



INFORMATIONAL REPORT

DATE ISSUED: November 12, 2015

REPORT NO: HCR15-089

ATTENTION: Chair and Members of the San Diego Housing Commission
For the Agenda of November 20, 2015

SUBJECT: Agency Financial Statements – First Quarter Fiscal Year 2016 (Unaudited)

COUNCIL DISTRICT: Citywide

NO ACTION IS REQUIRED ON THE PART OF THE HOUSING COMMISSION

SUMMARY

The purpose of the San Diego Housing Commission's (Housing Commission) Financial Statements Report is to show year-to-date variances of actual sources and uses of funds compared to Board-approved budgeted amounts (Attachment 1). The report also provides summary explanations for significant year-to-date variances and a Balance Sheet as of September 30, 2015, (Attachment 2) to outline Housing Commission Assets, Liabilities and Fund Balance.

FINANCIAL SUMMARY – SOURCES AND USES OF FUNDS:

SOURCES OF FUNDS: Total actual September 2015 year-to-date funding sources earned were \$174.1 million, which was 17 percent, or \$25 million, higher than budgeted year-to-date funding sources. Given difficulty in predicting timing of funding, the budget is spread out evenly (straight-line) through the Fiscal Year (July 1, 2015 – June 30, 2016); however, the source of funds as well as the use of funds does not necessarily come in evenly through the year. The following explanations account for variances of more than \$400,000 and 5 percent of year-to-date Budget:

Federal

- The \$2.5 million under-budget variance in Section 8/Moving to Work (MTW) is due primarily to the continuing cost savings from the Path to Success program, which modifies the method used to determine the monthly rent payment amounts for Section 8 Housing Choice Voucher and public housing participants and sets minimum monthly rent payment amounts for participants who are identified as able to work. July 1, 2015, marked the beginning of the implementation of Phase II of Path to Success. Another factor is the timing of the rehabilitation of the former State Sites properties, which are five affordable housing properties with 35 apartments located in City Heights, Old Town and Point Loma. Ultimately, this savings will be available for use in other MTW programs in the future.
- The \$623,000 under-budget variance in U.S. Department of Housing and Urban Development Federal HOME Investment Partnerships Program funds awarded to the City of San Diego and administered by the Housing Commission is primarily due to the timing of multifamily loans and is expected to reverse during this Fiscal Year.

Local

- The \$648,000 over-budget (positive) variance in Unrestricted Funds is due to the timing of bond issuance fees and may reverse this Fiscal Year.
The over-budget (positive) variances of \$2.4 million in Affordable Housing Funds and \$1.7 million in Other Local funds are due to an early repayment of a multifamily loan in the amount of \$6 million that was not anticipated.

Fund balance represents the sources available from the prior year. The \$23.7 million over-budget (positive) variance is in part due to the \$13.8 million dollar increase in City of San Diego Affordable Housing Funds received in Fiscal Year 2015 (July 1, 2014 – June 30, 2015). In addition, SDHC Real Estate property reserves were \$7.4 million higher than anticipated.

USES OF FUNDS: Total actual September 2015 year-to-date funding uses were \$174.1 million, which was 17 percent, or \$25 million, higher than budgeted year-to-date funding uses. The following explanations account for variances of more than \$400,000 and 5 percent of year-to-date Budget:

- The \$955,000 under-budget (positive) variance in the first quarter in personnel costs, which includes salaries, wages and all benefits, is due primarily to vacant positions. Many positions at the Housing Commission require specialized internal training, which makes them difficult to fill. As a result, some staff positions will remain vacant for a significant period of time before they are filled. This variance is expected to decrease over the course of the year as the vacant positions are filled.
- The \$1.4 million under-budget (positive) variance in Housing Assistance Payments is due to service cost reductions as a result of Path to Success, as well as lower than budgeted Port Out payments for Section 8 Housing Choice Voucher participants who move out of the City of San Diego. The decrease is not expected to reverse.
- The \$980,000 under-budget (positive) variance in grants expenditures is due primarily to the timing of grant disbursements and is expected to reverse in the current Fiscal Year.
- The \$710,000 under-budget (positive) variance in property expenses is due primarily to lower than budgeted maintenance costs and is expected to partially reverse in the current Fiscal Year due to timing issues.
- The \$612,000 under-budget (positive) variance in services, supplies and other non-personnel related expenses is primarily due to the timing of payments on software license fees and is expected to partially reverse in the current Fiscal Year.
- The \$3.9 million under-budget variance in loans made is primarily due to the timing of the disbursements. Upon awarding funds under the Permanent Supportive Housing Notice of Funding Availability that is a key component of HOUSING FIRST – SAN DIEGO, the Housing Commission’s three-year Homelessness Action Plan, this variance will reverse.
- The \$2.0 million under-budget variance in capital expenditures is primarily due to timing of expenditures related to conversion of State Sites properties into public housing which is expected to be completed by March 2016.

FINANCIAL SUMMARY – BALANCE SHEET:

Balance Sheet Highlights and Selected Notes (Attachment 2):

- Total Assets: \$604.6 million, Total Liabilities \$118.1 million, Fund Balance \$486.5 million
- Total Notes Receivable: \$264.1 million, which primarily consists of \$153 million funded by the HUD HOME Program and \$53.2 million funded by the City's Affordable Housing Fund.
- Total Notes Payable: \$109.5 million, includes the Limited Liability Companies' \$88.6 million Fannie Mae and Federal Housing Administration loans financed via Housing Commission property equity and \$9.6 million from GE Capital for the Smart Corner building and other various payables.

Respectfully submitted,

Tracey McDermott

Tracey McDermott
Interim Chief Financial Officer
Financial Services Department

Approved by,

Jeff Davis

Jeff Davis
Executive Vice President & Chief Operating Officer
San Diego Housing Commission

Attachments: 1) Year-to-Date Statement of Sources and Uses
2) Agency Balance Sheet

Hard copies are available for review during business hours in the main lobby of the San Diego Housing Commission offices at 1122 Broadway, San Diego, CA 92101 and at the Office of the San Diego City Clerk, 202 C Street, San Diego, CA 92101. You may also review complete docket materials on the San Diego Housing Commission website at www.sdhc.org.

SAN DIEGO HOUSING COMMISSION
STATEMENT OF SOURCES AND USES
FISCAL YEAR-TO-DATE AS OF SEPTEMBER 30, 2015

	<u>YTD</u> <u>Actual</u>	<u>YTD</u> <u>Budget</u>	<u>Over/(Under)</u> <u>Budget</u>	<u>%</u> <u>Variance</u>
SOURCES OF FUNDS				
FEDERAL				
Section 8/MTW	39,941,736	42,395,879	(2,454,143)	-5.8%
HOME	2,691,369	3,314,307	(622,938)	-18.8%
Housing Innovation Funds	1,086,501	1,163,063	(76,562)	-6.6%
Rehabilitation Funds	46,875	-	46,875	100.0%
CDBG	504,207	345,028	159,179	46.1%
Other Federal Funds	44,696	178,259	(133,563)	-74.9%
SUBTOTAL FEDERAL	44,315,384	47,396,536	(3,081,152)	-6.5%
LOCAL				
SDHC Real Estate	7,408,414	7,526,389	(117,975)	-1.6%
Unrestricted Funds	1,380,709	733,117	647,592	88.3%
Affordable Housing Fund	4,110,425	1,667,444	2,442,981	146.5%
Other Local Funds	2,743,967	1,016,861	1,727,106	169.8%
SUBTOTAL LOCAL	15,643,515	10,943,811	4,699,704	42.9%
STATE	31,584	296,317	(264,733)	-89.3%
SPENDABLE FUND BALANCE	114,085,938	90,405,104	23,680,834	26.2%
SOURCES OF FUNDS	174,076,421	149,041,768	25,034,653	16.8%
USES OF FUNDS				
PERSONNEL				
Salaries and Wages	4,213,235	4,808,787	(595,552)	-12.4%
Fringe Benefits - Pension	506,948	663,615	(156,667)	-23.6%
Fringe Benefits - Flex Credit	623,746	707,834	(84,088)	-11.9%
Fringe Benefits - Other	275,941	395,350	(119,409)	-30.2%
SUBTOTAL PERSONNEL	5,619,870	6,575,586	(955,716)	-14.5%
NON-PERSONNEL				
Housing Assistance Payments	36,512,125	37,912,907	(1,400,782)	-3.7%
Grants	1,623,776	2,604,437	(980,661)	-37.7%
Property Expenses	2,944,756	3,654,482	(709,726)	-19.4%
Professional Services	871,048	1,066,392	(195,344)	-18.3%
Services, Supplies & Other	864,293	1,476,061	(611,768)	-41.4%
Loans Made	3,375,036	7,300,768	(3,925,732)	-53.8%
Debt Principal Payments	464,813	533,346	(68,533)	-12.8%
Capital Expenditures	27,741	2,090,342	(2,062,601)	-98.7%
SUBTOTAL NON-PERSONNEL	46,683,588	56,638,735	(9,955,147)	-17.6%
SPENDABLE FUND BALANCE	121,772,963	85,827,447	35,945,516	41.9%
TOTAL USES OF FUNDS	174,076,421	149,041,768	25,034,653	16.8%
GAAP Net Income/(Loss)	2,828,486	8,037,449	(5,208,963)	-64.8%

**SAN DIEGO HOUSING COMMISSION
BALANCE SHEET
AS OF SEPTEMBER 30, 2015**

ASSETS

Cash	\$ 39,329,147
Restricted Cash	4,845,426
Accounts Receivable	4,449,267
Notes Receivable	264,056,743
Accrued Interest on Notes Receivable	34,847,843
Investments	80,913,096
Deposits Payable	364,483
Land, Buildings & Equipment	173,570,807
Prepaid Items & Other Assets	2,222,154
TOTAL ASSETS	<u><u>\$ 604,598,966</u></u>

LIABILITIES & FUND BALANCE

LIABILITIES

Accounts Payable	\$ 1,515,091
Notes Payable	109,449,099
Accrued Liabilities	4,496,702
Deferred Revenues	2,597,498
TOTAL LIABILITIES	<u>118,058,390</u>
FUND BALANCE	486,540,576
TOTAL LIABILITIES & FUND BALANCE	<u><u>\$ 604,598,966</u></u>