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Equal Opportunity Housing and Equal Opportunity Employment

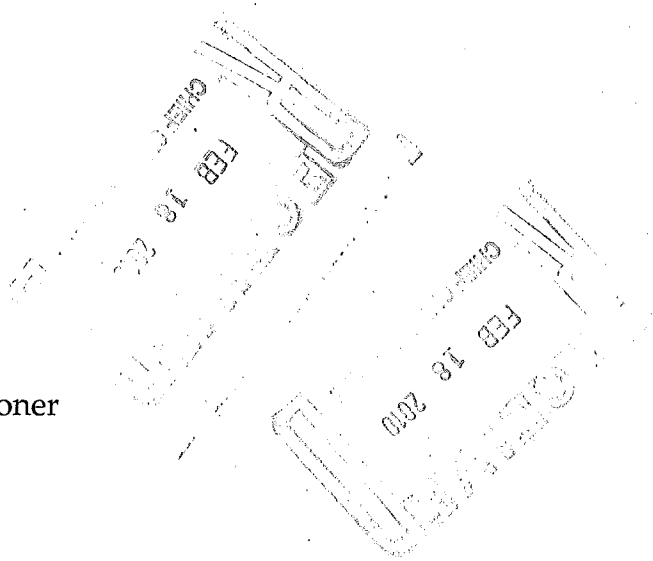
DATE: February 16, 2010

TO: The Honorable Karen Clark
State Representative
471 State Office Building

The Honorable David Tomassoni
State Senator
317 Capitol Building

FROM: Daniel M. Bartholomay, Commissioner
(651) 296-2172 

RE: 2009 Operating Costs Report



I am submitting the attached Operating Costs Report For FY 2009 and Budget Plan For FY 2010 for the Minnesota Housing Finance Agency (MHFA), pursuant to Minn. Stat. § 462A.20, subd. 2a. I would like to draw your attention to two facts contained in the report. One is that the projected FY2010 expenditures are 3% below the expenditures in FY 2009. The other notable element of the report is that due to market conditions, the amount of assistance that the agency was able to provide to first-time homebuyers was substantially lower than in the recent past. As a result, the operating costs as a percentage of total assistance is higher than usual. The federal government has provided assistance recently that will enable the Agency to provide substantially more funding for first-time homebuyers in FY 2010-FY2011.

Also enclosed is the Agency's 2009 Financial Report, which includes the audited financial statements for all of the Agency's funds. An independent certified public accounting firm audits the Agency's financial statements every year. The procedures used to audit the Agency's administrative expenses are primarily analytical in nature. For the larger individual amounts included in the salaries and benefits and other general operating expense lines, comparisons are made to the prior year. Large fluctuations, if any, are identified, reviewed and assessed for reasonableness. The total amount of payroll is consistent with the Agency's

Minnesota Housing finances
and advances affordable housing
opportunities for low and moderate
income Minnesotans to
enhance quality of life and foster
strong communities.

2009 Operating Costs Report

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payroll records. The 2009 Financial Report fulfills the statutory requirement that the financial statement include information on expenditures and receipts relating to debt issuance and administration, and loan origination and administration.

Enclosures

cc: Emily Adriaens
Fiscal Analyst
328 State Office Building

Christine Murphy,
Committee Administrator
430 State Office Bldg.

Dave Jensen
Fiscal Policy Analysis Office
G-17 Capitol

Cap O'Rourke,
Division Administrator
317 Capitol Building

Ryan Baumtrog
Executive Budget Officer
MMB
400 Centennial Office Building

MINNESOTA HOUSING FINANCE AGENCY
OPERATING COSTS REPORT FOR F.Y. 2009 AND BUDGET PLAN FOR F.Y. 2010
SUBMITTED PURSUANT TO M.S. 462A.20, Subd. 2a
DATED: FEBRUARY 11, 2010

(Dollars in Thousands)

	FY 2009		FY 2010				Estimated Yr over Yr Increase (Decrease) in Expendits
	Budgeted Expendits	Actual Expendits	Budgeted Expendits	Actual Expendits through 12/31/2009	Estimated Expendits for the Full Year	Under (Over) Budget	
Operating Costs							
Salaries and Benefits	18,671	17,693	18,364	8,404	17,697	667	4
Rents and Utilities	1,262	1,206	1,135	550	1,114	21	(92)
Repairs, Alterations, Maintenance	46	146	52	6	50	2	(96)
Printing and Advertising	553	305	386	21	350	36	45
Professional/Technical Services (NOTE A)	4,015	2,520	3,067	729	1,941	1,126	(579)
Computer and Systems Services (NOTE B)	525	1,023	642	567	1,536	(894)	513
Communications	231	243	212	88	211	1	(32)
Travel and Subsistence, Instate	151	168	172	72	158	14	(10)
Travel and Subsistence, Out of State	175	122	174	33	104	70	(18)
Supplies	478	301	331	55	225	106	(76)
Equipment	259	173	266	40	150	116	(23)
Employee Development	244	183	329	89	225	104	42
Other Operating Costs (NOTE C)	247	454	157	180	251	(94)	(203)
State Indirect Cost Billings (NOTE D)	266	262	68	16	65	3	(197)
Attorney General Costs	379	379	342	171	342	0	(37)
Total, Agency Operating Costs (NOTE E)	<u>27,502</u>	<u>25,178</u>	<u>25,697</u>	<u>11,021</u>	<u>24,419</u>	<u>1,278</u>	<u>(759)</u>

Assistance Provided	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Total Assistance Provided by the Agency (NOTE F)	383,016	520,956	466,806	533,983	637,314	717,616	744,983	669,756	444,237
Operating Costs as a % of Assistance Provided	4.26%	3.50%	4.09%	3.78%	3.16%	2.96%	3.06%	3.58%	5.67%

Please see next page for explanatory footnotes.

**MINNESOTA HOUSING FINANCE AGENCY
FOOTNOTES TO OPERATING COSTS REPORT FOR F.Y. 2009 AND BUDGET PLAN FOR F.Y. 2010**

THE FOLLOWING COMPARISONS ARE BETWEEN THE ESTIMATED EXPENDITURES FOR FY 2010 AND THE ACTUAL EXPENDITURES FOR FY 2009. THE EXPENDITURE CATEGORIES DISCUSSED ARE THOSE FOR WHICH THE YEAR-OVER-YEAR CHANGE EXCEEDS 0.5% OF THE CURRENT YEAR'S BUDGET.

NOTE A, Professional/Technical Services. The decrease in professional/technical services is primarily due to limiting current year expenditures for significant information systems initiatives.

NOTE B, Computer and System Services. The increase in computer and system services is due to increased licensing Costs on some major computer software.

NOTE C, Other Operating Costs. The decrease in other operating costs is due mainly to one-time legal costs and office space reconfigurations in 2009 that didn't occur in 2010.

NOTE D, State Indirect Cost Billings. The decrease in state indirect cost billings is due to a one-time adjustment credit in 2010.

NOTE E, Total Agency Operating Costs. The estimated Agency operating costs for 2010 are 3% less than the actual Agency operating costs for 2009.

NOTE F, Assistance Provided. The decrease in the amount of assistance provided in FY 2009 is due almost entirely to market conditions that resulted in the purchase of significantly fewer mortgages for first-time homebuyers. The assistance provided figures for the years ended 9/30/01 to 9/30/09 are from the Agency's annual Program Assessment Report. This report is submitted to the Legislature each year.