

## INFORMATIONAL REPORT

**DATE ISSUED:** July 11, 2019

**REPORT NO:** HCR19-085

**ATTENTION:** Chair and Members of the San Diego Housing Commission  
For the Agenda of July 18, 2019

**SUBJECT:** Agency Financial Statements – Third 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 March 2019 year-to-date funding sources available were \$335.9 million, which was 6 percent, or \$18.0 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 \$22.1 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 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 \$17.1 million lower-than-budget variance in Section 8/Moving to Work (MTW) funding is primarily due to the HOUSING FIRST – SAN DIEGO acquisition, which is expected to close in Fiscal Year 2020, and rehabilitation on Housing Commission-owned properties, which is scheduled to occur through the remainder of the fiscal year. 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 \$1.3 million lower-than-budget variance in HOME 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.
- The \$3.5 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 delay in the execution of the City of San Diego's Housing Navigation Center program, which is expected to open in summer 2019.

### **Local Sources**

- The \$1.2 million higher-than-budget variance in Housing Commission Real Estate is primarily due to higher than budgeted rental income.
- The \$3.2 million higher-than-budget variance in Unrestricted Funds is primarily due to program income earned on Homeownership loans and interest on investments that were both higher than expected.
- The \$3.6 million lower-than-budget variance in Affordable Housing Fund is due to lower than expected collections through March 2019. These collections are expected to remain below budget for the remainder of the year.

USES OF FUNDS: Total actual March 2019 year-to-date funding uses were \$335.9 million, which was 6 percent, or \$18.0 million, higher than budget and is primarily due to the ending fund balance having a higher-than-budget balance by \$75.5 million, offset by lower-than-budget variances in both personnel expenses and non-personnel expenses of \$2.8 million and \$54.6 million, respectively. For more detailed explanations of the significant variances, refer to the explanations below:

### **Ending Fund Balance**

Ending fund balance as of March 2019 was \$145.8 million, which was 107 percent, or \$75.5 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 \$2.8 million lower-than-budget variance in personnel expenses is primarily due to vacant positions within the agency and lower-than-anticipated spending in Flex Credits. The overall variance is expected to decrease as positions continue to be filled through the remainder of the fiscal year.

### **Non-Personnel Expenses**

- The \$6.2 million lower-than-budget variance in Housing Assistance Payment expense is due to a change in utilization rate, timing of updates to payment standards through the Choice Communities initiative, and savings from the Phase II Path to Success program as outlined in the sources variance above.
- The \$9.1 million lower-than-budget variance in grant expense is primarily the result of lower-than-expected expenditures in homelessness-related programs, specifically HOUSING FIRST – SAN DIEGO programs (primarily Landlord Engagement and Assistance Program), the City of San Diego's Temporary Bridge Shelters, and the City of San Diego's Housing Navigation Center program, which is expected to be in full operation beginning summer 2019. As the fiscal year progresses, the variance is expected to remain at this level.
- The \$1.3 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. This variance is expected to remain through the end of the year.
- The \$1.6 million lower-than-budget variance in Services, Supplies and Other is primarily due to the timing of Information Technology software-related projects. This variance is expected to remain through the end of the year.
- The \$10.1 million lower-than-budget variance in loans made is because of timing of when multifamily loans close. Because the multifamily loans under the current NOFAs will not close this fiscal year, the amount lower-than-budget can be expected to increase by year-end.
- The \$26.1 million lower-than-budget variance in capital expenditures is primarily due to the timing of rehabilitation projects and the delay of HOUSING FIRST – SAN DIEGO acquisition and renovation

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projects until Fiscal Year 2020. The lower-than-budget spending is expected to reduce slightly through the remainder of Fiscal Year 2019.

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).

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**SAN DIEGO HOUSING COMMISSION  
STATEMENT OF SOURCES AND USES  
FISCAL YEAR-TO-DATE AS OF March 31, 2019**

	YTD Actual	YTD Budget	Over/(Under) Budget	% Variance
<b>SOURCES OF FUNDS</b>				
<b>NEW SOURCES</b>				
<b>FEDERAL</b>				
Section 8/MTW	135,446,000	152,555,000	(17,109,000)	-11%
HOME	7,436,000	8,767,000	(1,331,000)	-15%
Housing Innovation Funds	3,609,000	4,416,000	(807,000)	-18%
CDBG & Other Federal Funds	2,059,000	5,593,000	(3,534,000)	-63%
<b>TOTAL FEDERAL</b>	<b>148,550,000</b>	<b>171,331,000</b>	<b>(22,781,000)</b>	<b>-13%</b>
<b>LOCAL</b>				
SDHC Real Estate	25,681,000	24,436,000	1,245,000	5%
Unrestricted Funds	5,178,000	1,968,000	3,210,000	163%
Affordable Housing Fund	4,670,000	8,235,000	(3,565,000)	-43%
Other Local Funds	3,228,000	3,545,000	(317,000)	-9%
<b>TOTAL LOCAL</b>	<b>38,757,000</b>	<b>38,184,000</b>	<b>573,000</b>	<b>2%</b>
<b>STATE</b>	<b>481,000</b>	<b>360,000</b>	<b>121,000</b>	<b>34%</b>
<b>TOTAL NEW SOURCES</b>	<b>187,788,000</b>	<b>209,875,000</b>	<b>(22,087,000)</b>	<b>-11%</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>335,890,000</b>	<b>317,910,000</b>	<b>17,980,000</b>	<b>6%</b>
<b>USES OF FUNDS</b>				
<b>PERSONNEL</b>				
Salaries and Wages	18,103,000	19,908,000	(1,805,000)	-9%
Fringe Benefits	6,441,000	7,477,000	(1,036,000)	-14%
<b>SUBTOTAL PERSONNEL</b>	<b>24,544,000</b>	<b>27,385,000</b>	<b>(2,841,000)</b>	<b>-10%</b>
<b>NON-PERSONNEL</b>				
Housing Assistance Payments	114,214,000	120,372,000	(6,158,000)	-5%
Grant Expense	14,020,000	23,157,000	(9,137,000)	-39%
Property Expenses	6,893,000	8,200,000	(1,307,000)	-16%
Professional Services	2,687,000	3,104,000	(417,000)	-13%
Services, Supplies & Other	4,217,000	5,780,000	(1,563,000)	-27%
Loans Made	14,150,000	24,227,000	(10,077,000)	-42%
Debt Principal Payments	5,912,000	5,791,000	121,000	2%
Capital Expenditures	3,451,000	29,543,000	(26,092,000)	-88%
<b>SUBTOTAL NON-PERSONNEL</b>	<b>165,544,000</b>	<b>220,174,000</b>	<b>(54,630,000)</b>	<b>-25%</b>
<b>TOTAL FUNDS EXPENDED</b>	<b>190,088,000</b>	<b>247,559,000</b>	<b>(57,471,000)</b>	<b>-23%</b>
<b>ENDING FUND BALANCE</b>	<b>145,802,000</b>	<b>70,351,000</b>	<b>75,451,000</b>	<b>107%</b>
<b>TOTAL USES OF FUNDS</b>	<b>335,890,000</b>	<b>317,910,000</b>	<b>17,980,000</b>	<b>6%</b>