6
million. To compensate for this pledge, as well as its general enhancement of the 2006A bonds,
HDC earns a fee of 1.25% of the outstanding bonds. This fee shrinks as the bonds are retired.
The Corporation expects to refinance this program with the City early in fiscal year 2014 and
expects to earn a similar fee on the newly issued bonds.

Origination Fees. The Corporation’s commitment fees range from 0.75% to 1.0% for HDC bond
financings. In FY 2013, total fees collected in this category were $9.17 million, which represents
an increase of $3.17 million over the budgeted amount. This was due to fees collected on the
2013 NYCHA Capital Fund Grant securitization deal as well as closing more loans in the large
development pipeline than budgeted. The proposed FY 2014 budget amount is $6.0 million to
reflect the anticipated pipeline for FY 2014.

REMIC Administration Fee. The Corporation is paid a fee by REMIC to cover the cost of
staffing and overhead. The REMIC administration fee for FY 2014 is $474,000. The fee is
comprised of the direct cost of salary and fringe related to the REMIC staff members, plus a
percentage of operating expenses based on headcount of REMIC staff versus total headcount in
the Corporation. REMIC revenues consist of investment income on its principal plus income
from insurance premiums and fees. It uses a small portion of this revenue to pay the
administration fee to HDC.

CDBG-DR Funds. The Corporation is participating in the New York City Build It Back program
funded through the Federal Community Development Block Grant – Disaster Relief ("CDBG-
DR") Build It Back Multifamily Repair Program. The program was established to assist
homeowners, landlords, and tenants in the five boroughs whose homes and properties were damaged by Superstorm Sandy. The New York City Department of Housing Preservation and Development ("HPD") is the Grantee of these funds and HDC is the Sub-Recipient engaged to assist HPD in utilizing these funds. HDC’s participation will be limited to projects in HDC’s portfolio or projects expecting to refinance with HDC. The Build It Back program provides forgivable loans or grants for repairs and resiliency improvements to buildings with five or more units that sustained damage during Superstorm Sandy. The Corporation has budgeted that the expenditures related to staff time and such to be around $996,100 annually. The Corporation has forecasted that reimbursement for these costs may start mid-year and has therefore budgeted $500,000 for FY 2014.

Details of Operating Expenses

The Corporation’s expenses are budgeted at $28.03 million in FY 2014. Each expense line item is discussed in detail below.

Salaries and Related Expenses

The Corporation’s dedicated and hardworking staff remains the foundation of our success. Careful attention will continue to be paid to ensure that hiring meets the strategic needs of the Corporation for today, and for the future. During the last few years, HDC has increased the budget relating to staff expenditures based on targeted hiring to reinforce core functions and to increase efficiencies, which has been reflected in its financial results. This year’s budget continues that same approach.

Wages. Actual wage expenses came in over budget for FY 2013. This was due to an extra payroll that hit the budget on the very last day of the fiscal year. The variance would have been larger however, but it was offset by a few vacancies during the year and savings in overtime. Also included in the salaries line are funds for the Corporation’s participation in the HPD Fellowship program.

The proposal provides for 178 staff positions, including the four staff participating in HPD’s Fellowship program, an increase of only four positions over fiscal year-end 2013. The additions to staff are in the Capital Markets and Asset Management areas. A new position is being created in Capital Markets that will allow the Corporation to bring in-house the running of the cash flows for the Open Resolution indenture. These cash flows are currently being outsourced through JP Morgan Chase and a third party software company at a substantial fee. Savings will be gained and the Corporation’s analytical capabilities will be enhanced by bringing this function in-house.

The other three hires are in the Asset Management area. During 2014, the Asset Management Department will continue to streamline its processes and procedures and will be implementing a risk based approach to reviewing tenant files and project inspections. Certain functions, such as LIHTC compliance monitoring cannot be streamlined as the work is tied to statutory IRS compliance requirements. Due to the thousands of units added to the portfolio each year, most of which have low income housing tax credits, and the launch of NYC Housing Connect which is
drawing 40,000 applicants to each new development, functions such as Compliance, Marketing and Portfolio Analysis have had their workloads substantially increased in unanticipated ways. As a result, Asset Management requested several new hires of which three, a Compliance Manager, a Portfolio Analyst, and a Marketing Specialist will be filled to keep pace with the increased workload.

Offsetting these staff increases, the Corporation will look to reduce costs during the fiscal year either by delaying or not replacing vacancies that may occur during the year, and also hiring at lower salaries where possible.

Similar to last year, the proposed budget does not include any specific line amount for staff raises. However, there is a small amount of money available for discretionary promotions, and possibly some select merit increases, including certain raises for senior staff, most of who have not had an increase since 2009, and are subject to approval from the Governance Committee. Prior to the FY 2012 budget, the Corporation budgeted funds for raises and promotions for staff with a second quarter payout. However, in trying to find a balance between maintaining a high level of performance for a dedicated, highly skilled staff versus the challenging economy and fiscal austerity at all levels of government, the Corporation’s senior management believes that a discretionary amount used for specific promotions and increases again this year is a prudent, necessary approach.

Fringe Benefits. Included in this category are sufficient funds to cover Health, Life, Dental, Disability and Vision benefits. This budget line also includes funds for HDC’s matching contributions to the employees’ Tax Sheltered Annuity (403(b) Retirement) Plan (“TSA”). Also budgeted in this category are funds to cover the employer’s share of payroll taxes, Workmen’s Compensation Insurance, Unemployment Insurance, etc.

An ongoing challenge for most American companies is the escalating expense related to health care costs, and HDC is no exception; such expenses have been built into our expectations for FY 2014, although the Corporation has made other efforts to reduce costs in the areas that it can control.

The fringe benefit line shows only a 3.43% increase over last year’s budget. The increase is mainly attributable to higher premiums in health and dental insurances. Based upon information received from our insurance carriers, the Corporation expects a 7.5% and 8% increase to health and dental insurance, respectively. This increase has been offset by the Corporation’s efforts to reduce costs where possible. Life, disability and vision insurance policies were reworked a few years ago and led to reductions in premiums. Although life and disability premiums are budgeted to increase slightly this year from last year, the substantial savings over the premiums of a few years ago have continued in the proposed budget as well. Additionally, FICA has been slightly reduced and TSA expenses have remained steady this year due to the Corporation’s revamping of the retirement policy offered to new employees a few years ago. The Corporation will continue to look for ways to contain costs related to fringe benefits in the upcoming year and beyond. If not for these two budgeted increases to health and dental insurances, the fringe benefits line this year would only have increased 0.55% from last year’s budget, rather than 3.43%.
Although staff did its best to estimate the two areas of increases for 2014 stated above, the actual costs of these line items, as well as the NYCERS appropriation amount described next in this memo, could possibly be even higher than budgeted.

Actual expenditures for this line item, in total, were under budget in FY 2013 due to savings in health insurance due to vacancies, as well as lower FICA and unemployment expenses.

New York City Employees’ Retirement System ("NYCERS"). This line provides funds for the required employer contribution for its employees who are enrolled in NYCERS. This line is over budget this year due to the Corporation making a partial payment of $350,000 in FY 2013 towards its 2014 NYCERS appropriation, with an excess of funds available in last year’s budget.

Metropolitan Commuter Transportation Mobility Tax ("MCTM Tax"). The Metropolitan Commuter Transportation Mobility Tax ("MCTM Tax") is a tax that was imposed beginning March 1, 2009 on certain employers engaged in business within the metropolitan commuter transportation district. The tax is 0.34% of the payroll expense for employees. This year the tax is budgeted at $50,600.

Actual expenditures for this line item for FY 2013 were on budget.

Temporary Staff. This budget line (0.24% of the total budget) is slightly lower than last year’s budget. This line item includes funds for vacation coverage in targeted positions and for potential coverage that may be needed due to unanticipated turnover or employee leave. When possible the Corporation prefers to have other staff members fill in for coverage, thereby saving on the use of temporary staffing funds, however some specific positions need to be filled with temps during staff absences or when the absences are prolonged. This line also includes $20,000 for the summer intern program.

Actual expenditures for this line item came in under budget in FY 2013. The variance is due to not as many budgeted funds being used in the summer intern program.

Contract Services

Auditing and Accounting. The figure of $218,000 represents a contracted amount for auditing services from Ernst & Young for the annual financial audit of the Corporation.

The FY 2013 actual expenditures came in on budget for this line item.

Legal Consultants. This line item, a 36.8% decrease over last year’s budget, provides funds for potential fees from outside counsels for the upcoming year. Those include Hawkins, Delafield and Wood, for general advice; Epstein, Becker & Green as employee benefits counsel; and NYC Corporation Counsel for labor litigation.

The FY 2013 actual expenditures were lower than budgeted due to lower than anticipated funds needed for a litigation matter.
Annual Report. This budget line, representing 0.20% of the budget, provides funds for the design of the annual report. This line also includes photographic services paid to HPD for the photos used in the annual report.

The FY 2013 actual expenditures were lower this year due to a cost cutting, “going green” effort in the Corporation. The annual report was not printed in hard copy this year, but was published on-line on the Corporation’s website. Additionally, not all the budgeted funds set aside for an HPD photographer were used. Budgeted funds for FY 2014 reflect the same premise, including the on-line version of the annual report, and no hard copy printing costs, as well as HPD photography services.

Other Consultants. This budget line, representing 1.9% of the budget, provides for any special studies or services which cannot be performed efficiently by the in-house staff, or are short-term in nature and better suited to outside consultants. The consulting budget line has decreased over last year’s budget mainly due to the transition of an IT consultant over to a permanent staff position, as well as the decrease in funds needed for a project manager for the implementation of the new loan servicing system. Funds budgeted for FY 2014 will cover only two months in consulting costs to finish up the implementation.

Offsetting some of these savings are the new costs associated for two other consultants this year. First, $35,000 has been requested this year to provide funds to perform actuarial services for the Other Post Employment Benefits (“OPEB”) liability as required by Governmental Accounting Standards Board (“GASB”) Statement #45. This calculation must be performed every three years for corporations with 200 or less employees and retirees, and was originally done in 2009, and again in 2011 when the Corporation changed its retirement policy. However, due to the Corporation’s partial funding of the OPEB Trust Fund in 2012, it would be prudent to have the OPEB recalculated for the upcoming fiscal year, and so funds have been included in this year’s budget. Second, $23,600 has been budgeted for an organizational consultant to help HDC identify opportunities and make recommendations as to how the organizational structure, work processes and major job duties and responsibilities in certain departments should be structured once the new loan processing system is implemented. Additionally, similar to last year, $32,000 has been requested for a Christo Rey High School student job-share employee, continuing an educational intern program that is providing clerical help to the HDC staff. $2,800 has also been requested for the yearly fee for our insurance consultant.

The actual expenditures for FY 2013 came in slightly over budget due to a payment made to the organizational consultant mentioned above who started work at the end of FY 2013.

Other Expenses

Rent and Utilities. This line, representing 8.75% of the budget, primarily reflects rental payments, including escalations, for the Corporation’s space at 110 William Street. Base rent, operating costs and real estate taxes on the current space on the 9th and 10th floors totals $188,425 per month. Funds, forecasted at $50,000, are also included in this budget line to cover
estimated escalation costs, which are adjusted annually. The total amount requested also includes $105,130 for electricity for the year. In addition, $35,000 of the total amount requested provides for rent payments and document retrieval costs related to off-site storage space. This is an increase from last year’s budgeted amount but reflective of what was actually paid in FY 2013 as the Corporation works on reducing its storage costs in the long run. The extra amount paid in FY 2013, and also anticipated for FY 2014, is the result of destruction costs paid to the storage facility. This stems from an effort to reduce the number of old boxes sitting in storage that can be destroyed in accordance with records retention laws. Staff, along with the Records Retention Officer, have visited the offsite storage facility a few times during the year and started going through boxes to determine what can be destroyed. This effort will continue this year so that offsite storage costs can be reduced in the future.

The actual expenditures for FY 2013 came in under budget due to lower escalation costs than expected.

Office Expenses. This line, which represents 1.05% of our total budget, provides funds for:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office Supplies</td>
<td>$70,000</td>
</tr>
<tr>
<td>Printing</td>
<td>12,700</td>
</tr>
<tr>
<td>Postage</td>
<td>20,000</td>
</tr>
<tr>
<td>Office Repairs</td>
<td>25,000</td>
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<tr>
<td>Cleaning Services</td>
<td>41,000</td>
</tr>
<tr>
<td>Messenger Service</td>
<td>12,200</td>
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<tr>
<td>Telephone</td>
<td>31,000</td>
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<td>Wireless Services</td>
<td>48,000</td>
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<tr>
<td>Working Meals</td>
<td>30,200</td>
</tr>
<tr>
<td>Petty Cash</td>
<td>3,000</td>
</tr>
</tbody>
</table>

Most line items have slightly declined or remained the same from last year’s budget; office supplies, postage, office cleaning, and petty cash have been decreased from last year’s budget to reflect FY 2013 actual expenditures. The telephone, printing, messenger, and the working meals line items have basically been held steady from last year’s budget and to reflect actual expenditures from FY 2013. The office repairs and wireless services lines are the only lines to have increased. The office repairs line has increased due to an aging office space on the 10th floor and the original space on the 9th floor which requires more and more repairs due to normal wear and tear. The wireless services line has increased due to an increase in staffing, as well as exploring possible replacements to the Blackberry/RIM devices. The Corporation performs a comprehensive review of office expenses each year and, as a result, continues to look for ways to reduce costs and decreases line items where it can.

The actual expenditures for FY 2013 came in under budget on every line listed above except for wireless services as the Corporation has been testing alternatives for the Blackberry/RIM devices throughout the year. An alternative has yet to be decided, but is expected during the upcoming year.
Equipment and Maintenance. The Corporation remains focused on productivity and technical enhancements for its employees to ensure they have the tools needed to accomplish their work and the Corporation has the capacity to effectively manage its complex financial balance sheet. Moreover, Superstorm Sandy painfully highlighted flaws in our systems that must be corrected. With this in mind, the Equipment and Maintenance budget includes important investments in technologies that will continue to strengthen our information systems capabilities, including its resiliency, in years to come, for use by all HDC employees.

Overall, this item represents 5.48% of the budget, and has basically been kept steady from last year’s budget. The majority of this line item is related to IT equipment and maintenance, which amounts to $1,399,550 this year. There are three major areas within the IT budget line that make up this line and warrant further description which include the following: (1) the implementation of a new loan servicing system; (2) other new investments in technology; and (3) renewals of ongoing IT maintenance agreements.

Last year the Corporation began the implementation of its new loan servicing system to replace its current mortgage billing system. The current system was originally part of the Oracle implementation in 1999, but it was more of a retail based system that the Corporation tried to develop into a mortgage system. Over the course of many years, staff have worked diligently to improve the system to make it work for HDC. Although it has been functional in producing the monthly billing and some other functions, the system has required constant manual “work arounds” and reprogramming from our IT department to produce the kind of data reporting that is demanded of a multi-billion dollar mortgage financing company. The system has also shown a lack of flexibility to meet the demands of the complex deals that the Corporation finances.

In a nutshell, the Corporation critically needed a project based loan servicing system that is dynamic and flexible, that can support the Oracle accounting financial balances, and also meet the needs of a growing, complex portfolio. The current Oracle mortgage system did not meet those needs, as it functions more like a billing system. Therefore, after much due diligence, “demo’s”, and discussions with other housing agencies, the Corporation moved ahead and purchased software licenses for LOANS! For .Net from Benedict Group, Inc. The implementation of the new loan servicing system was started during 2013, and will continue into the beginning of FY 2014. The new software allows for extensive loan information, flexible loan servicing functions, delinquent loan monitoring and restructuring, loan and project tracking, multi-level loan accounting, and risk management, to name a few.

The FY 2013 IT budgeted costs associated with this was $306,549, however only $171,188 was spent during the year. This included $123,300 for hardware, including the purchase of servers, $42,250 for the purchase of the software licenses, and $5,638 in consulting charges from the software company for the implementation and migration of data from our old software. The amount spent in FY 2013 was under budget due to only a portion of the licenses initially being purchased and the consulting costs to the software company were not immediately needed at the beginning of the implementation.

The FY 2014 IT costs associated with the new loan servicing system is $113,000. This includes $63,000 for the purchase of remaining software licenses, and $70,000 in consulting charges from
the software company for the completion of the implementation and migration of data from our old software, as well as integration of the system into our Oracle BI reporting system.

Another major area of this budget line's increase is related to new investments in technology. The Corporation's expanding portfolio, the vast amount of data that accompanies the management of a large portfolio, and the high demands of reporting on that data, have compelled the Corporation to make new investments in technologies the past few years to assist the staff in producing analytical reports and communicating with one another. The IT department and business units continue to work together to build out the reporting and data analysis capabilities residing in these softwares, and look to gain even more returns on the investment in IT upgrades to the Corporation.

Therefore, this year the Corporation is investing an additional $407,000 in technology to continue to meet the demands of a growing company with complex data needs. A major application that is run in the Corporation, the imaging software, needs to be updated. The current imaging software is custom designed, proprietary, and the new version of it (purchased by another company) no longer fits our business. A newer solution bases its product on Microsoft Sharepoint, which HDC already uses, offers an attractive combination of features, is priced competitively, and except for some core components, is not proprietary. Therefore, $175,000 is budgeted for hardware and software to implement a new imaging system. Additionally, another major application that the Corporation uses is the operating systems on staff PCs. Currently the desktops run on Windows XP, which is nearing the end of its product lifecycle and support for this product will no longer be available. The Corporation needs to upgrade to the Windows 7 operating system and therefore $61,000 is budgeted for an upgrade which includes licenses and training.

Another area where HDC is investing is in the Capital Markets area. $62,500 has been budgeted for licenses, maintenance, and training on a software to run cash-flows in-house. The potential software currently provides the financial industry with a broad range of highly specialized modules to run indenture cash flows, analyze cross calling of bonds, and model and structure multi-family bonds. The Corporation currently pays $330,000 through JP Morgan Chase for a software company to run cash flows before HDC issues bonds in its Open Resolution indenture. The Corporation anticipates being able to assume responsibility for running the cash flows during FY 2015.

A total of $108,500 has been budgeted for the following improvements:

- Domain controller upgrade for the network which will ensure better functionality, reliability and efficiency in the entire network.
- Server for Oracle that can be linked up via high speed connection to host RMAN – Recovery Manager backups to the Oracle database.
- Upgrade of a server that is compatible with Windows 2008 and not the current Windows 2003.
- Desktop patch management software.
- Replacement of antivirus software for servers and desktop computers.
- Replacement of Blackberries with a possible solution of using personal phones which would entail purchasing a server.
• Software licenses for Adobe.
• Web security filter upgrade to help better control internet traffic and block malicious web content.

The last major IT area pertains to all renewals of current softwares and hardwares. The bulk of the costs, $786,050, relates to ongoing software licensing, maintenance agreements and equipment repairs on current management information systems and internet related services, including our disaster recovery services. An additional $93,500 has been provided to upgrade hardware such as PCs, printers, laptops, parts and accessories, blackberries, fax machines, right fax and network security. The Corporation has more than 90 PCs and monitors, 40 printers (stand-alone and network), and 25 laptops that are more than five years old, and over time need to be replaced to maintain efficiencies.

Over the years, the Corporation has systemically invested in its hardware and software. With the vast amount of data that accompanies the management of a growing portfolio (relating to debt outstanding, asset management and compliance, as well as all other activities), and the high demands of reporting on that data, the Corporation must continually improve its information technology systems. These investments enable the Corporation to report on that data, manage our processes, promote efficiencies, and strengthen our analytical abilities.

Without the new FY 2014 expenditures for technology explained above, amounting to $407,000 in total, the IT software and maintenance budget line would have actually decreased 26.08% from last year’s same budget line. Additionally, the entire proposed budget would have only increased a modest 3.33% from our FY 2013 budget, rather than 4.85%.

With respect to other services in this budget line item not related to IT, $127,000 has been budgeted for maintenance agreements on office equipment and copiers, user licenses on the Tradeweb software that allows our Cash Management department to manage the Corporation’s investments, and lease payments for four cars, as well as parking, gas and tolls for such cars. Finally, this line item includes $10,000 for portable HVACs in the server room and various computer utility rooms throughout the office to prevent overheating of the computer equipment.

FY 2013 expenditures were slightly under budget due to savings in IT, office services and automobile maintenances.

**Insurance.** This line item includes premiums on policies for Property, Liability, Errors & Omissions, Umbrella Liability, Crime and Automobile. This budget line item has decreased from last year’s budget. Although the Corporation increased its umbrella policy coverage, and increased its auto insurance coverage with additional drivers, HDC also was able to successfully reduce its basic premiums by obtaining better rates.

**Books and Publications.** This line item ensures that the staff maintains updated resources and continues to stay current on industry trends. This line includes funds for S&P Ratings Direct subscription for our Credit Risk Department, as well as Lexis Nexis for the Legal Department. This budget line has slightly decreased from last year’s budget by 3.77% to reflect FY 2013 actuals. Over the past few years the Corporation has, where practical, switched over to electronic
subscriptions to save money, and some have also been discontinued in areas where the staff can efficiently share recent issues of publications across departments.

Transportation. This item covers travel to site visits and project inspections, as well as in-town conferences and seminars. This line item has been slightly increased from last year’s budget mainly due to an increase in site visits and project inspections due to the expanding portfolio. This budget line increase could have been even larger in relation to the increase of the portfolio, but the Corporation has been working on ways to reduce costs by scheduling inspections and site visits in close proximity to one another to save on transportation costs. If not for this effort to save money, this budget line would have increased significantly.

Training and Conferences. This line, representing 0.7% of the budget, provides funds for continued staff training and costs associated with the National Association of Local Housing Finance Agencies (“NALHFA”) and National Council of State Housing Agencies (“NCSHA”) conferences, as well as other conferences and seminars. Also included in this line item is $27,000 for legislative travel to Washington D.C. for the President, Executive Vice Presidents, and other particular staff. The positive returns of participating in a coalition with other agencies with a similar regulatory and legislative agenda, just within the past few years, such as bond recycling, the Federal bond purchase program, and the tax credit assistance program, have far out-weighed the cost in travel expenses. In light of potential tax reforms to be considered by Congress, HDC senior staff will continue to pay particular attention to legislative matters in Washington.

This line also includes $83,000 for the Employee Development Program to assist the staff in their professional growth. This includes funds for tuition reimbursements and professional credit requirements, as well as funds for employee and technical skills development through classes both on- and off-site. HDC’s auditors have highly recommended further investment in staff development through continuing professional education.

FY 2013 expenditures were under budget due to savings in employee development and conference and seminar spending.

Memberships. This number (0.3% of budget) provides funds for annual membership fees for NCSHA at $47,000, NALHFA at $4,000, NYSAFAH at $700, National Leased Housing Association at $1,000, the Citizens Housing and Planning Council at $9,000, and various other organizations to assist the staff in their professional growth, and maintain HDC’s position in the policy discussions surrounding affordable housing.

FY 2013 expenditures were slightly under budget.

Employment Agency Fees/Ads. This line has held the same as last year’s budget. This line provides funds needed to fill positions through newspaper, trade journal and internet advertising.

Furniture. This line provides funds for smaller pieces of furniture that will be needed to furnish an office space on the 10th floor, including a desk and chairs, as well as filing cabinets and a bookcase. This line also provides funds for some miscellaneous furniture throughout the entire office space.
Leasehold Improvements. This budget line, representing 1.25% of the budget, provides funds for two specific projects. The first project is replacement of carpeting throughout the office space. The carpeting was installed in 1999 and is beyond wear, despite semi-annual, heavy duty cleaning to extend its appearance as much as possible. This project was scheduled to occur in FY 2013. Bids were submitted through the general contractor working on the 10th floor renovations but due to the high costs associated with the markup, the Corporation felt it could save money by purchasing directly from the carpet manufacturer through the state contract, as well as finding carpet installers. As a result, this project will be done during this fiscal year. The second project involves repairing and updating the multiple kitchenettes on the original 9th and 10th floor spaces. These areas, which are high traffic areas throughout the day, serving over 170 staff members plus consultants and guests, were installed in 1999 and have not been touched since that time. The plan is to replace cabinets and floor tiles that are falling apart, remove dishwashers, and repaint the walls.

When the Corporation renegotiated and extended its lease in June 2011, one of the many other advantages other than lower rent on the existing original space included the landlord agreeing to reimburse the Corporation for up to $301,950 of renovation costs for the new 9th floor space, and when the time comes, up to $327,990 for the current space. HDC was reimbursed by the landlord in FY 2013 for the 9th floor renovations. With the start of the above renovations, as well as planned renovations of the 10th floor restrooms in FY 2015, the Corporation can then be reimbursed up to $327,990 for these planned renovations.

FY 2013 actual expenditures came in under budget as some retainer funds related to the current renovations needed to be held back until inspection is complete as well as not all of the 9th floor tenant reimbursement funds were used. The balance will be applied to this year's renovations.

Marketing. This budget line provides funds for the printing of brochures, site signs and banners, and miscellaneous marketing costs associated with public events. These site signs and banners are used to promote the Corporation and its mission of providing affordable housing as part of the Mayor’s New Housing Marketplace Plan. The FY 2013 actual expenditures came in under budget last year due to the postponement of purchasing site signs and banners until this fiscal year.

Corporate Events. This year’s request (0.17% of budget) has been increased by just $500 from last year’s budget. This line includes $10,000 in funds to accommodate some ancillary expenses for our collaborative work with HPD. In addition to the Fellows program where HDC and HPD are participants, and HDC covers its share of payroll and fringe in the Salary and Fringe budget lines, there are also nominal expenses where the Corporation can assist HPD in fulfilling its mission for the City. Some of these expenses include orientation costs for Fellows, training, attendance at housing functions, and other staff appreciation events. The HDC portion of this line also provides funds for HDC sponsored events such as the annual holiday party, budgeted at $13,000, and the annual summer outing, budgeted at $8,600. Finally, a total of $17,400 is budgeted for other items such as bus tours to project sites, flu shots, Take Our Daughters and Sons to Work day, the Corporation’s softball team, and flowers and donations in connection with employee hospitalizations and bereavements. The FY 2013 actual expenditures came in over last
year due to HPD needing additional funds to cover miscellaneous expenses. They had not used all of their funds in FY 2012 and some of those expenses had crossed fiscal years.

**Bank Service Charges.** This budget line item provides funds for payroll charges incurred from ADP, as well as the potential for some electronic banking products that work with the Corporation’s systems and could help to increase efficiencies.

FY 2013 expenditures were under budget as the expenses budgeted for electronic banking products were postponed into this year’s budget.

**DOI Fees.** The New York City Department of Investigation (“DOI”) has agreed to provide investigative services for the Corporation pursuant to a Memorandum of Understanding. This line provides funds for the anticipated cost of those services.
## Appendix A Schedules

New York City Housing Development Corporation  
Requested Budget Summary  
Fiscal Year 2013/2014

<table>
<thead>
<tr>
<th></th>
<th>Adopted Budget FY 2013</th>
<th>Projected Actual FY 2013</th>
<th>Variance FY 2013</th>
<th>Requested Budget FY 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fees</td>
<td>$ 28,583,656</td>
<td>$ 40,526,128</td>
<td>$ 11,942,470</td>
<td>$ 30,938,000</td>
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<tr>
<td>Investment and Loan Income</td>
<td>58,200,000</td>
<td>59,855,758</td>
<td>1,655,758</td>
<td>57,400,000</td>
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<tr>
<td><strong>TOTAL REVENUES</strong></td>
<td>$ 86,783,656</td>
<td>$ 100,381,884</td>
<td>$ 13,598,228</td>
<td>$ 88,338,000</td>
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<tr>
<td><strong>EXPENSES</strong></td>
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<td></td>
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<tr>
<td>Salaries and Related Expenses</td>
<td>$ 20,347,365</td>
<td>$ 20,742,537</td>
<td>(395,172)</td>
<td>$ 21,595,200</td>
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<td>Contract Services</td>
<td>975,800</td>
<td>908,458</td>
<td>67,342</td>
<td>870,000</td>
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<td>Other Expenses</td>
<td>5,005,444</td>
<td>4,665,920</td>
<td>339,524</td>
<td>5,161,600</td>
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<td>Services of NYC DOI</td>
<td>400,000</td>
<td>400,000</td>
<td></td>
<td>400,000</td>
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<tr>
<td><strong>TOTAL EXPENSES</strong></td>
<td>$ 26,728,609</td>
<td>$ 26,716,914</td>
<td>11,695</td>
<td>$ 28,026,800</td>
</tr>
</tbody>
</table>

**EXCESS OF REVENUES OVER EXPENSES**  
$ 60,055,047  
$ 73,664,970  
$ 13,609,923  
$ 60,311,200
## New York City Housing Development Corporation
### Revenue Budget Summary
#### Fiscal Year 2013/2014

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td><strong>Fee Income</strong></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Servicing Fees</td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>HDC Financed Mortgage Loans</td>
<td>$15,500,000</td>
<td>$24,288,016</td>
<td>$8,788,016</td>
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<td>Tax Credit Monitoring Fees</td>
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<td>1,537,475</td>
<td>(712,525)</td>
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<td>HPD Financed Loans</td>
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<td>4,533,902</td>
<td>833,902</td>
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<tr>
<td><strong>Sub-total Servicing Fees</strong></td>
<td>21,450,000</td>
<td>30,359,393</td>
<td>8,909,393</td>
<td>22,250,000</td>
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<td>Other Fees</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Credit Enhancement Fees</td>
<td>668,656</td>
<td>528,188</td>
<td>(138,468)</td>
<td>1,714,000</td>
</tr>
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<td>Loan Originations &amp; Refinancings</td>
<td>6,000,000</td>
<td>9,171,545</td>
<td>3,171,545</td>
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<td>REMIC Administration Fees</td>
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<td>CDBG-DR Funds</td>
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<td>0</td>
<td>0</td>
<td>500,000</td>
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<tr>
<td><strong>Sub-total Other Fees</strong></td>
<td>7,133,656</td>
<td>10,166,733</td>
<td>3,033,077</td>
<td>8,688,000</td>
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<tr>
<td><strong>Total Fees</strong></td>
<td>$28,583,656</td>
<td>$40,526,126</td>
<td>$11,942,470</td>
<td>$30,938,000</td>
</tr>
</tbody>
</table>

### Investment and Loan Income

| Investment of Corporate Reserves | $5,500,000 | $6,279,496 | $779,496 | $6,100,000 |
| Corporate Owned Mortgages       | 6,700,000  | 5,578,262  | (1,123,738) | 4,300,000 |
| Open Resolution Surplus, net of expenses | 48,000,000 | 48,000,000 | 2,000,000 | 47,000,000 |

| **Total Investment and Loan Income** | $58,200,000 | $69,855,758 | $1,655,758 | $57,400,000 |

**TOTAL REVENUES**

|                | $88,783,656 | $100,381,884 | $13,598,228 | $88,338,000 |
# NEW YORK CITY HOUSING DEVELOPMENT CORPORATION
## REQUESTED OPERATING EXPENSES
### FISCAL YEAR 2013/2014

<table>
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<tr>
<th>ADOPTED BUDGET FY 2013</th>
<th>ACTUAL FY 2013</th>
<th>VARIANCE</th>
<th>REQUESTED BUDGET FY 2014</th>
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<td><strong>SALARIES &amp; RELATED EXPENSES</strong></td>
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</tr>
<tr>
<td>WAGES</td>
<td>14,113,965</td>
<td>14,391,571</td>
<td>(277,606)</td>
</tr>
<tr>
<td>FRINGE BENEFITS</td>
<td>5,089,000</td>
<td>4,847,001</td>
<td>241,999</td>
</tr>
<tr>
<td>NYCERS</td>
<td>1,025,000</td>
<td>1,388,818</td>
<td>(363,818)</td>
</tr>
<tr>
<td>MCTM TAX</td>
<td>48,000</td>
<td>48,128</td>
<td>(128)</td>
</tr>
<tr>
<td>TEMPORARY STAFF</td>
<td>71,400</td>
<td>67,019</td>
<td>4,381</td>
</tr>
<tr>
<td><strong>SUBTOTAL</strong></td>
<td>20,347,365</td>
<td>20,742,537</td>
<td>(395,172)</td>
</tr>
<tr>
<td><strong>CONTRACT SERVICES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AUDITING &amp; ACCOUNTING</td>
<td>212,000</td>
<td>212,000</td>
<td>-</td>
</tr>
<tr>
<td>LEGAL CONSULTANTS</td>
<td>95,000</td>
<td>32,123</td>
<td>62,877</td>
</tr>
<tr>
<td>ANNUAL REPORT</td>
<td>55,000</td>
<td>40,285</td>
<td>14,715</td>
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<tr>
<td>OTHER CONSULTANTS</td>
<td>613,800</td>
<td>624,050</td>
<td>(10,250)</td>
</tr>
<tr>
<td><strong>SUBTOTAL</strong></td>
<td>975,800</td>
<td>908,458</td>
<td>67,342</td>
</tr>
<tr>
<td><strong>OTHER EXPENSES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>RENT &amp; UTILITIES</td>
<td>2,416,000</td>
<td>2,373,982</td>
<td>42,018</td>
</tr>
<tr>
<td>OFFICE EXPENSES</td>
<td>288,060</td>
<td>256,703</td>
<td>31,357</td>
</tr>
<tr>
<td>EQUIPMENT &amp; MAINTENANCE</td>
<td>1,528,084</td>
<td>1,499,718</td>
<td>28,366</td>
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<tr>
<td>INSURANCE</td>
<td>65,000</td>
<td>43,220</td>
<td>21,780</td>
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<tr>
<td>BOOKS &amp; PUBLICATIONS</td>
<td>53,000</td>
<td>49,369</td>
<td>3,631</td>
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<tr>
<td>TRANSPORTATION</td>
<td>37,050</td>
<td>18,564</td>
<td>18,486</td>
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<td>TRAINING &amp; CONFERENCE</td>
<td>194,700</td>
<td>129,030</td>
<td>65,670</td>
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<td>MEMBERSHIPS</td>
<td>77,000</td>
<td>68,550</td>
<td>8,450</td>
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<tr>
<td>EMPLOYMENT AGENCY FEES/ADS</td>
<td>15,000</td>
<td>4,100</td>
<td>10,900</td>
</tr>
<tr>
<td>FURNITURE</td>
<td>32,000</td>
<td>17,917</td>
<td>14,083</td>
</tr>
<tr>
<td>LEASEHOLD IMPROVEMENTS</td>
<td>200,000</td>
<td>123,449</td>
<td>76,551</td>
</tr>
<tr>
<td>MARKETING</td>
<td>11,500</td>
<td>4,490</td>
<td>7,010</td>
</tr>
<tr>
<td>CORPORATE EVENTS</td>
<td>49,500</td>
<td>51,173</td>
<td>(2,673)</td>
</tr>
<tr>
<td>BANK SERVICE FEES</td>
<td>39,550</td>
<td>25,656</td>
<td>13,894</td>
</tr>
<tr>
<td><strong>SUBTOTAL</strong></td>
<td>5,005,444</td>
<td>4,665,920</td>
<td>339,524</td>
</tr>
<tr>
<td><strong>DOI FEES</strong></td>
<td>400,000</td>
<td>400,000</td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL OPERATING EXPENSES</strong></td>
<td>26,728,609</td>
<td>26,716,914</td>
<td>11,695</td>
</tr>
</tbody>
</table>

"MCTM Tax" = Metropolitan Commuter Transportation Mobility Tax