NYC HDC

NEW YORK CITY
HOUSING DEVELOPMENT
CORPORATION

Marc E. Jahr
President

MEMORANDUM

To: The Chairperson and Members

From: Marc Jahr
President

Subject: Proposed FY 2011 Budget

Date: November 29, 2010

I am pleased to present the Corporation's proposed budget for Fiscal Year 2011 ("FY 2011"). 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 around 165,000 new and rehabilitated affordable housing units between 2003 and 2014. The Corporation has already surpassed its original goals, financing over 47,000 units of housing, plus an additional 20,139 units under the New York City Housing Authority ("NYCHA") Federalization Program, issuing over $10.0 billion in bonds, and using over $1 billion of our corporate reserves to partially subsidize projects. This performance is strong confirmation of the Corporation's past and continuing success.

This success has occurred despite the financial crisis and market turbulences over the past few years, and the slow economic recovery since then. Notwithstanding the challenges this has presented, and the obstacles that we have faced, the Corporation has achieved yet another year of substantial growth. During FY 2010, the Corporation issued almost $1.5 billion in bonds while maintaining its strong AA credit rating. This brings the bonds outstanding to $8.47 billion at the end of FY 2010, more than doubled from $3.3 billion at the end of FY 2003. Total assets of HDC have more than doubled as well from $4.65 billion at the end of FY 2003 to $11.19 billion at the end of FY 2010. Additionally, net assets have increased from $710 million at the end of FY 2003 to $1.23 billion at the end of FY 2010.

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

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plan first began, to $54.8 million by 2006, to $69.1 million in 2010, and a projected increase to approximately $73.5 million in 2011. This increased efficiency stems from the Corporation's long term plan to invest in its employees, physical plant, and information systems. The budget for FY 2011 reflects the continuation of this success, tempered with the reality of financial markets in flux and concerns regarding the tentative economic recovery.

HDC's projected revenue stream remains strong, as does the future pipeline of housing production overall. The Corporation is curtailing costs where possible, balancing expenses while maintaining efficiencies, and keeping up with the continuously expanding portfolio.

A strategic challenge is to ensure that our growth in assets, projects under supervision and transactions undertaken does not outstrip our capacity to manage them. The budget we propose for FY 2011 reflects our response to this challenge.

Personnel

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 three 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 our financial results. This year's budget continues that same approach.

The proposal provides for 166 staff positions, including the five staff participating in HPD's Fellowship program, an increase of four positions or 2.47% over fiscal year-end 2010. The increase in staff this year is in the asset and loan servicing area only and is due to the ever increasing size of the loan portfolio. This small addition to personnel is required to keep pace with continued growth across the Corporation:

- The Asset Management Department is hiring two new asset managers and a tax credit compliance auditor, all new additions necessitated by the NYCHA federalization transaction completed in March 2010. The NYCHA deal increased the portfolio of tax credit compliance units by another 20,139 units, thereby doubling the current portfolio. The Corporation offsets this cost by collecting an annual $250,000 tax credit monitoring fee as part of the NYCHA transaction.
- The Loan Servicing Department is hiring an additional loan servicing representative to handle the continued expansion of HDC's loan portfolio. HDC's portfolio has increased from approximately 429 loans in FY 2003 to 1,108 loans in FY2010, a 258% increase, while with the addition of the proposed new staff person, loan servicing personnel will have doubled from 10 in 2003 to 20 in 2011. At the same time, the Corporation continues to service an additional portfolio of HPD loans.

To reduce costs during the fiscal year, these positions are forecasted to be filled in the second quarter of the fiscal year. Additionally, the Corporation will look to further reduce costs during the fiscal year either by delaying or not replacing vacancies that may occur during the year.

Fringe Benefits

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 2011, although the Corporation has made other efforts to reduce costs in this area where possible. Overall, fringe benefits include employee health, dental, vision, and life benefits, matching contributions to employees' retirement savings, and required employer contributions to the New York City Employees' Retirement System ("NYCERS"). Also included in this category are funds to cover the Corporation's share of taxes and insurance. As part of its efforts to reduce costs, the Corporation reworked its life, disability and vision insurance policies, and was able to obtain a reduction in those premiums. At the same time HDC has received information from our health insurance carrier of a potential increase of at least 12% to our premiums. The combined effects have resulted in only a slight increase to the fringe benefit line of 1.45% over last year's budget. The Corporation will continue to look for ways to contain costs related to fringe benefits in the upcoming year and beyond.

Physical Expansion

The growth in assets, personnel and operations that HDC has experienced over the past few years has created a compelling need for physical expansion. The Corporation over the past few years has looked for ways to free up space within its current office space, thereby postponing taking over more office space in the building. Two years ago we built out the new 9th floor facility to accommodate 25 employees. Not only did that expansion create additional seats, it also allowed departments that had been physically dispersed, sometimes throughout the two floors, to consolidate and further improve efficiencies. Last year's expansion was to renovate an existing conference room, at minimal cost, to a "bullpen" configuration and renovate the remaining conference rooms to increase their use. This created 12 additional seating spaces for employees. This year's budget will provide funds to reconfigure an old workspace on the 10th floor vacated by those occupying the new "bullpen", and also add some workspace to the 9th floor, both of which will accommodate staff members in a more efficient manner. These new reconfigurations will provide additional workspace for thirteen more employees and should help ease the shortage of seating for the immediate future.

IT Software 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. With this in mind, the Equipment and Maintenance budget includes important investments in technologies that will continue to strengthen our information systems capabilities in years to come, for use by all HDC employees.

In FY 2003, the Corporation spent approximately $773,000 on its IT maintenance budget, which was geared mostly towards routine annual maintenance and the minimal purchases of basic equipment such as PCs, printers and servers. In FY 2006, the Corporation invested in major revisions to its Oracle Financial systems which led to an increase in the IT maintenance budget to approximately $1,004,000. Subsequently over the following two years the IT budget had decreased back down to about $820,000 by FY 2008, reflecting routine annual maintenance and minimal equipment purchases. However, at that point the Corporation began addressing the enormous amount of data that is associated with a growing portfolio. Hence, over the last two years the Corporation invested in a software to assist the staff in reporting on the vast amount of data that accompanies management of an expanding portfolio, and another software that integrates with the Corporation's Oracle system. These two softwares, Sharepoint and Oracle BI, have now been implemented and have had a significant impact on the Corporation's ability to report and share knowledge throughout the organization, as well as reduce the cycle time for producing reports. The IT department and business units continue to work together to build out the reporting and data analysis capabilities residing in these softwares.

Last year's budget included funds for a down payment on a new software package for the Corporation's investment, debt service and cash management functions. *Emphasys* is a business software geared towards public housing authorities and housing finance agencies around the country which meets the needs of HFA's in terms of debt, investment and cash management. During the middle of last fiscal year the staff began work on implementing this system for a "go live" date in the beginning of FY 2011. This new system will result in improved efficiency, productivity, and reporting within the Finance department area. Last year's budget also included funds to purchase internal audit software for the Internal Audit department that will allow them to increase productivity in performing their audits. This software was recently implemented and will have an impact on the audits performed in the future.

In FY 2011, funds have been included to make the second payments on the *Emphasys* system and the advanced reporting software mentioned above. Additionally, funds have been budgeted to upgrade to Microsoft Windows 7 Office to improve performance of applications and minimize management of security. Funds have also been included to upgrade our network system to improve speed, security features, and storage space needed for email. Also included this year are funds to integrate the Corporation's imaging system with the Sharepoint software mentioned above. This will enable all employees to have access to project related imaged documents and allow the documents to be accessible within the Corporation's employee portal through any browser and not be reliant on the imaging software itself.

Finally, funds have been included to upgrade the loan invoicing system, which is currently handled manually by staff, including printing and mailing of invoices, and replace it with automated functionality, including the ability to either email or post the invoices to the website. This upgrade will speed up the invoice time and reduce staff time and postage costs, thereby increasing efficiencies.

These new investments over the past few years have brought the IT maintenance budget up to $1.17 million for FY 2011 (for more details of the entire HDC equipment and maintenance budget line please see "Equipment and Maintenance" in the Operating Expenses section in the memo). Without the new FY 2011 expenditures for technology (amounting to $355,000), the entire proposed budget shows an increase of 3.42% from our FY 2010 budget. When we include these enhancements, the budget increases a modest 4.93%.

Over the years, the Corporation has prudently 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, and promote efficiencies.

Projections for FY 2011

The Corporation remains cautiously optimistic about its 2011 financial outlook. Even though the proposed FY 2011 development pipeline appears strong, with unabated interest in the Corporation's programs, the effects of the market turbulence over the past two years still resonate. In order to mitigate the risk of variable rate debt, the Corporation has been taking advantage of very low interest rates and has been converting some variable rate debt into a fixed rate mode during the past fiscal year, as well as the upcoming year. 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; a request for an additional $200 million in volume cap was recently submitted to Albany for the proposed December debt issuance, and requests for volume cap allocation will again be sent to Albany in early 2011. To date the Corporation has received $200 million from the City and $188 million from the State. In addition, HDC is participating in the Federal government's New Issue Bond Program that will lead to attractive financing terms for the Corporation's 2011 pipeline.

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 2010 results and FY 2011 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. One large difference in the Corporation's revenues between GAAP and cash accounting is that loan origination fees are recognized under GAAP over the life of the construction loan rather than when collected. It is also worth noting 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) the interest spread on 223(f) loans, which is applied to amortize the capitalized value of that spread that was recorded as an asset of HDC when it was purchased from the City in 1996, (4) 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 (5) transfers of corporate reserves between the Open Resolution and the corporate services fund.

Summary of FY 2010 Budget Results and FY 2011 Proposed Budget (attached schedules)

The Corporation ended FY 2010 with an excess of revenues over expenses, on a cash basis, of $56.56 million, an increase of $5.79 million over the budgeted amount of $50.77 million. This improvement was largely due to better-than-expected performance in the Open Resolution surplus and higher servicing fees.

However, the outlook presented in the FY 2011 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 2010 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 fall due to low interest rates, and furthermore, in light of the large volume of subsidy loans made prior to FY 2011, there will be a decline in the amount of funds under investment management. Although the Corporation's Investment Committee has been prudent in its attempts to maximize the rates of return on investments in the market, income on corporate reserves is not expected to match or exceed what it was prior to FY 2009.

As the table indicates, total cash revenue of $78.07 million is budgeted for FY 2011, an increase of 5.28% from the FY 2010 budget of $74.15 million and a decrease of 2.27% from the 2010 actual. At the same time, operating expenses are budgeted to rise $1.15 million or 4.93% from the FY 2010 budget due to an increase in staffing costs, IT software, and other expenses.

An excess of revenue over expenses of $53.53 million is budgeted for FY 2011. The chart below summarizes these results, which are discussed in detail in the following sections and presented in the attached schedules of revenues and expenditures.

Summary of Revenue And Expenditures (Cash Basis)	Adopted Budget FY 2010	Projected Actual FY 2010	Variance FY 2010	Proposed Budget FY 2011
Revenue:				
Investment and Loan Income	48,822,204	53,073,864	4,251,660	53,470,000
Servicing Fees	14,053,672	14,411,652	357,980	14,426,600
Loan and Other Fees	11,279,875	12,400,704	1,120,829	10,175,780
Total Revenue	**74,155,751**	**79,886,220**	**5,730,469**	**78,072,380**
Operating Expenses:				
Salaries and Related	17,820,805	17,852,827	(32,022)	18,770,974
Contract Services	922,000	911,112	10,888	1,020,900
Other Expenses	4,325,332	4,166,677	158,655	4,350,350
DOI Fees	320,000	400,000	(80,000)	400,000
Total Expenses	**23,388,137**	**23,330,616**	**57,521**	**24,542,224**
Excess of Revenue Over Expenses	**$50,767,614**	**$56,555,604**	**$5,787,990**	**$53,530,156**

FY 2010 Unaudited Results

The Corporation's FY 2010 budget projected revenues of $74.16 million, and HDC realized revenues of $79.89 million, a variance of $5.73 million or 7.73%. This result was attributable to three main positive variances:

- The Open Resolution surplus was $5.1 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.
- HDC servicing fees on its mortgage loans were $1.04 million more than the budget. The increase was 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.
- Loan origination fees were $1.0 million more than the budget due to more loans closing than budgeted.

Offsetting these positive variances were two negative variances:

- Investment income from corporate reserves was $1.07 million under budget due to a continued low interest rate environment and less funds under management due to a high amount of draws on proceeds from the significant number of subsidy loans closed over the last few fiscal years. Of the $1 billion total that HDC has spent in corporate reserves since FY 2003, just in FY 2009 and 2010 alone, it has advanced close to $400 million in subsidy loans, thereby decreasing the funds under investment management.

- Servicing Fees from HPD financed loans were $780,000 lower than forecasted due to the inability to collect servicing fees on projects that have no positive earnings from investment proceeds that typically fund these fees.

The attached Revenue Summary provides further details on these and other, smaller variances.

The Corporation's adopted FY 2010 operating expense budget was $23.39 million. Actual FY 2010 expenditures were $23.33 million, a variance of $57,521 or 0.2%. The attached Expenditure Summary shows budget, actual, and variance numbers by budget line. Key areas of variance were as follows:

Negative Variance (Over Budget)

- Fringe Benefits – $120,092. This line item was actually under budget in total, but the Corporation made a payment to NYCERS for part of its FY 2011 appropriation, and thus it came in over budget.
- Legal Expense - $65,907. This line item was over budget mainly due to higher costs than anticipated in a litigation matter.
- Department of Investigation ("DOI") Fees - $80,000. This line item was over budget due to a cross over between HDC's fiscal year and the City's fiscal year. DOI budgeted the higher amount after the Corporation budgeted last year's amount. The Corporation was billed the higher amount and paid it prior to the June 30th end of the City's fiscal year.

Positive Variance (Under Budget)

- Wages - $102,845. This line item was under budget mainly due to two reasons. First, one of the new hires in last year's budget was only hired at the very end of the fiscal year for a savings. The other new hire, in the IT area, was not done at all and was substituted with a consultant. Second, there were a few vacancies during the year, and they were replaced at lower salaries.
- Auditing & Accounting – $50,000. This line item was under budget due to delaying a small scale audit of our IT systems by Ernst & Young. It was decided to wait until the new debt, investment and cash management system, *Emphasys*, was implemented and to have the audit performed during FY 2011.
- Office Expenses – $45,640. This line item is comprised of smaller line items, such as office supplies, postage, office cleaning, office repairs, messenger service and telephone expense. Each of the smaller line items came in under budget due to attempts to cut costs where practical throughout the Corporation. This initiative has also carried through in the FY 2011 budget with this line item decreasing in total from FY 2010 budget.

FY 2011 Proposed Budget

Revenues

The Corporation's revenues are budgeted at $78.07 million in FY 2011. This is a $3.92 million or 5.28% increase from the FY 2010 adopted budget, and a decrease of $1.8 million or 2.27% from the FY 2010 actual. The attached schedule shows revenue projections by line item for FY 2011. While several areas of HDC revenue are under pressure, the projected increase from the FY 2010 budgeted amounts derive from three key factors: (1) an increase in the Open Resolution surplus due to 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; (2) 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; and (3) an increase in loan income from corporate owned loans due to an increase in the number of loans in the portfolio.

These three increases are slightly offset by three forecasted decreases; (1) a decrease in investment income on corporate reserves due to a low interest rate environment combined with slightly lower funds available for investment, which is due to funds being advanced on the vast number of loans made the past few years; (2) a decrease in loan origination fees due to the last tranche of the Beekman Towers' fee being collected in FY 2010; and (3) a decrease on the servicing fees earned on HPD financed loans. These 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. It is expected that 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, and these will accrue until there is sufficient income available.

Each revenue source is discussed in detail below.

Investment and Loan Income

Investment of Corporate Reserves and Other Funds. The Corporation currently has $2.88 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, reserve 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 2010, the Corporation realized $6.75 million on investments of corporate reserves and other funds. Staff forecasts investment earnings will drop about 11.5% to $5.97 million in FY 2011 based largely on program expenditures leading to less funds under management and a continued low interest rate environment.

Corporate-Owned Mortgage Interest. Although the Corporation has used over $1 billion of corporate reserves to make loans, the Corporation currently has a $553.4 million portfolio balance of loans as corporate owned mortgages, due to securitizations totaling around $400 million over the past few years. The portfolio had a net increase of 37.75% this year mainly due to the funding of $206.3 million of loans during FY 2010. The loans have varying repayment terms, often with deferred amortization or balloon mortgages, and most are at very low interest rates. Of the 131 individual loans in the portfolio, 17 loans are at 0%, 105 are at 1% interest, and the remaining nine loans range between 0.65% to 6.90%, for a total weighted average of 1.11%. Interest payments on the corporate-owned loans totaled $5.2 million in FY 2010. Current portfolio loan schedules indicate $5.5 million interest revenue in FY 2011, an increase of 5.5%.

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, $42.0 million of Open Resolution surplus is included in the FY 2011 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 are in place as a hedge, 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 debt service reserve funds, principal and interest monies held prior to debt service payment, and mortgage prepayment funds held prior to bond call. Most bond series generate some surplus, with nine series, the 1996A, 1998B, 2002C, 2005J-2, 2006H-1, 2007E-1, 2008E, 2008J and 2008K responsible for well over half the total in FY 2009 and FY 2010. A few series may temporarily run at a small deficit, typically when the underlying loans have stayed in construction longer than scheduled and so have not started making principal amortization payments.

Servicing Fees

The Corporation earns servicing fees from four major areas of work: (1) servicing HDC loans (originated or purchased by HDC); (2) servicing the Remic Trust set up by New York City in 1996 to securitize 236 rent subsidy payments on 223(f) projects; (3) servicing HPD construction and permanent loans; (4) and administering Section 8 contracts.

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 FY 2010 actual revenue of $9.89 million to about $10.35 million due to more loans converting after construction completion to permanent status (when servicing fees become due on a monthly basis), as well as income from servicing fees associated with the Corporation's Preservation Lending Pilot Program. Additionally, the Corporation is also earning an annual fee for monitoring the low income housing tax credits on the NYCHA deal, which added an additional 20,139 units to the tax credit portfolio.

Remic Trust. Fee income from servicing the Remic Trust will remain steady as the refinancing of the loans in the trust have eased up in the Mitchell-Lama Restructuring Program or through conventional loans. Income of $42,380 is budgeted for FY 2011.

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 2011 budgeted amount of $3.6 million is lower than the FY 2010 actual levels due to an anticipated decrease in the collection of servicing fees on HPD loans in construction. These fees are dependent on investment income and it is expected that 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. FY 2010 actual revenue in this category came in lower than budgeted due to the above interest rate explanation and also due to the Section 421-a loan program not coming to fruition.

Section 8 Contract Administration. Section 8 fees are expected to increase to $434,220 from the FY 2010 budget of $356,124. There was an expectation of the loss of two projects during FY 2010 when their Section 8 contracts expired. One contract was set to expire last December, while the other was expected to expire this past June. However, both of those contracts were renewed with the Corporation during the fiscal year, and therefore a full year's worth of fees will be collected on the six contracts still with HDC. The majority of Section 8 contracts were re-assigned by HUD in 2007 to consolidate administration of the program to HUD's designated New York State Performance Based Contract Administrator.

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 $8.6 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.

Origination Fees. The Corporation's commitment fees range from 0.75% to 1.0% for HDC bond financings. Fees are also collected in some cases upon mortgage assignments and/or satisfactions. In FY 2010, total fees collected in this category were $10.0 million, of which $7.6 million was for loan originations and $2.4 million from the third tranche of bond financing for the Beekman Towers' financing. The $10.0 million represented an increase of $1,002,000 or 11.13% over the budgeted amount, due to closing more deals than anticipated. The proposed FY 2011 budget amount is $8.0 million, an increase of $400,000 over FY 2010 actuals, net of the Beekman Towers' project.

REMIC Insurance Fee. The Corporation is paid a fee by REMIC to cover the cost of staffing and overhead. The REMIC fee this year is $440,000, which reflects a change in the computation of the fee from previous years. In the past the Corporation was paid a flat fee of between $200,000 and $210,000. However, since there are specific staff members who are performing dedicated REMIC functions, staff decided that a specific fee can be calculated as it relates to REMIC functions within the Corporation. The fee is comprised of a 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.

Operating Expenses

The Corporation's proposed FY 2011 operating expense budget was based on FY 2010 actual expenditures, adjusted for identified changes in staffing, technology, office space and other costs.

Salaries and Related Expenses

Wages. Actual wage expenses came in slightly under budget for FY 2010. This was due to some new hires budgeted last year but not hired when planned, and a few vacancies. One of the new hires in last year's budget was only hired at the very end of the fiscal year, and the other, in the IT area, was not done at all, but was substituted with a consultant. Additionally, there were a few vacancies during the year, and they were replaced at lower salaries. Also included in the salaries line are funds for the Corporation's participation in the Fellowship program.

Unlike previous years, 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 raises. Over the last several years, the Corporation budgeted funds for raises and promotions with a second quarter payout. However, in trying to find a balance of maintaining a high level of performance for a dedicated, hardworking staff versus the challenging economy, the Corporation's senior management believes that a discretionary amount used for specific promotions and increases is a prudent approach.

This year's proposed budget provides for 166 staff positions (including five Fellows) as discussed above, an increase of four positions from the current headcount of 162. To further reduce costs during the fiscal year, each of these positions will be filled in the second quarter of the fiscal year. Additionally, the Corporation will look to further reduce costs during the fiscal year either by delaying or not replacing any vacant positions that may arise during the year.

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") and for the required employer contribution to the New York City Employees' Retirement System ("NYCERS"). Also budgeted in this category are funds to cover the employer's share of payroll taxes, Workmen's Compensation Insurance, Unemployment Insurance, etc. The fringe benefit line shows only a slight increase of 1.45% over last year's budget. The increase is attributable to a larger payroll and some higher insurance premiums. Based upon information received from our insurance carrier, the Corporation expects a 12 – 15% increase to health insurance. This increase has been offset by the Corporation's efforts to reduce costs where possible. Life, disability and vision insurance policies have been reworked and have led to reductions in premiums. Dental insurance is expected to remain the same. This year's request provides funds to cover these increases and to provide fringe benefits to new employees. Also, please note that Retiree Medical benefits and the Metropolitan Commuter Transportation Mobility Tax have been moved from this budget category to their own categories down below.

Actual expenditures for this line item, in total, were under budget in FY 2010 however, there is a negative variance overall due to the Corporation making a partial payment of $255,000 in FY 2010 towards its 2011 NYCERS appropriation. The Corporation will continue to look for ways to contain costs related to fringe benefits in the upcoming year and beyond.

Retiree Medical. This budget line provides medical benefits to retirees of the Corporation. The Corporation has a very small number of retirees to date, but has historically provided healthcare to its retirees since the mid-1980s. The Corporation's retirement policy has evolved and changed over time. Initially the Corporation provided medical benefits to its retirees by carrying them on its health insurance plan. Over time, staff members were eligible to join the New York City Employees' Retirement System ("NYCERS"), and in 1999, upon its understanding that retirees who were members of NYCERS were entitled to participate in the City's health plan, the Corporation's existing retirees were transferred to the City's health plan. The Corporation is in the last stages of finalizing a document with the City's Office of Labor Relations ("OLR") to memorialize this understanding. Included in the budget is an amount that includes the annual billing for all current retirees, plus back billing ($192,400) for previous years' coverage. This line has been moved from the Fringe Benefits line where it was included last year.

Actual expenditures for this line item for FY 2010 came in on budget.

Metropolitan Commuter Transportation Mobility Tax ("MCTM Tax"). The Metropolitan Commuter Transportation Mobility Tax ("MCTM Tax") is a new 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 $45,000. This line has been moved from the Fringe Benefits line where it was included last year.

Actual expenditures for this line item for FY 2010 were over budget due to paying the tax retroactive back to March 2009, a previous fiscal year.

Temporary Staff. This budget line (only 0.5% of the total budget) is 7.2% lower than last year's budget and 2% lower than FY 2010's actuals. 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. Additionally, this year it is expected that temps will be needed to assist HDC staff in maintaining parallel systems during the implementation of the new debt, investment and cash management system that is expected to occur this month (please see the Equipment & Maintenance section below for more details). This line also includes $19,200 for the summer intern program.

Actual expenditures for this line item came in on budget in FY 2010.

Contract Services

Auditing and Accounting. The figure of $266,000 represents a contracted amount of $216,000 for auditing services from Ernst & Young for the annual financial audit of the Corporation, as well as a $50,000 placeholder for smaller scale auditing services of our IT systems that was postponed from last year. Given the central role our IT systems play in the Corporation's operations, it was decided that an auditor should carefully examine the systems. Rather than hire a full-time IT staff auditor, the Corporation thought it would be more cost efficient to have Ernst & Young perform some additional in depth auditing of the system controls and security, the details of which have yet to be determined. This was originally budgeted for FY 2010, but was delayed to FY 2011 to allow for the implementation of the new *Emphasys* system.

The FY 2010 actual expenditures came in under budget by $50,000 due to the delay of the IT audit mentioned above.

Legal Consultants. This line item provides funds for potential fees from outside counsels for the upcoming year. Those include Hawkins, Delafield and Wood, for general advice; Epstein, Becker & Green, employee benefits counsel; NYC Corporation Counsel for labor litigation; and a small amount for immigration counsel.

The FY 2010 actual expenditures were higher than budgeted due to higher costs then anticipated for a litigation matter.

Annual Report. This budget line provides funds for the design and printing of the annual report.

The FY 2010 actual expenditures were slightly lower this year due to lower than anticipated printing costs associated with fewer pages in the annual report. The trimmed down version of the annual report is attributable to enclosing the financial statements and footnotes on a disk within the annual report as opposed to printed pages, thereby reducing costs. Budgeted funds for FY

2011 are expected to remain steady with FY 2010's budget due to the possibility of a slight increase in printing costs.

Other Consultants. This budget line, representing 2.04% 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. This year we are budgeting $443,000 for IT consulting services. $30,000 has been requested for a Christo Rey High School student job-share employee, continuing an educational intern program that is providing cheerful clerical help to the HDC staff. $24,500 has been requested this year to provide funds for an external quality assessment of our internal audit function. This will assist the Corporation in meeting the Institute of Internal Audit's *Standards for the Professional Practice of Internal Auditing* requirement. This amount was in last year's budget but no assessment was implemented. $2,400 has been requested for the yearly fee for our insurance consultant.

The actual expenditures for FY 2010 came in slightly under budget.

Other Expenses

Rent and Utilities. This line, representing 8.7% of the budget, primarily reflects rental payments, including escalations, for the Corporation's space at 110 William Street. Base rent on the 10th floor and the original space on the 9th floor totals $120,470 per month. Base rent on the new space on the 9th floor currently is $16,192.50 per month. HDC's share of the building's operating costs and real estate taxes are anticipated to average about $28,850 in total 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 $85,000 for electricity for the year. In addition, $22,000 of the total amount requested provides for rent payments and document retrieval costs related to off-site storage space.

The actual expenditures for FY 2010 came in slightly under budget because the escalation costs were not as high as anticipated.

Office Expenses. This line, which represents 1.2% of our total budget, provides funds for:

Office Supplies	$80,000
Printing	11,160
Postage	25,000
Office Repairs	17,000
Cleaning Services	47,000
Messenger Service	15,050
Telephone	31,000
Wireless Services	40,000
Working Meals	28,650
Petty Cash	5,500

Some line items have declined from last year's budget; office supplies, printing, telephone, and wireless services have been decreased from last year's budget to reflect FY 2010 actual expenditures. Most notably, the wireless services line has decreased 31% from last year's budget as the Corporation performed a comprehensive review of blackberry needs versus costs, and reduced the number of units provided to key employees. The office supplies line has decreased over 18% to reflect a cost cutting measure undertaken agency-wide. Working meals, messenger services, and petty cash lines have increased slightly due to an increase in costs and staffing. The office cleaning line has been increased to allow for carpet cleaning throughout the office. The postage and office repairs line items have been held steady from last year's budget and to reflect actual expenditures from FY 2010.

Due to cost cutting measures undertaken in various areas of the Corporation, FY 2010 expenditures for office expenses were under budget by almost 14% in total due to savings in every line item above, but mostly in office supplies, printing, office cleaning, telephone, wireless services, and working meal expenses.

Equipment and Maintenance. Overall, this item represents 5.27% of the budget. The bulk of the costs associated with this line item, $501,840, relates to ongoing software licensing, maintenance agreements and equipment repairs on management information systems and internet related services. An additional $95,000 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 20 PCs and monitors that are more than five years old and 25 printers (stand-alone and network) that are more than seven years old.

As mentioned earlier, 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, has compelled the Corporation to invest in certain software the past few years to assist the staff in producing analytical reports and communicating with one another. To minimize the impact on the budget, the Corporation split the payments between two fiscal years for the new software initiatives undertaken last year. A final payment of $41,000 has been budgeted for an advanced reporting software tool that integrates with the Corporation's Oracle system. This software allows for the consolidation of corporate-wide data, reduces the cycle time in creating reports, and reduces the management of time needed to maintain all reports. Additionally, a second payment of $179,000 has been budgeted for the Corporation's new *Emphasys* system, which was purchased mid-year 2010 and is in the final phases of being implemented.

This software is a cash management, investment and debt service software system that will enable the Corporation to efficiently monitor its cash and debt position at any given moment. The current system, XRT, is over ten years old and has not been able to easily adapt to the vast changes in the financial markets over the past few years. Additionally, the interface of the XRT system over to the Oracle General Ledger has historically been inefficient for the Accounting department.

Additionally, $160,000 has been budgeted for a project that will incorporate the Corporation's imaging system with its Sharepoint software. This will enable all employees to have access to our project related imaged documents and allow the documents to be accessible within the Corporation's employee portal through any browser and not be reliant on the imaging software itself.

$75,000 has been budgeted for licenses and services to upgrade to Microsoft Windows 7 Office. The upgrade will improve performance of applications and minimize management of security and maintenance patches performed year round by IT staff. $20,000 has been budgeted for an upgrade of our Rightfax system. The current system would not be supported with a Windows 7 upgrade. $75,000 has been budgeted for an upgrade to Exchange 2010, which will help the Corporation improve its network speed, improve storage space needed for email, make available more contemporary security features, and give end users better tools for searching, archiving and managing their inboxes. Finally, $25,000 has been budgeted for an upgrade to the loan invoicing system. The current invoicing process involves staff time for printing and mailing of invoices. The upgrade will automate this functionality with the ability to either email or post the invoice to a website. Along with speeding up the invoicing time, and reducing staff time and postage costs, this will also provide historical invoice tracking to our external customers.

With respect to other services, $70,000 has been budgeted for maintenance agreements on office equipment, such as copiers and on the Corporation's air conditioning and security systems. This has decreased by $10,376 or 13% to reflect a cost consolidation of the office copiers to a more reliable vendor. $14,000 is budgeted to provide lease payments for four hybrid cars. As the loan portfolio has increased over the years, the amount of physical inspections and project site visits by HDC staff has increased as well. It is more cost efficient to maintain a fleet than it is to reimburse employees for the use of their personal automobiles. $23,000 is budgeted to provide maintenance, gas, and parking for the Corporation's automobiles. Finally, this line item includes $15,000 for portable HVACs in the server room and various computer utility rooms throughout the office to prevent overheating of the computer equipment.

FY 2010 expenditures were slightly under budget mainly due to lower than anticipated automobile maintenance expenses.

Insurance. This line item includes premiums on policies for Property, Liability, Errors & Omissions, Umbrella Liability, Crime and Automobile. This budget line item has decreased 11.4% from last year's budget. Although the Corporation increased its umbrella policy coverage, and increased its auto insurance coverage with additional automobiles and drivers, HDC also was able to successfully reduce its premiums in an effort to obtain better rates.

Books and Publications. This line item ensures that the staff maintains updated resources and continues to stay current on industry trends. This budget line has been slightly increased from last year's budget to accommodate a new subscription to a provider of impartial commercial real estate performance information and analysis which will assist staff in underwriting loans, performing due diligence, and monitoring the portfolio throughout the year. But for this new, critical subscription, the publications budget line for FY 2011 would have decreased about 6% over last year's budget.

Transportation. This item covers travel to in-town conferences and seminars, site visits and project inspections. 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.

Training and Conferences. This line, representing 0.7% of the budget, provides funds for continued staff training and costs associated with the semi-annual 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 $15,000 for legislative travel to Washington D.C. for the President and Executive Vice Presidents. The positive returns of participating in a coalition with other agencies with a similar regulatory and legislative agenda, just within the past two 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.

This line also includes $80,000 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.

The Employee Development part of this budget line has been increased $5,000 from last year to accommodate a larger staff, while the conference part of this budget line has been held steady, despite the increased headcount.

FY 2010 expenditures were under budget due to savings in conference and seminar spending.

Memberships. This number (only 0.3% of budget) provides funds for annual membership fees for NCSHA at $46,000, NALHFA at $3,000, 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 2010 expenditures were over budget due to an additional payment of $10,760 due to NCSHA on the Corporation's FY 2009 dues, otherwise this line item would have come in 5.4% under budget.

Employment Agency Fees/Ads. This line remains the same from 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 reconfigure an old workspace that will accommodate staff members in a more efficient manner on the 10th floor, as well as some miscellaneous furniture throughout the office space. This includes filing cabinets, bookcases, chairs and some new workstations.

Leasehold Improvements. This line provides funds to reconfigure an old workspace on the 10th floor, and also add some workspace to the 9th floor, both of which will accommodate staff members in a more efficient manner. As the Corporation has increased professional staff members over the past few years, the existing seating spaces have become limited. To temporarily alleviate this potential problem, the Corporation over the past few years has looked for ways to create space within its current office plan. The reconfigurations will provide an additional thirteen spaces on the 9th and 10th floors and should help ease the shortage of seating for the immediate future. However, as the office space begins reaching its capacity, the Corporation will consider taking over more office space from the building in the future.

FY 2010 actual expenditures came in on budget.

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 2010 actual expenditures came in on budget last year, and this year's budgeted amount has been kept at that level.

Corporate Events. This year's request (only 0.15% of budget) has been reduced by 27.8% from last year's budget. This line provides funds for HDC sponsored events such as the annual holiday party, budgeted at $15,000, and the annual summer outing, budgeted at $8,000. The $15,000 allotted for the holiday party, a reduction of 40% from last year's budget, will be used mostly for the balance due on the 2010 holiday party. The 2011 holiday party will be held in-house, thereby reducing the costs next year. Additionally, the summer outing has been decreased by almost 43% from last year's budget. Finally, $12,850 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 2010 actual expenditures came in on budget last year.

Bank Service Charges. This budget line item provides funds for bank service charges the Corporation incurs for the employees' Tax Sheltered Annuity (403(b) Retirement) Plan ("TSA"), 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. This year's budget line has been reduced by 7.8% due to a reduction of ADP payroll charges.

FY 2010 expenditures were under budget as the expenses budgeted for electronic banking products was postponed until after the implementation of the *Emphasys* system this year and are included in the new 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.

New York City Housing Development Corporation
Requested Budget Summary
Fiscal Year 2010/2011

	Adopted Budget FY 2010	Projected Actual FY 2010	Variance FY 2010	Requested Budget FY 2011
REVENUES				
Fees	$ 25,333,547	$ 26,812,356	$ 1,478,809	$ 24,602,380
Investment and Loan Income	48,822,204	53,073,864	4,251,660	53,470,000
TOTAL REVENUES	**$ 74,155,751**	**$ 79,886,220**	**$ 5,730,469**	**$ 78,072,380**
EXPENSES				
Salaries and Related Expenses	$ 17,820,805	$ 17,852,827	$ (32,022)	$ 18,770,974
Contract Services	922,000	911,112	10,888	1,020,900
Other Expenses	4,325,332	4,166,677	158,655	4,350,350
Services of NYC DOI	320,000	400,000	(80,000)	400,000
TOTAL EXPENSES	**$ 23,388,137**	**$ 23,330,616**	**$ 57,521**	**$ 24,542,224**
EXCESS OF REVENUES OVER EXPENSES	**$ 50,767,614**	**$ 56,555,604**	**$ 5,787,990**	**$ 53,530,156**

New York City Housing Development Corporation
Revenue Budget Summary
Fiscal Year 2010/2011

Revenues / **Fee Income**	**Adopted Budget FY 2010**	**Projected Actual FY 2010**	**Variance FY 2010**	**Requested Budget FY 2011**
Servicing Fees				
HDC Financed Mortgage Loans	$ 8,849,275	$ 9,887,568	$ 1,038,293	$ 10,350,000
1996 REMIC Trust	48,273	48,273	0	42,380
HPD Financed Loans	4,800,000	4,019,785	(780,215)	3,600,000
Section 8 Contract Administration	356,124	456,026	99,902	434,220
Sub-total Servicing Fees	14,053,672	14,411,652	357,980	14,426,600
Other Fees				
Credit Enhancement Fees (2006 A Program)	2,069,875	2,188,656	118,781	1,735,780
Loan Originations & Refinancings	9,000,000	10,002,048	1,002,048	8,000,000
REMIC Insurance Administration	210,000	210,000	0	440,000
Sub-total Other Fees	11,279,875	12,400,704	1,120,829	10,175,780
Total Fees	**$ 25,333,547**	**$ 26,812,356**	**$ 1,478,809**	**$ 24,602,380**
Investment and Loan Income				
Investment of Corporate Reserves	$ 7,822,204	$ 6,747,236	$ (1,074,968)	$ 5,970,000
Corporate Owned Mortgages	5,000,000	5,212,015	212,015	5,500,000
Open Resolution Surplus, net of expenses	36,000,000	41,114,613	5,114,613	42,000,000
Total Investment and Loan Income	**$ 48,822,204**	**$ 53,073,864**	**$ 4,251,660**	**$ 53,470,000**
TOTAL REVENUES	**$ 74,155,751**	**$ 79,886,220**	**$ 5,730,469**	**$ 78,072,380**

NEW YORK CITY HOUSING DEVELOPMENT CORPORATION
REQUESTED OPERATING EXPENSES
FISCAL YEAR 2010/2011

	ADOPTED BUDGET FY 2010	ACTUAL FY 2010	VARIANCE	REQUESTED BUDGET FY 2011
SALARIES & RELATED EXPENSES				
WAGES	12,554,705	12,451,860	102,845	13,240,074
FRINGE BENEFITS **	5,056,040	5,176,132	(120,092)	5,129,200
RETIREE MEDICAL **	30,960	30,960	-	230,000
MCTM TAX **	42,500	64,629	(22,129)	45,000
TEMPORARY STAFF	136,600	129,246	7,354	126,700
SUBTOTAL	17,820,805	17,852,827	(32,022)	18,770,974
CONTRACT SERVICES				
AUDITING & ACCOUNTING	255,000	205,000	50,000	266,000
LEGAL CONSULTANTS	102,000	167,907	(65,907)	190,000
ANNUAL REPORT	65,000	54,993	10,007	65,000
OTHER CONSULTANTS	500,000	483,211	16,789	499,900
SUBTOTAL	922,000	911,112	10,888	1,020,900
OTHER EXPENSES				
RENT & UTILITIES	2,141,000	2,118,021	22,979	2,143,000
OFFICE EXPENSES	326,400	280,760	45,640	300,360
EQUIPMENT & MAINTENANCE	1,244,557	1,228,852	15,705	1,293,840
INSURANCE	70,000	60,294	9,706	62,000
BOOKS & PUBLICATIONS	53,275	42,390	10,885	55,850
TRANSPORTATION	35,850	25,005	10,845	37,300
TRAINING & CONFERENCE	171,000	134,303	36,697	175,650
MEMBERSHIPS	72,600	79,404	(6,804)	74,000
EMPLOYMENT AGENCY FEES/ADS	20,000	14,249	5,751	20,000
FURNITURE	14,000	12,410	1,590	14,000
LEASEHOLD IMPROVEMENTS	64,500	63,775	725	80,000
MARKETING	11,500	11,024	476	11,500
CORPORATE EVENTS	49,650	49,224	426	35,850
BANK SERVICE FEES	51,000	46,968	4,032	47,000
SUBTOTAL	4,325,332	4,166,677	158,655	4,350,350
DOI FEES	320,000	400,000	(80,000)	400,000
TOTAL OPERATING EXPENSES	23,388,137	23,330,616	57,521	24,542,224

** Fringe Benefit budget line had previously included Retiree Medical & MCTMT. These are now separate lines.
"MCTM Tax" = Metropolitan Commuter Tranportation Mobility Tax