



# INFORMATIONAL REPORT

**DATE ISSUED:** June 7, 2018 **REPORT NO:** HCR18-057

**ATTENTION:** Chair and Members of the San Diego Housing Commission  
For the Agenda of June 11, 2018

**SUBJECT:** Agency Financial Statements – Third Quarter Fiscal Year 2018 (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 Statement of Financial Position as of March 31, 2018 (Attachment 2).

### FINANCIAL SUMMARY – SOURCES AND USES OF FUNDS:

**SOURCES OF FUNDS:** Total actual March 2018 year-to-date funding sources available were \$360.3 million, which was less than 1 percent, or \$0.9 million, lower than budgeted year-to-date funding sources. Given difficulty in predicting timing of funding, the budget is primarily spread out evenly (straight-line) through the Fiscal Year (July 1, 2017 – June 30, 2018). The following explanations account for significant variances identified:

#### **Federal**

- The \$18.6 million under-budget variance in Section 8/Moving to Work (MTW) funding is primarily due to the expenses relating to acquisitions, comprehensive renovation and rehabilitation on Housing Commission-owned properties that are scheduled to occur through the remainder of the fiscal year. A portion of this variance is expected to decrease by the end of Fiscal Year 2018 as rehabilitation work is completed and the related Section 8/MTW revenue is recognized. The funding for the acquisition is being repurposed for comprehensive renovation the next fiscal year. Additionally, the variance is also due to a voucher utilization rate of 100 percent versus a budgeted rate of 102 percent, higher budgeted Choice Communities payment standards efforts and cost savings that have resulted from Phase II of the Path to Success (PTS) program. These cost savings are expected to continue throughout Fiscal Year 2018 as the PTS program modified the calculation used to determine the monthly rental payments for Section 8 Housing Choice Voucher and public housing participants by setting a minimum monthly payment for participants who are identified as able to work. These savings will be available for use in other MTW programs in the future.
- The \$2.2 million over-budget variance in CDBG and Other Federal Funds is primarily due to the timing of when the Affordable Housing Revolving Loan Fund was budgeted versus actually recognized. The budgeted amount was straight-lined throughout the year, while a significant portion of the revenue was recognized during the first quarter of Fiscal Year 2018 with respect to funding of the loans for both New Palace and Grantville/Zephyr of \$5.2 million.

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### **Local**

- The \$3.6 million under-budget variance in Housing Commission Real Estate is primarily due to the timing of receipt of expected proceeds from the utilizing equity of a Housing Commission owned property. This is expected to reverse as the proceeds are expected to be received in the fourth quarter of the fiscal year. This variance is offset by additional tenant revenue recognized, which was a result of receipt of higher than budgeted rents from Town and Country and Village North Senior.
- The \$8.0 million over-budget variance in Affordable Housing Funds is due to higher than anticipated receipt of Inclusionary Housing in-lieu fees through the third quarter of Fiscal Year 2018.
- The \$2.1 million over-budget variance in Other Local Funds is primarily due to \$0.6 million of City General Funds received to for the homelessness Prevention and Diversion program of HOUSING FIRST – SAN DIEGO, the Housing Commission’s homelessness action plan, in addition to North City Future Urbanizing Area in-lieu fees, recognition of former Redevelopment Agency funds and loan payoffs received on local programs.

Beginning fund balance represents the sources available from the prior year. The \$7.7 million over-budget variance consists of restricted-use funds that have since been committed for future programmatic uses. This increase can primarily be attributed to additional City of San Diego Affordable Housing Fund in-lieu fees received in Fiscal Year 2017 (July 1, 2016 – June 30, 2017), which are committed via Board Reports for the development of affordable housing units.

USES OF FUNDS: Total actual March 2018 year-to-date funding uses were \$360.3 million, which was less than 1 percent, or \$0.9 million, lower than budgeted year-to-date funding uses. Since the variance in beginning fund balance rolls forward into the ending fund balance, the following explanations focus on the uses of funds variances excluding the ending fund balance, which was \$41.5 million or 16 percent under year-to-date budget primarily due to:

- The \$3.0 million under-budget variance in personnel expenses is primarily due to vacant positions within the agency. This variance is expected to partially reverse as positions continue to be filled through the remainder of the fiscal year.
- The \$4.6 million under-budget variance in Housing Assistance Payment expense is due to a change in voucher utilization rate, Choice Communities payment standard efforts and savings from the Phase II Path to Success program as outlined in the under-budgeted revenue variance above.
- The \$9.5 million under-budget variance in grant expense is primarily the result of the delayed execution of the Transit-Oriented Development fund of \$10 million. These funds are currently being reevaluated to fund other high-priority programs in the next fiscal year. This variance is expected to continue throughout the remainder of the fiscal year.
- The \$3.0 million under-budget variance in loans made is because of timing of when multifamily loans close. As the timing of when loans are funded varies, this variance is expected to reverse and be back in line with expectations by the end of the fiscal year.
- The \$21.2 million under-budget variance in capital expenditures is primarily due to the sale of Town and Country that occurred in November 2017, which was not budgeted, and the delay of renovations to the Housing Commission’s properties. This is offset by the acquisitions of the two hotels West Park Inn and Quality Inn that occurred in December 2017. The under-budget decrease is expected to partially reverse by the end of the fiscal year.

Ending fund balance as of March 2018 was \$142.6 million, which was 40 percent, or \$40.6 million, higher than budgeted year-to-date ending fund balance. This is a result of the lower than budgeted use of

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funds to date described above and is expected to partially reverse as the committed funds are executed over the remainder of the fiscal year for budgeted activities.

Respectfully submitted,

*Tracey McDermott*

Tracey McDermott

Chief Financial Officer

Financial Services Department

Approved by,

*Jeff Davis*

Jeff Davis

Executive Vice President & Chief Of Staff

San Diego Housing Commission

Attachments: 1) Year-to-Date Statement of Sources and Uses

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](http://www.sdhc.org).

**SAN DIEGO HOUSING COMMISSION  
STATEMENT OF SOURCES AND USES  
FISCAL YEAR-TO-DATE AS OF March 31, 2018**

	<u>YTD Actual</u>	<u>YTD Budget</u>	<u>Over/(Under) Budget</u>	<u>% Variance</u>
<b>SOURCES OF FUNDS</b>				
<b>NEW SOURCES</b>				
<b>FEDERAL</b>				
Section 8/MTW	138,026,000	156,647,000	(18,621,000)	-12%
HOME	11,713,000	11,085,000	628,000	6%
Housing Innovation Funds	3,787,000	4,266,000	(479,000)	-11%
CDBG & Other Federal Funds	7,754,000	5,595,000	2,159,000	39%
<b>TOTAL FEDERAL</b>	<b>161,280,000</b>	<b>177,593,000</b>	<b>(16,313,000)</b>	<b>-9%</b>
<b>LOCAL</b>				
SDHC Real Estate	25,736,000	29,333,000	(3,597,000)	-12%
Unrestricted Funds	3,234,000	2,327,000	907,000	39%
Affordable Housing Fund	16,563,000	8,519,000	8,044,000	94%
Other Local Funds	5,149,000	3,075,000	2,074,000	67%
<b>TOTAL LOCAL</b>	<b>50,682,000</b>	<b>43,254,000</b>	<b>7,428,000</b>	<b>17%</b>
<b>STATE</b>	<b>609,000</b>	<b>399,000</b>	<b>210,000</b>	<b>53%</b>
<b>TOTAL NEW SOURCES</b>	<b>212,571,000</b>	<b>221,246,000</b>	<b>(8,675,000)</b>	<b>-4%</b>
<b>BEGINNING FUND BALANCE</b>	<b>147,702,000</b>	<b>139,963,000</b>	<b>7,739,000</b>	<b>6%</b>
<b>TOTAL SOURCES OF FUNDS</b>	<b>360,273,000</b>	<b>361,209,000</b>	<b>(936,000)</b>	<b>0%</b>
<b>USES OF FUNDS</b>				
<b>PERSONNEL</b>				
Salaries and Wages	16,915,000	18,996,000	(2,081,000)	-11%
Fringe Benefits	5,919,000	6,832,000	(913,000)	-13%
<b>SUBTOTAL PERSONNEL</b>	<b>22,834,000</b>	<b>25,828,000</b>	<b>(2,994,000)</b>	<b>-12%</b>
<b>NON-PERSONNEL</b>				
Housing Assistance Payments	111,503,000	116,140,000	(4,637,000)	-4%
Grant Expense	16,494,000	26,010,000	(9,516,000)	-37%
Property Expenses	13,299,000	11,137,000	2,162,000	19%
Professional Services	2,329,000	3,169,000	(840,000)	-27%
Services, Supplies & Other	3,931,000	5,298,000	(1,367,000)	-26%
Loans Made	32,163,000	35,141,000	(2,978,000)	-8%
Debt Principal Payments	2,444,000	2,526,000	(82,000)	-3%
Capital Expenditures	12,686,000	33,923,000	(21,237,000)	-63%
<b>SUBTOTAL NON-PERSONNEL</b>	<b>194,849,000</b>	<b>233,344,000</b>	<b>(38,495,000)</b>	<b>-16%</b>
<b>TOTAL FUNDS EXPENDED</b>	<b>217,683,000</b>	<b>259,172,000</b>	<b>(41,489,000)</b>	<b>-16%</b>
<b>ENDING FUND BALANCE</b>	<b>142,590,000</b>	<b>102,037,000</b>	<b>40,553,000</b>	<b>40%</b>
<b>TOTAL USES OF FUNDS</b>	<b>360,273,000</b>	<b>361,209,000</b>	<b>(936,000)</b>	<b>0%</b>