



INFORMATIONAL REPORT

DATE ISSUED: February 27, 2020 **REPORT NO:** HCR20-024

ATTENTION: Chair and Members of the San Diego Housing Commission
For the Agenda of March 6, 2020

SUBJECT: Agency Financial Statements – Second 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 December 2019 year-to-date funding sources available were \$297.8 million, which was 2 percent, or \$5.7 million, higher than budget. The increase was 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 \$23.1 million lower than budget. The explanations below provide more details about significant variances:

Federal Sources

- The \$24.7 million lower-than-budget variance in Section 8/Moving to Work (MTW) funding was primarily due to the timing of capital acquisitions and rehabilitation on Housing Commission-owned properties and the continued rollout of higher Section 8 Housing Choice Voucher rental assistance payment standards through the Housing Commission's Choice Communities Initiative. The capital acquisition now seems likely to occur in FY21. These savings are available for future use.
- The \$4.7 million lower-than-budget variance in U.S. Department of Housing and Urban Development (HUD) HOME Investment Partnerships Program funds was primarily due to the timing of the loans to be funded. Committed loans are expected to be funded over the remainder of Fiscal Year (FY) 2020 and beyond.
- The \$3.6 million higher-than-budget variance in Community Development Block Grant (CDBG) and Other Federal Funds was primarily due to the timing of Affordable Housing Revolving Loan Fund loans, which were funded earlier than anticipated. Loans that have been committed are expected to be funded over the remainder of FY2020 and beyond.

Local Sources

- The \$5.9 million higher-than-budget variance in the City of San Diego Affordable Housing Fund was primarily due to collections and payments on notes receivable that were higher than budgeted.

State Sources

- The \$2.9 million lower-than-budget variance was primarily due to the timing of the receipt of Homeless Emergency Aid Program (HEAP) funding from the City. This variance is expected to remain throughout this fiscal year.

Beginning Fund Balance

The beginning fund balance represents the sources available from the prior year. The \$28.8 million higher-than-budget variance consists of restricted-use funds that are committed to programs. The increase was primarily attributed to additional City of San Diego Affordable Housing Fund in-lieu fees received in prior fiscal years and higher-than-budgeted federal HOME program income, which are both largely committed for the development of future affordable housing units through the current Notice of Funding Availability (NOFA) process. Additionally, the increase includes funding received at the end of the prior fiscal year for renovations of Housing Commission-owned properties, per the Moving to Work (MTW) Annual Plan, and funding received for housing voucher programs such as Section 8 and Veterans Affairs Supportive Housing (VASH). These are also committed program funds.

USES OF FUNDS: Total actual December 2019 year-to-date funding uses were \$297.8 million, which was 2 percent, or \$5.7 million, higher than budget. This was primarily due to the ending fund balance that was \$22.1 million higher than budget, offset by lower-than-budget variances in both personnel expenses and non-personnel expenses of \$0.7 million and \$15.8 million, respectively. For more detailed explanations of the significant variances, refer to the explanations below:

Non-Personnel Expenses

- The \$3.1 million lower-than-budget variance in Housing Assistance Payment (HAP) expenses was due to the continued rollout of higher payment standards.
- The \$2.9 million lower-than-budget variance in grant expense was primarily the result of \$8.7 million lower-than-anticipated expenditures on homeless programs due to contractor negotiations delaying execution of new and expanded contracts and ramp-up time in programming and expenditures including HEAP funded programs. The lower-than-budget variance was offset by a required transfer of HAP funding of \$5.8 million to HUD-Held Reserves to meet federal cash management guidelines.
- The \$1.9 million lower-than-budget variance in property expense was primarily due to the timing of expenditures on repairs and maintenance and minor capital projects that were lower than expected thus far this year. This variance is expected to reverse by the end of the year.
- The \$1.4 million lower-than-budget variance in services, supplies and other was primarily due to the timing of software-related Information Technology projects and software contracts that are set to renew, as well as the timing of repairs and maintenance for Smart Corner. This variance is expected to reverse by the end of the year.
- The \$4.8 million higher-than-budget variance in loans made was due to the timing of funding multifamily housing loans. This variance is expected to reverse by the end of the year.
- The \$11.0 million lower-than-budget variance in capital expenditures was primarily due to a delay in rehabilitations and acquisitions, which will most likely be expended in the next fiscal year.

Ending Fund Balance

Ending fund balance as of December 2019 was \$147.4 million, which was 18 percent, or \$22.1 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, explained above. Although ending fund balance was higher than budget, the funds are committed for use to create and preserve affordable housing.

Respectfully submitted,

Tracey Mc Dermott

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.

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

	<u>YTD</u> <u>Actual</u>	<u>YTD</u> <u>Budget</u>	<u>Over/(Under)</u> <u>Budget</u>	<u>%</u> <u>Variance</u>
SOURCES OF FUNDS				
NEW SOURCES				
FEDERAL				
Section 8/MTW	100,995,000	125,652,000	(24,657,000)	-20%
HOME	1,912,000	6,639,000	(4,727,000)	-71%
Housing Innovation Funds	2,499,000	2,867,000	(368,000)	-13%
CDBG & Other Federal Funds	9,785,000	6,229,000	3,556,000	57%
TOTAL FEDERAL	115,191,000	141,387,000	(26,196,000)	-19%
LOCAL				
SDHC Real Estate	17,754,000	17,673,000	81,000	0%
Unrestricted Funds	1,607,000	1,300,000	307,000	24%
Affordable Housing Fund	9,393,000	3,524,000	5,869,000	167%
Other Local Funds	2,226,000	2,516,000	(290,000)	-12%
TOTAL LOCAL	30,980,000	25,013,000	5,967,000	24%
STATE	1,183,000	4,047,000	(2,864,000)	-71%
TOTAL NEW SOURCES	147,354,000	170,447,000	(23,093,000)	-14%
BEGINNING FUND BALANCE	150,468,000	121,693,000	28,775,000	24%
TOTAL SOURCES OF FUNDS	297,822,000	292,140,000	5,682,000	2%
USES OF FUNDS				
PERSONNEL				
Salaries and Wages	13,273,000	13,716,000	(443,000)	-3%
Fringe Benefits	4,699,000	4,915,000	(216,000)	-4%
SUBTOTAL PERSONNEL	17,972,000	18,631,000	(659,000)	-4%
NON-PERSONNEL				
Housing Assistance Payments	84,145,000	87,259,000	(3,114,000)	-4%
Grant Expense	14,894,000	17,826,000	(2,932,000)	-16%
Property Expenses	4,156,000	6,105,000	(1,949,000)	-32%
Professional Services	1,797,000	2,143,000	(346,000)	-16%
Services, Supplies & Other	2,959,000	4,360,000	(1,401,000)	-32%
Loans Made	19,542,000	14,726,000	4,816,000	33%
Debt Principal Payments	3,953,000	3,849,000	104,000	3%
Capital Expenditures	1,026,000	12,000,000	(10,974,000)	-91%
SUBTOTAL NON-PERSONNEL	132,472,000	148,268,000	(15,796,000)	-11%
TOTAL FUNDS EXPENDED	150,444,000	166,899,000	(16,455,000)	-10%
FUND BALANCE				
ENDING FUND BALANCE	147,378,000	125,241,000	22,137,000	18%
TOTAL USES OF FUNDS	297,822,000	292,140,000	5,682,000	2%