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Equal Opportunity Housing and Equal Opportunity Employment

Date: February 15, 2011

To: The Honorable Bob Gunther
State Representative
591 State Office Building

The Honorable Geoff Michel
State Senator
208 Capitol Building

From: Mary Tingerthal
Commissioner

Subject: 2010 Operating Costs Report

I am submitting the attached Operating Costs Report For FY 2010 and Budget Plan For FY 2011 for the Minnesota Housing Finance Agency (MHFA), pursuant to Minn. Stat. § 462A.20, subd. 2a. Several elements of the report are worth noting. First, the difference in year-to-year expenditures for salaries and benefits can be attributed to separation expenses for FY 2011 due to 11 employees exercising the early retirement option. Second, beginning in FY2010 the methodology for computing the amount of assistance provided was altered to more accurately reflect the value of the housing tax credit program. Syndication proceeds - the equity investment in the rental housing property- obtained for the tax credits is counted now instead of simply the tax credit dollar amount. This accounts for a \$91 million addition to the assistance provided. Finally, over \$56 million in one-time federal stimulus funding is reflected in the FY 2010 assistance provided amount. The ratio of operating expenses to assistance provided in FY2010 is 3.41%. If the stimulus funding and syndication proceeds were excluded from the level of assistance provided, the operating costs as a portion of assistance provided would be 4.5%.

Also enclosed is the Agency's 2010 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 payroll records. The 2010 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.

If you have any questions, please feel free to contact me at: 651 296-5738 or mary.tingerthal@state.mn.us or Tonja Orr at 651 296-9820 or tonja.orr@state.mn.us.

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**MINNESOTA HOUSING FINANCE AGENCY
OPERATING COSTS REPORT FOR F.Y. 2010 AND BUDGET PLAN FOR F.Y. 2011
SUBMITTED PURSUANT TO M.S. 462A.20, Subd. 2a
DATED: FEBRUARY 15, 2011**

(Dollars in Thousands)

	FY 2010		FY 2011				Estimated Yr over Yr Increase (Decrease) in Expendits
	Budgeted Expendits	Actual Expendits	Budgeted Expendits	Actual Expendits through 12/31/2010	Estimated Expendits for the Full Year	Under (Over) Budget	
Operating Costs							
Salaries and Benefits (NOTE A)	18,364	17,856	19,225	8,241	18,452	773	596
Rents and Utilities	1,135	1,105	1,097	548	1,224	(127)	119
Repairs, Alterations, Maintenance	52	62	77	12	77	0	15
Printing and Advertising	386	327	379	179	379	0	52
Professional/Technical Services	3,067	1,495	2,129	540	1,620	509	125
Computer and Systems Services (NOTE B)	642	1,626	890	43	890	0	(736)
Communications	212	248	195	82	195	0	(53)
Travel and Subsistence, Instate	172	163	167	69	167	0	4
Travel and Subsistence, Out of State	174	66	158	34	158	0	92
Supplies	331	268	346	65	273	73	5
Equipment (NOTE C)	266	122	318	30	380	(62)	258
Employee Development	329	204	359	85	325	34	121
Other Operating Costs	157	492	169	162	363	(194)	(129)
State Indirect Cost Billings	68	66	212	48	194	18	128
Attorney General Costs	342	347	342	174	345	(3)	(2)
Total, Agency Operating Costs	<u>25,697</u>	<u>24,447</u>	<u>26,063</u>	<u>10,312</u>	<u>25,042</u>	<u>1,021</u>	<u>595</u>

Assistance Provided	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Total Assistance Provided by the Agency (NOTE D)	520,956	466,806	533,983	637,314	717,616	744,983	669,756	444,237	717,375
Operating Costs as a % of Assistance Provided	3.50%	4.09%	3.78%	3.16%	2.96%	3.06%	3.58%	5.67%	3.41%

Please see next page for explanatory footnotes.

**MINNESOTA HOUSING FINANCE AGENCY
FOOTNOTES TO OPERATING COSTS REPORT FOR F.Y. 2010 AND BUDGET PLAN FOR F.Y. 2011**

THE FOLLOWING COMPARISONS ARE BETWEEN THE ESTIMATED EXPENDITURES FOR FY 2011 AND THE ACTUAL EXPENDITURES FOR FY 2010. THE EXPENDITURE CATEGORIES DISCUSSED ARE THOSE FOR WHICH THE YEAR-OVER-YEAR CHANGE EXCEEDS 0.5% OF THE CURRENT YEAR'S BUDGET.

NOTE A, Salaries and Benefits. The increase in Salaries and Benefits is primarily due to the payouts on employees that opted for the early retirement incentive.

NOTE B, Computer and Systems Services. The decrease in Computer and Systems Services is due to higher Licensing Costs for 2010 on some Major Computer Software.

NOTE C, Equipment. The increase in Equipment is due mainly to some budgeted expenditures in 2010 that were delayed 2011 and some one-time office reconfigurations that occurred in 2011.

NOTE D, Assistance Provided. The decrease in the amount of assistance provided in FY 2009 is due almost entirely to market conditions that resulted in purchase of significantly fewer mortgages for first-time homebuyers. The assistance provided figures for the years ended 9/30/02 to 9/30/10 are from the Agency's annual Program Assessment Report. This report is submitted to the Legislature each year.