



## INFORMATIONAL REPORT

**DATE ISSUED:** January 2, 2020

**REPORT NO:** HCR20-003

**ATTENTION:** Chair and Members of the San Diego Housing Commission  
For the Agenda of January 10, 2020

**SUBJECT:** Agency Financial Statements – First Quarter Fiscal Year 2020 (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 2019 year-to-date funding sources available were \$218.6 million, which was three percent, or \$5.8 million, higher than budget and is primarily due to the beginning fund balance that was \$28.8 million higher than budget, offset by receipt of new sources of funds that were \$23.0 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 \$28.8 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 \$20.1 million lower than budget variance in Section 8/Moving to Work (MTW) funding is primarily due to the timing of capital acquisitions and rehabilitation on SDHC owned properties and the continued rollout of higher payment standards. Further, the variance was also impacted by the actual voucher utilization rate of 100% versus a budgeted rate of 102%.
- The \$2.5 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.
- The \$2.5 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. Loans that have been committed are expected to be funded over the remainder of FY2020 and beyond. This variance was also impacted by the slow start to operations at the Housing Navigation Center.

### **Local Sources**

- The \$4.2 million over budget variance in Affordable Housing Fund was primarily due to higher than expected collections during the quarter, as well as payments on notes receivable that were higher than budget.

### **State Sources**

- The \$1.7 million under budget variance was primarily due to the timing of the receipt of HEAP funding.

USES OF FUNDS: Total actual September 2019 year-to-date funding uses were \$218.6 million, which was three percent, or \$5.8 million, higher than budget. This was primarily due to the ending fund balance that was \$29.4 million higher than budget, offset by under budget variances in both personnel expenses and non-personnel expenses of \$0.5 million and \$23.2 million, respectively. For more detailed explanations of the significant variances, refer to the explanations below:

### **Ending Fund Balance**

Ending fund balance as of September 2019 was \$153.2 million, which was 24%, or \$29.4 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 \$0.5 million under budget variance in personnel expenses is primarily due to vacant positions within the agency during the quarter.

### **Non-Personnel Expenses**

- The \$2.5 million under budget variance in HAP expense was due to a lower than anticipated utilization rate and the continued rollout of higher payment standards through the Choice Communities efforts.
- The \$0.5 million under budget variance in grant expense was primarily the result of lower than expected expenditures on Temporary Bridge Shelters following delays in contract execution and a slow start in expenditures on the HEAP program. This was offset by a recapture of funding from HUD.
- The \$1.8 million under budget variance in property expense was primarily due to timing of minor capital projects plus lower than anticipated expenditures related to building repairs and maintenance.
- The \$0.9 million under budget variance in services, supplies and other was primarily due to the timing of software related IT projects and software contracts that are set to renew.
- The \$5.4 million under budget variance in loans made is because of timing of when multifamily loans close. This variance is expected to decrease as loans are funded through the year.
- The \$12.0 million under budget variance in capital expenditures was primarily due to acquisitions that have not yet been completed. The variance is expected to reduce through the year as acquisitions are completed.

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Agency Financial Statements – First Quarter Fiscal Year 2020 (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 September 30, 2019**

	YTD <u>Actual</u>	YTD <u>Budget</u>	Over/(Under) <u>Budget</u>	% <u>Variance</u>
<b>SOURCES OF FUNDS</b>				
<b>NEW SOURCES</b>				
<b>FEDERAL</b>				
Section 8/MTW	48,579,000	68,726,000	(20,147,000)	-29%
HOME	866,000	3,320,000	(2,454,000)	-74%
Housing Innovation Funds	1,046,000	1,434,000	(388,000)	-27%
CDBG & Other Federal Funds	565,000	3,114,000	(2,549,000)	-82%
<b>TOTAL FEDERAL</b>	<b>51,056,000</b>	<b>76,594,000</b>	<b>(25,538,000)</b>	<b>-33%</b>
<b>LOCAL</b>				
SDHC Real Estate	8,838,000	8,820,000	18,000	0%
Unrestricted Funds	813,000	650,000	163,000	25%
Affordable Housing Fund	5,988,000	1,762,000	4,226,000	240%
Other Local Funds	1,082,000	1,258,000	(176,000)	-14%
<b>TOTAL LOCAL</b>	<b>16,721,000</b>	<b>12,490,000</b>	<b>4,231,000</b>	<b>34%</b>
<b>STATE</b>	<b>354,000</b>	<b>2,023,000</b>	<b>(1,669,000)</b>	<b>-83%</b>
<b>TOTAL NEW SOURCES</b>	<b>68,131,000</b>	<b>91,107,000</b>	<b>(22,976,000)</b>	<b>-25%</b>
<b>BEGINNING FUND BALANCE</b>	<b>150,468,000</b>	<b>121,693,000</b>	<b>28,775,000</b>	<b>24%</b>
<b>TOTAL SOURCES OF FUNDS</b>	<b>218,599,000</b>	<b>212,800,000</b>	<b>5,799,000</b>	<b>3%</b>
<b>USES OF FUNDS</b>				
<b>PERSONNEL</b>				
Salaries and Wages	5,671,000	6,020,000	(349,000)	-6%
Fringe Benefits	2,252,000	2,363,000	(111,000)	-5%
<b>SUBTOTAL PERSONNEL</b>	<b>7,923,000</b>	<b>8,383,000</b>	<b>(460,000)</b>	<b>-5%</b>
<b>NON-PERSONNEL</b>				
Housing Assistance Payments	41,127,000	43,630,000	(2,503,000)	-6%
Grant Expense	8,430,000	8,913,000	(483,000)	-5%
Property Expenses	1,727,000	3,493,000	(1,766,000)	-51%
Professional Services	922,000	1,109,000	(187,000)	-17%
Services, Supplies & Other	1,361,000	2,218,000	(857,000)	-39%
Loans Made	1,932,000	7,363,000	(5,431,000)	-74%
Debt Principal Payments	1,974,000	1,924,000	50,000	3%
Capital Expenditures	22,000	12,000,000	(11,978,000)	-100%
<b>SUBTOTAL NON-PERSONNEL</b>	<b>57,495,000</b>	<b>80,650,000</b>	<b>(23,155,000)</b>	<b>-29%</b>
<b>TOTAL FUNDS EXPENDED</b>	<b>65,418,000</b>	<b>89,033,000</b>	<b>(23,615,000)</b>	<b>-27%</b>
<b>ENDING FUND BALANCE</b>	<b>153,181,000</b>	<b>123,767,000</b>	<b>29,414,000</b>	<b>24%</b>
<b>TOTAL USES OF FUNDS</b>	<b>218,599,000</b>	<b>212,800,000</b>	<b>5,799,000</b>	<b>3%</b>