



FY2021 Budget Workshop

June 4, 2020

Where we were, and where we are going...

- **FY2019**
 - New President & CEO brought on board.
 - Rebranding from LARA to HLB.
 - Hired Vice President, Operations Manager, and Real Estate Manager
- **FY2020**
 - Hired In-house Counsel, Maintenance Coordinator
 - First house sales: New Home Development Program (NHDP) in conjunction with HCDD.
 - Budget anticipated aggressive development/property sales for NHDP homes than happened
 - Implementing HLB Traditional program took longer to set up than anticipated
 - Received additional funding from Operations Grant/Acquisition and Development Agreement.
 - Moved into new workspace in the new Baker Ripley building.

Budget & Strategic Planning Review Timeline:

June 4: Initial Budget Workshop

June 11: Board of Directors Consideration and Possible Action

July/August: Board of Directors Long Term Planning & Organizational Sustainability

HCDD Review of HLB Budget

September/October : Refined FY21 Budget and 3-year strategic plan

Continued...

- **FY2021-PROPOSED**
 - Advanced legislation and interlocal agreements.
 - Increase efficiencies in sales and marketing of the NHDP Program.
 - Increased sales under the Traditional Program (HLB) and continue to acquire new properties with the additional funding.
 - Solidify the operating procedures for supporting the growth of the organization.
 - Pilot new programs to demonstrate long-term sustainability

Projected FY2021 Revenue Summary

HLB Program revenues total to \$1,337,634

Admin Fees from disposition of NHDP Sales
Sale of lots in Traditional program
Interest income

Operational Grant revenues total to \$2,082,854

Administrative costs reimbursed

NHDP Acquisitions revenues total to \$3,988,594

All disposition costs for sale of homes

NHDP Dispositions revenues total to \$1,049,568

All acquisitions costs used to acquire properties.

Total Revenue for FY2021 is \$8,458,650

Assumptions:

Administrative: \$1M
Reserves replenished, all
monthly expenses
reimbursed as of May
2020.

New TIRZ allocation by
HCDD in October 2019 for
remaining \$1.6M of new
executed Operations
Grant to continue
administrative
reimbursables

Lot Sales: Increased lot
sales will provide
increased revenue

NHDP Activities: Review
Administrative Overhead
costs for determining
Admin Fees for FY2021

Projected FY2021 Expenditure Summary

Professional Services totals to \$722,592

Legal fees, consulting fees in which may be incurred under the HLB traditional program or the A&D program.

Lot Maintenance totals to \$650,981

Recurring lawn mowing on properties along with removal of debris if necessary.

Staffing totals to \$1,300,196

Salary costs are reimbursed thru Operational Program or A&D Program depending on the employees' function.

Acquisition and Disposition Cost totals to \$5,782,498

Increasing the lot inventory and selling of homes to new homebuyers.

Total Expenditures for FY2021 budget total to \$7,871,015

Assumptions:

Administrative: Continue internalizing activities performed by external contractors, increase efficiencies and increase external communications

Lot Maintenance: Develop program efficiencies

NHDP: Increase efficiencies for faster reimbursement, and decreased costs

Professional Services

The following will consist of Professional Services:

- **Legal Fees** – closing costs, filings, property research, litigation, acquisition cost, and disposition documents.
- **Consulting Fees** – acquisition related work, website design and support, marketing strategy, lobbyist, map corps, strategic planning.
- **Contract Work** – external legal counsel and legislation, bookkeeping, quarterly financial reports.
- **Audit Fees** – annual external audit.

Category	FY2020 Annualized Amount	FY2020 Budget	FY2021 Budget
Legal Fees	205,444	397,750	209,000
Consulting Fees	167,070	490,000	384,167
Contract Work	142,817	50,000	110,000
Audit Fees	18,500	15,000	19,425
Totals	\$ 533,831	\$ 952,750	\$ 722,592

FY2021 Budget Allocation	HLB Traditional Program	A&D Reimbursement	Total
Legal Fees	58,500	150,500	209,000
Consulting Fees	204,167	180,000	384,167
Contract Work	110,000	-	110,000
Audit Fees	19,425	-	19,425
Total	\$ 392,092	\$ 330,500	\$ 722,592

Notes:

Costs are attributed to either general overhead or A&D Reimbursable Expenses

FY20 to 21: Software services such as property management system moved from 'Professional Services' to 'Admin/Software'

Lot Maintenance

- Four vendors involved in recurring lot maintenance based on assignments in defined areas:
 - AD Construction
 - EA Professional
 - SmartScaping
 - Transteq
- Services include but not limited to mowing, scraping, tire removal, debris removal, etc.
- Only two months of data available to review trends, but budget has been reviewed with cost efficiency opportunities.

Lot Maintenance Price Schedule

Category and Description		Price
First Cut - Mowing and debris removal up to three cubic yards	0-5,000 sq. ft.	\$0.03/sq. ft.
First Cut - Mowing and debris removal up to three cubic yards	More than 5,000 sq. ft.	\$0.026/sq. ft.
Routine Cut - Mowing and debris removal up to two cubic yards	0-5,000 sq. ft.	\$0.019/sq. ft.
Routine Cut - Mowing and debris removal up to two cubic yards	More than 5,000 sq. ft.	\$0.017/sq. ft.
Priority Cut Surcharge (lot must be mowed within 72 hours of notification)	Any lot size	\$100.00
NHDP Lawn Care Service	Any lot size	\$50.00
Debris Removal	Any lot size	\$23/cubic yard
Tire Removal	Any lot size	\$13/tire

Definitions for types of cuts:

First Cut – Any cut where the grass is longer than nine inches.

Routine Cut – Normal cut under the 4 week per lot schedule

Priority Cut – Normally as a result of a Department of Neighborhoods violation but been monitoring and minimal to almost none.

NHDP Cut – Flat fee for lots in which a house is already built on.

Notes:

Price schedule was developed after benchmarking other agency pricing.

Contractors bill monthly based on the number of lots cut on a price per SF based on the TYPE of cut.

Lot Maintenance FY2021 Proposal

					Assumptions			
					Contingency for Debris and Items	2.00%		
					Weeks in a Year	52.00	52.00	52.00
					Frequencies per cut in weeks	4.00	4.00	3.00
					Total Cuts / Year	13.00	13.00	17.33
Vendor	Lots Accessible	Lots Inaccessible	Total Lots	First Cuts	Routine Cuts	Routine Cuts/3		
AD Construction	106.00	60.00	166.00	250,045	161,427	215,237		
EA Professional	84.00	7.00	91.00	199,623	129,680	172,907		
SmartScaping	66.00	15.00	81.00	176,072	114,377	152,503		
Transteq	174.00	30.00	204.00	276,218	177,830	237,107		
Total for Mowing	430.00	112.00	542.00	901,958	583,315	777,753		
Enhanced Site Preparation				56,000	56,000	56,000		
Contingency for Debris Removal				18,039	11,666	15,555		
Total Budget for Lawn Maintenance				\$ 975,997	\$ 650,981	\$ 849,308		

Total mowing costs is trending towards the routine cuts every four weeks after two months of invoices (contracts were signed in Feb2020).

Currently allocating \$56,000 for enhanced site preparation on a need be basis.

Lot Maintenance Continued...

Monthly Lawn Mowing Costs					
Lot Accessible? <input type="checkbox"/>	Lot Count	Total SQ Ft	Sum of First cut costs	Sum of Routine cut costs	
No	112	826,100	\$ 21,848	\$ 14,228	
Yes	430	2,544,918	\$ 69,381	\$ 44,870	
Grand Total	542	3,371,018	\$ 91,229	\$ 59,099	
Inaccessible Lots					
Under 5K Sq. Ft.	28	92,234	\$ 2,767	\$ 1,752	
Over 5K Sq. Ft.	84	733,866	\$ 19,081	\$ 12,476	
Totals	112	826,100	\$ 21,848	\$ 14,228	
Accessible Lots					
Under 5K Sq. Ft.	221	803,382	\$ 24,101	\$ 15,264	
Over 5K Sq. Ft.	209	1,741,536	\$ 45,280	\$ 29,606	
Totals	430	2,544,918	\$ 69,381	\$ 44,870	
Grand Totals	542	3,371,018	\$ 91,229	\$ 59,099	
Total Annual Costs Estimate					
Inaccessible Lots	112	826,100	\$ 284,018	\$ 184,966	
Accessible Lots	430	2,544,918	\$ 901,958	\$ 583,315	
Totals	542	3,371,018	\$ 1,185,976	\$ 768,281	

Notes:

Some additional metrics on square footage being mowed, and lot counts over/under 5K square footage due to different pricing.

The budgeted number is only taking into consideration “Accessible Lots” and after two months of data on trend for this number.

Budgeted number is highlighted in green.

Before and After Lot Maintenance Photos



Boat Towing - Tommye St.



May 29, 2020 12:41:14 PM
Houston
5517 Tommye St. Old Boat Removal



May 29, 2020 12:39:36 PM
Houston
5517 Tommye St. Old Boat Removal

Staffing and Salary Plans

- Include Salary Pool Contingency @ 5% of Base Salary
 - Salary negotiations with new staff
 - Inflation and Cost of Living accommodation
 - Performance and promotions
 - Impact to budget of \$31K
- Implementation of Retirement System
 - Up to 3% maximum employer to match employee contribution
 - Impact to budget of \$28K
- Request for Accountant position.
 - Bookkeeping services to be done In-house
 - Quarterly compilation reports In-house
 - Net impact to budget of \$50K
- Request for Maintenance Tech position.
 - Due to increase in NHDP homes expected--fully reimbursable under A&D Grant.
 - Covering the field as property damage occurs (broken windows, power washing homes, changing door locks, etc)
 - Impact to budget of \$39K

External Services vs. Employee Cost

Services	Annual Amount
Bookkeeping Services	45,000
External Accountant	43,200
Total Outsourced Services	88,200
Accountant	49,860
Total for Employee	49,860
Total Annual Savings	38,340

External Services:

Bookkeeping services are basic service and additional services are costly and harder to manage timeliness.

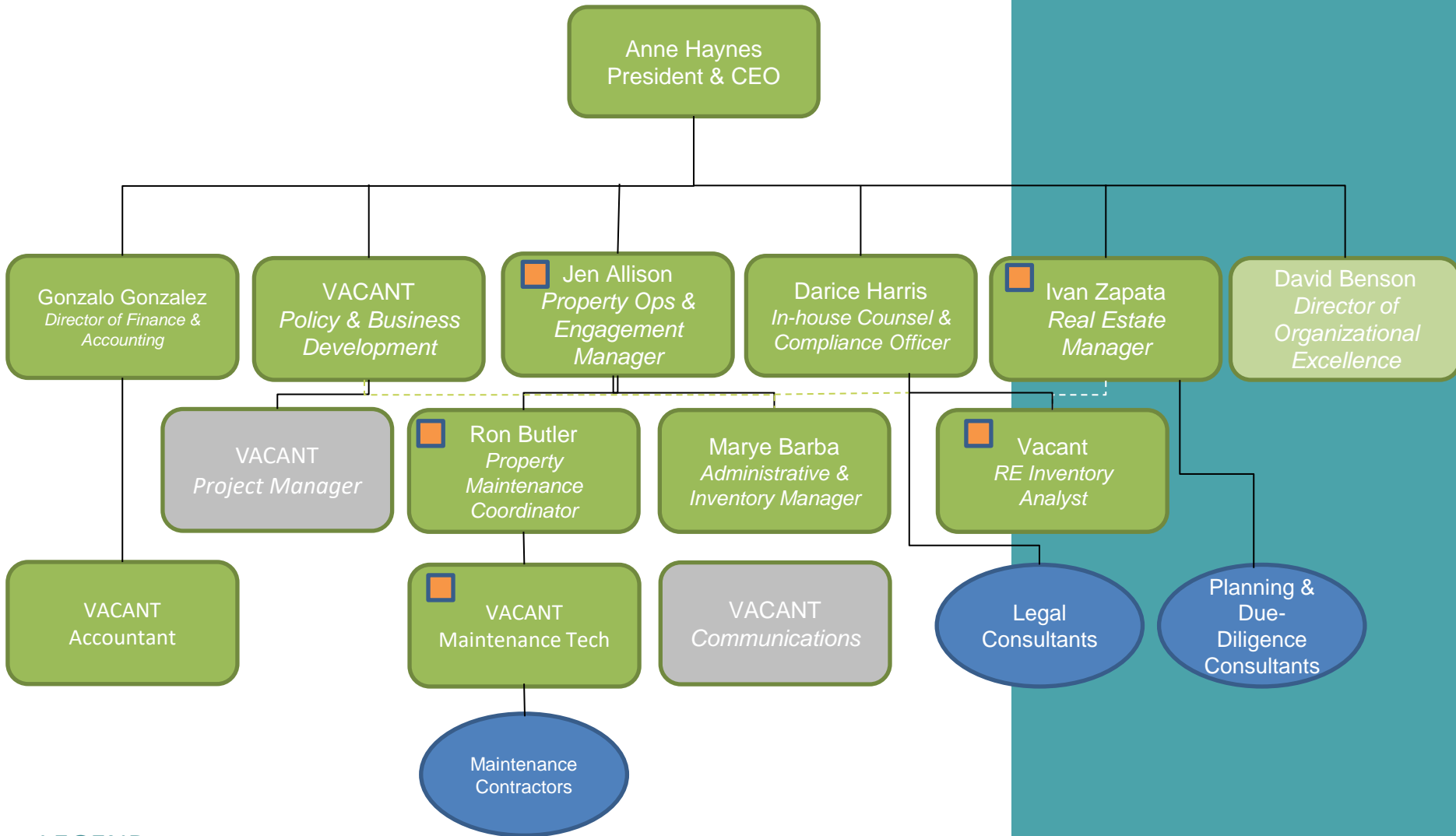
External Accountant prepares and oversees the quarterly compilation reports.

In-house Employee:

Improved communications and time management

Accountant would assume all responsibilities of bookkeeping duties and would assist in the compilation reports. These duties would not be limited to and will be leveraged with other operational capacity needs.

Budgeted FY 2021 Organizational Chart



LEGEND:

Currently Budgeted

Request for HC

Part Time

NHDP

Contractors

Summary of Staffing Costs

Category	FY2020 Annualized Estimate	FY2020 Budget	FY2021 Proposed Budget	Budget '20 vs Budget '21
Salaries & Fringe	752,830	1,064,100	1,300,196	236,096
HeadCount	8	12	14	2

- Total salaries and fringe costs is \$1.3M for FY2021 proposal.
 - Cost allocations between both grants is approximately 67% and 33% for the operational grant and acquisition development respectively.
 - Table below depicts the breakout:

Grant Type	FY2020 Annualized Estimate	FY2020 Budget	FY2021 Proposed Budget	Budget '20 vs Budget '21
Operational	504,396	864,140	871,131	6,991
A&D	248,434	199,960	429,065	229,105
Total	752,830	1,064,100	1,300,196	236,096

NHDP Disposition Expenditures

For the NHDP Program under the A&D Grant all disposition costs are reimbursable, and they consist of the following expenditures:

- Closing costs
- Legal Fees
- Post Construction Costs – alarm, utilities, security surveillance
- Miscellaneous Maintenance – lot services, fencing, mailboxes, etc.
- Property Insurance

*	Type	Counts
A	Existing Inventory	12.00
B	Homes turned over to HLB	44.00
C	Homes sold by HLB	36.00
D=A+B-C	Remaining Inventory YE	20.00

Category Expense	Amount
Property Insurance	22,800
Post Construction Costs	97,912
Misc. Maintenance	56,000
Legal Fees	144,000
Closing Costs	144,000
Total NHDP Disposition Costs	\$ 464,712

*These estimates may be subject to change contingent on HCDD's construction pipeline.

Notes:

HCDD has a total of 250 lots holding in our inventory.

The numbers included in the budget are based on the properties that are anticipated to be developed and turned over to us, and SOLD before the end of FY21.

**There may be adjustments to this budget based on input from HCDD*

NHDP Acquisition Expenditures

Ongoing negotiations with prospective land acquisitions:

Location/Service	Amount
East Houston	1,890,000.00
Further East Houston	1,032,550.00
20K sq. ft. Independence Heights	210,000.00
10 lots in 3 various neighborhoods	525,000.00
Total Properties	3,657,550.00
Feasibility	16,000.00
Topographic	36,000.00
Surveys	18,000.00
Total Studies	70,000.00
Total Estimated Acquisition Costs	3,727,550.00

Notes:

Acquisitions are projections only, and although they are in active negotiation, the acquisitions for the NHDP are ultimately a call by HCDD for appropriateness.

Homes available for sale...



7819 Virgil



Orebo Street

FY2021 Budget Summary

	FY2020 YE Estimate	FY2020 Budget	FY2021 Prop. Budget
Funding Source			
Operational Grant Revenue	1,657,843	1,932,000	2,082,854
HLB Dispositions & Admin Fees	-	1,125,020	1,335,000
NHDP Acquisitions	1,433,685	13,789,850	3,988,594
NHDP Dispositions	1,148,274	-	1,049,568
Interest Income	2,634	1,500	2,634
Total Revenue	\$ 4,242,436	\$ 16,848,370	\$ 8,458,650
Expenses			
Employee Costs	752,830	864,140	871,131
Professional Services	332,087	555,000	333,592
Legal Fees	172,373	100,000	69,000
Lot Maintenance	260,163	872,423	536,650
Miscellaneous Other	170,165	217,490	278,145
HLB Traditional Program	18,907	204,600	750,000
Subtotal Administrative Costs	\$ 1,706,525	\$ 2,813,653	\$ 2,838,518
NHDP Dispositions	1,001,790	6,420,310	1,049,567
NHDP Acquisitions	270,732	8,475,500	3,982,931
Subtotal Program Costs	1,272,522	14,895,810	5,032,498
Total Expenditures	\$ 2,979,047	\$ 17,709,463	\$ 7,871,015
Change in Net Assets	\$ 1,263,389	\$ (861,093)	\$ 587,634

Notes:

Costs in NHDP Program and Acquisition program are to be discussed with HCDD, and may be adjusted. They are driven by estimates of construction/development pipeline as well as driven by real estate market conditions that are not predictable.

Reminder on Timeline...

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ANY QUESTIONS?