



## INFORMATIONAL REPORT

**DATE ISSUED:** January 3, 2019 **REPORT NO:** HCR19-010

**ATTENTION:** Chair and Members of the San Diego Housing Commission  
For the Agenda of January 11, 2019

**SUBJECT:** Agency Financial Statements – First Quarter Fiscal Year 2019 (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.

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

**SOURCES OF FUNDS:** Total actual September 2018 year-to-date funding sources available were \$214.6 million, which was 21 percent, or \$37.0 million, higher than budget. This is primarily due to a beginning fund balance that was \$40.1 million higher than budget, offset by receipt of new sources of funds that were \$3.1 million lower than budget. The explanations below provide more details about significant variances.

#### **Beginning Fund Balance**

The beginning fund balance represents the sources available from the prior year. This was \$40.1 million higher than budget because of additional City of San Diego Affordable Housing Fund in-lieu fees received in prior fiscal years and higher-than-budget federal HOME Investment Partnerships program income, which are both largely committed for the development of future affordable housing units through the current open Notice of Funding Availability (NOFA) process. Additionally, additional rental income received in the prior fiscal year resulted in a higher-than-expected real estate fund balance; however, this is committed to fund the City of San Diego’s Temporary Bridge Shelters and the City of San Diego’s Storage Connect Center for San Diegans experiencing homelessness.

#### **Federal Sources**

- The \$2.8 million lower-than-budget variance in Section 8/Moving to Work (MTW) funding is primarily due to expenses related to a HOUSING FIRST – SAN DIEGO acquisition and comprehensive renovation and rehabilitation of Housing Commission-owned properties that are scheduled to occur through the remainder of the fiscal year. As such, this variance is expected to be eliminated by the end of Fiscal Year 2019. Further, the variance is also impacted by an actual voucher utilization rate of 100 percent compared to a budgeted rate of 102 percent and cost savings from Phase II of the Path to Success (PTS) program, which are savings that are available for future use.
- The \$1.5 million lower-than-budget variance in Community Development Block Grant and Other Federal Funds is primarily due to the timing of the Affordable Housing Revolving Loan Fund budget compared to the actual receipt of funds. The funds are expected to be received in the second quarter of the fiscal year. The variance was also impacted by the timing of the execution of the City of San Diego’s Housing Navigation Center program.

**Local Sources**

- The \$1.2 million higher-than-budget variance in Unrestricted Funds is primarily due to deferred interest and principal payments on Homeownership loans that were higher than expected.

USES OF FUNDS: Total actual September 2018 year-to-date funding uses were \$214.6 million, which was 21 percent, or \$37.0 million, higher than budget. This is primarily due to an ending fund balance that was \$58.5 million higher than budget, offset by personnel expenses that were \$2.1 lower than budget and non-personnel expenses that were \$19.4 million lower than budget. Although the ending fund balance was higher than budget, the funds are committed for use to create and preserve affordable housing through Board-approved actions and Notices of Funding Availability, as committed in the Housing Commission’s Fiscal Year 2019 budget. The explanations below provide more details about significant variances.

**Personnel Expenses**

- The \$2.1 million lower-than-budget variance in personnel expenses is primarily due to vacant positions within the agency. This variance is expected to decrease as positions continue to be filled through the remainder of the fiscal year.

**Non-Personnel Expenses**

- The \$2.3 million lower-than-budget variance in Housing Assistance Payment expense is due to a change in utilization rate and savings from Phase II of the Path to Success program as outlined in the sources variance above.
- The \$1.6 million lower-than-budget variance in property expense is primarily due to timing of trash and landscaping expenses plus lower than anticipated expenditures related to repairs and replacements.
- The \$2.6 million lower-than-budget variance in grant expense is primarily the result of lower than expected expenditures in homeless-related programs, specifically: HOUSING FIRST – SAN DIEGO: 2018 - 2020 programs (Moving Home, Landlord Engagement and Assistance Program, and Prevention and Diversion); transitional housing programs; the City of San Diego’s Temporary Bridge Shelters and Storage Connect Center, as well as the City of San Diego’s Housing Navigation Center, which has not yet commenced. As the fiscal year progresses, this variance is expected to reverse.
- The \$5.9 million lower-than-budget variance in loans made is because of timing of when multifamily loans close. Because the multifamily loans under the current open NOFAs will not close this fiscal year, this variance is expected to remain constant by year-end.
- The \$5.8 million lower-than-budget variance in capital expenditures is primarily due to the timing of rehabilitation and renovation projects for Fiscal Year 2019 as the contracts are being executed, as well as the timing of the HOUSING FIRST – SAN DIEGO acquisition, which is expected to take place during the second half of the fiscal year. This variance is expected to reverse throughout the remainder of year as contracts are finalized and executed.

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

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Agency Financial Statements – First Quarter Fiscal Year 2019 (Unaudited)

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Hard copies are available for review during business hours at the security information desk in the main lobby and the fifth floor reception desk 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 in the “Governance & Legislative Affairs” section of 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 September 30, 2018**

	<u>YTD</u> <u>Actual</u>	<u>YTD</u> <u>Budget</u>	<u>Over/(Under)</u> <u>Budget</u>	<u>%</u> <u>Variance</u>
<b>SOURCES OF FUNDS</b>				
<b>NEW SOURCES</b>				
<b>FEDERAL</b>				
Section 8/MTW	47,751,000	50,527,000	(2,776,000)	-5%
HOME	3,438,000	2,922,000	516,000	18%
Housing Innovation Funds	1,355,000	1,472,000	(117,000)	-8%
CDBG & Other Federal Funds	374,000	1,865,000	(1,491,000)	-80%
<b>TOTAL FEDERAL</b>	<b>52,918,000</b>	<b>56,786,000</b>	<b>(3,868,000)</b>	<b>-7%</b>
<b>LOCAL</b>				
SDHC Real Estate	8,441,000	8,061,000	380,000	5%
Unrestricted Funds	1,898,000	656,000	1,242,000	189%
Affordable Housing Fund	1,976,000	2,745,000	(769,000)	-28%
Other Local Funds	1,119,000	1,182,000	(63,000)	-5%
<b>TOTAL LOCAL</b>	<b>13,434,000</b>	<b>12,644,000</b>	<b>790,000</b>	<b>6%</b>
<b>STATE</b>	<b>105,000</b>	<b>120,000</b>	<b>(15,000)</b>	<b>-13%</b>
<b>TOTAL NEW SOURCES</b>	<b>66,457,000</b>	<b>69,550,000</b>	<b>(3,093,000)</b>	<b>-4%</b>
<b>BEGINNING FUND BALANCE</b>	<b>148,102,000</b>	<b>108,035,000</b>	<b>40,067,000</b>	<b>37%</b>
<b>TOTAL SOURCES OF FUNDS</b>	<b>214,559,000</b>	<b>177,585,000</b>	<b>36,974,000</b>	<b>21%</b>
<b>USES OF FUNDS</b>				
<b>PERSONNEL</b>				
Salaries and Wages	5,129,000	6,636,000	(1,507,000)	-23%
Fringe Benefits	1,987,000	2,589,000	(602,000)	-23%
<b>SUBTOTAL PERSONNEL</b>	<b>7,116,000</b>	<b>9,225,000</b>	<b>(2,109,000)</b>	<b>-23%</b>
<b>NON-PERSONNEL</b>				
Housing Assistance Payments	37,874,000	40,124,000	(2,250,000)	-6%
Grant Expense	5,077,000	7,719,000	(2,642,000)	-34%
Property Expenses	1,997,000	3,588,000	(1,591,000)	-44%
Professional Services	572,000	1,065,000	(493,000)	-46%
Services, Supplies & Other	1,200,000	1,943,000	(743,000)	-38%
Loans Made	2,143,000	8,076,000	(5,933,000)	-73%
Debt Principal Payments	1,977,000	1,930,000	47,000	2%
Capital Expenditures	245,000	6,083,000	(5,838,000)	-96%
<b>SUBTOTAL NON-PERSONNEL</b>	<b>51,085,000</b>	<b>70,528,000</b>	<b>(19,443,000)</b>	<b>-28%</b>
<b>TOTAL FUNDS EXPENDED</b>	<b>58,201,000</b>	<b>79,753,000</b>	<b>(21,552,000)</b>	<b>-27%</b>
<b>ENDING FUND BALANCE</b>	<b>156,358,000</b>	<b>97,832,000</b>	<b>58,526,000</b>	<b>60%</b>
<b>TOTAL USES OF FUNDS</b>	<b>214,559,000</b>	<b>177,585,000</b>	<b>36,974,000</b>	<b>21%</b>