



## INFORMATIONAL REPORT

**DATE ISSUED:** April 4, 2019 **REPORT NO:** HCR19-038

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

**SUBJECT:** Agency Financial Statements – Second 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 December 2018 year-to-date funding sources available were \$275.1 million, which was 11 percent, or \$27.6 million, higher than budget and is primarily due to the beginning fund balance that was \$40.1 million higher than budget, offset by receipt of new sources of funds that were \$12.5 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 and is \$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-budgeted federal HOME Investment Partnerships program income, which are both largely committed for the development of future affordable housing units through the current Notice of Funding Availability (NOFA) process. Further, 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 \$9.3 million lower-than-budget variance in Section 8/Moving to Work (MTW) funding is primarily due to the expenses relating to a HOUSING FIRST – SAN DIEGO acquisition and comprehensive renovation and rehabilitation on Housing Commission-owned properties that is scheduled to occur through the remainder of the fiscal year. As such, this variance is expected to reduce 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 \$2.8 million lower-than-budget variance in Community Development Block Grant (CDBG) and Other Federal Funds is primarily due to the timing of loans to be funded with the Affordable Housing Revolving Loan Fund. This variance is expected to remain as loans that are committed this fiscal year will be funded in next fiscal year. The variance was also impacted by the later-than-expected execution of the City of San Diego's Housing Navigation Center program.
- The \$1.2 million lower-than-budget variance in HOME funds is primarily due to the timing of the loans to be funded with HOME funds compared to the budget. This variance is expected to remain as loans that are committed this fiscal year will be funded in next fiscal year.

### **Local Sources**

- The \$2.0 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.
- The \$2.1 million lower-than-budget variance in the City of San Diego Affordable Housing Fund is due to lower-than-expected revenue collections through December 2018.
- The \$1.0 million higher-than-budget variance in Housing Commission Real Estate is primarily due to higher-than-budgeted rental income.

USES OF FUNDS: Total actual December 2018 year-to-date funding uses were \$275.1 million, which was 11 percent, or \$27.6 million, higher than budget and is primarily due to the ending fund balance having a higher-than-budget balance by \$73.0 million, offset by lower-than-budget variances in both personnel expenses and non-personnel expenses of \$2.2 million and \$43.3 million, respectively. For more detailed explanations of the significant variances, refer to the explanations below:

### **Ending Fund Balance**

Ending fund balance as of December 2018 was \$148.0 million, which was 97 percent, or \$73.0 million, higher than budget primarily due to the higher-than-budget beginning fund balance, as previously explained, in addition to the lower-than-budget spending of personnel plus non-personnel expenses, which is explained below. Even though ending fund balance is higher than budget, the funds are committed for use to create and preserve affordable housing.

### **Personnel Expenses**

- The \$2.2 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 \$4.4 million lower-than-budget variance in Housing Assistance Payment expense is due to a change in utilization rate and savings from the Phase II Path to Success program as outlined in the sources variance above.
- The \$5.1 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 programs (such as funds budgeted for the Landlord Contingency Fund, which have not been expended to date), transitional housing programs, and the City of San Diego’s Temporary Bridge Shelters and Storage Connect Center, as well as the Housing Navigation Center program that has not yet commenced. As the fiscal year progress, this variance is expected to reduce.
- The \$1.4 million lower-than-budget variance in property expense is primarily due to timing of maintenance expenses and minor capital projects plus lower-than-anticipated expenditures related to building repairs and replacements.
- The \$5.3 million lower-than-budget variance in loans made is because of the timing of when multifamily loans close. Because the multifamily loans under the current NOFAs will not close this fiscal year, this variance is expected to remain constant by year-end.
- The \$25.7 million lower-than-budget variance in capital expenditures is primarily due to the timing of rehabilitation and renovation projects and HOUSING FIRST – SAN DIEGO acquisition for Fiscal Year 2019. This variance is expected to reduce throughout the remainder of year as contracts are finalized and executed.

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

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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 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 December 31, 2018**

	YTD Actual	YTD Budget	Over/(Under) Budget	% Variance
<b>SOURCES OF FUNDS</b>				
<b>NEW SOURCES</b>				
<b>FEDERAL</b>				
Section 8/MTW	92,084,000	101,354,000	(9,270,000)	-9%
HOME	4,609,000	5,844,000	(1,235,000)	-21%
Housing Innovation Funds	2,883,000	2,944,000	(61,000)	-2%
CDBG & Other Federal Funds	885,000	3,729,000	(2,844,000)	-76%
<b>TOTAL FEDERAL</b>	<b>100,461,000</b>	<b>113,871,000</b>	<b>(13,410,000)</b>	<b>-12%</b>
<b>LOCAL</b>				
SDHC Real Estate	17,193,000	16,227,000	966,000	6%
Unrestricted Funds	3,331,000	1,312,000	2,019,000	154%
Affordable Housing Fund	3,388,000	5,490,000	(2,102,000)	-38%
Other Local Funds	2,261,000	2,363,000	(102,000)	-4%
<b>TOTAL LOCAL</b>	<b>26,173,000</b>	<b>25,392,000</b>	<b>781,000</b>	<b>3%</b>
<b>STATE</b>	<b>382,000</b>	<b>240,000</b>	<b>142,000</b>	<b>59%</b>
<b>TOTAL NEW SOURCES</b>	<b>127,016,000</b>	<b>139,503,000</b>	<b>(12,487,000)</b>	<b>-9%</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>275,118,000</b>	<b>247,538,000</b>	<b>27,580,000</b>	<b>11%</b>
<b>USES OF FUNDS</b>				
<b>PERSONNEL</b>				
Salaries and Wages	12,068,000	13,374,000	(1,306,000)	-10%
Fringe Benefits	4,206,000	5,055,000	(849,000)	-17%
<b>SUBTOTAL PERSONNEL</b>	<b>16,274,000</b>	<b>18,429,000</b>	<b>(2,155,000)</b>	<b>-12%</b>
<b>NON-PERSONNEL</b>				
Housing Assistance Payments	75,897,000	80,248,000	(4,351,000)	-5%
Grant Expense	10,352,000	15,438,000	(5,086,000)	-33%
Property Expenses	4,462,000	5,885,000	(1,423,000)	-24%
Professional Services	1,547,000	2,083,000	(536,000)	-26%
Services, Supplies & Other	2,911,000	3,875,000	(964,000)	-25%
Loans Made	10,866,000	16,151,000	(5,285,000)	-33%
Debt Principal Payments	3,954,000	3,861,000	93,000	2%
Capital Expenditures	844,000	26,592,000	(25,748,000)	-97%
<b>SUBTOTAL NON-PERSONNEL</b>	<b>110,833,000</b>	<b>154,133,000</b>	<b>(43,300,000)</b>	<b>-28%</b>
<b>TOTAL FUNDS EXPENDED</b>	<b>127,107,000</b>	<b>172,562,000</b>	<b>(45,455,000)</b>	<b>-26%</b>
<b>ENDING FUND BALANCE</b>	<b>148,011,000</b>	<b>74,976,000</b>	<b>73,035,000</b>	<b>97%</b>
<b>TOTAL USES OF FUNDS</b>	<b>275,118,000</b>	<b>247,538,000</b>	<b>27,580,000</b>	<b>11%</b>