



INFORMATIONAL REPORT

DATE ISSUED: July 1, 2020 **REPORT NO:** HCR20-070

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

SUBJECT: Agency Financial Statements – Third 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 March 2020 year-to-date funding sources available were \$393.8 million, which was 4 percent, or \$14.7 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 \$14.1 million lower than budget. The explanations below provide more details about significant variances:

Federal Sources

- The \$37.5 million lower-than-budget variance in Section 8/Moving to Work (MTW) funding was primarily due to the timing of capital acquisitions and rehabilitation Housing Commission-owned properties and the continued rollout of higher payment standards through the Housing Commission's Choice Communities Initiative.
- The \$3.7 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 \$1.4 million higher-than-budget variance in Community Development Block Grant (CDBG) and Other Federal Funds was primarily due to the timing CDBG Revolving Loan Fund loans, which were funded earlier than budgeted. Loans that have been committed are expected to be funded over the remainder of FY2020 and beyond.

Local Sources

- The \$16.7 million higher-than-budget variance in Housing Commission Real Estate was primarily due to proceeds from the sale of Mariner's Village to Housing Development Partners, the Housing Commission's nonprofit affiliate.
- The \$2.2 million higher-than-budget variance in Unrestricted Funds is due to higher than expected collection of Multifamily Housing Revenue Bond administration fees.
- The \$10.1 million higher-than-budget variance in City of San Diego Affordable Housing Fund was primarily due to collections and payments on notes receivable.

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State Sources

- The \$3.7 million lower-than-budget variance was primarily due several programs funded by the Homeless Emergency Aid Program (HEAP) that will not be deployed this year. This variance is expected to remain for the remainder of FY 2020, and these funds have been included in the approved FY 2021 budget.

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 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. Additionally, the increase includes funding received at the end of the prior fiscal year for renovations of Housing Commission-owned properties, per the Section 8/Moving to Work (MTW) plan, and funding received for housing voucher programs such as Section 8 Housing Choice Vouchers and Veterans Affairs Supportive Housing (VASH) vouchers. These are also committed program funds.

USES OF FUNDS: Total actual March 2020 year-to-date funding uses were \$393.8 million, which was 4 percent, or \$14.7 million, higher than budget. This was primarily due to the ending fund balance that was \$41.3 million higher than budget, offset by lower-than-budget variances in both personnel expenses and non-personnel expenses of \$0.6 million and \$26.0 million, respectively. For more detailed explanations of the significant variances, refer to the explanations below:

Non-Personnel Expenses

- The \$1.8 million lower-than-budget variance in Housing Assistance Payment (HAP) expense was due to the timing of the rollout of higher payment standards through the Housing Commission's Choice Communities efforts.
- The \$2.4 million lower-than-budget variance in grant expense was primarily the result of lower-than-expected expenditures on HEAP programs following a slow start and HEAP programs that will not be deployed, as anticipated, in the current fiscal year. Further variance has resulted from underspending on City of San Diego Bridge Shelters due to the timing of the contract execution for the fourth Bridge Shelter. The lower-than-budget spending will be a permanent variance as clients were relocated to the San Diego Convention Center due to COVID-19. The lower-than-budget variance was offset by a required transfer of HAP funding of \$5.8 million to federal funding reserves to meet federal cash management guidelines.
- The \$1.9 million lower-than-budget variance in property expense was primarily due to timing of expenditures on repairs and maintenance and minor capital projects that were lower than expected thus far this year.
- The \$1.8 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. The majority of this variance is expected to remain at the end of FY 2020.
- The \$3.2 million higher-than-budget variance in loans made was due to multifamily housing loans being funded earlier than expected. This variance is likely to increase over the remainder of the year as committed loans are funded.
- The \$21.0 million lower-than-budget variance in capital expenditures was primarily due to a delay in rehabilitation and acquisitions. The capital acquisitions are not expected to occur during FY 2020.

Ending Fund Balance

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Ending fund balance as of March 2020 was \$166.3 million, which was 33 percent, or \$41.3 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. Even though ending fund balance was higher than budget, the funds are committed for use to create and preserve affordable housing.

Respectfully submitted,

Tracey McDermott

Tracey McDermott
Senior Vice President & 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

Docket materials are available 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 March 31, 2020

	<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	152,793,000	190,311,000	(37,518,000)	-20%
HOME	6,240,000	9,959,000	(3,719,000)	-37%
Housing Innovation Funds	4,041,000	4,300,000	(259,000)	-6%
CDBG & Other Federal Funds	10,759,000	9,343,000	1,416,000	15%
TOTAL FEDERAL	173,833,000	213,913,000	(40,080,000)	-19%
LOCAL				
SDHC Real Estate	43,217,000	26,530,000	16,687,000	63%
Unrestricted Funds	4,129,000	1,951,000	2,178,000	112%
Affordable Housing Fund	15,418,000	5,287,000	10,131,000	192%
Other Local Funds	4,447,000	3,774,000	673,000	18%
TOTAL LOCAL	67,211,000	37,542,000	29,669,000	79%
STATE	2,292,000	5,995,000	(3,703,000)	-62%
TOTAL NEW SOURCES	243,336,000	257,450,000	(14,114,000)	-5%
BEGINNING FUND BALANCE	150,468,000	121,693,000	28,775,000	24%
TOTAL SOURCES OF FUNDS	393,804,000	379,143,000	14,661,000	4%
USES OF FUNDS				
PERSONNEL				
Salaries and Wages	19,832,000	20,330,000	(498,000)	-2%
Fringe Benefits	7,100,000	7,245,000	(145,000)	-2%
SUBTOTAL PERSONNEL	26,932,000	27,575,000	(643,000)	-2%
NON-PERSONNEL				
Housing Assistance Payments	129,081,000	130,889,000	(1,808,000)	-1%
Grant Expense	24,302,000	26,665,000	(2,363,000)	-9%
Property Expenses	6,888,000	8,807,000	(1,919,000)	-22%
Professional Services	2,674,000	3,175,000	(501,000)	-16%
Services, Supplies & Other	4,669,000	6,497,000	(1,828,000)	-28%
Loans Made	25,318,000	22,089,000	3,229,000	15%
Debt Principal Payments	5,931,000	5,772,000	159,000	3%
Capital Expenditures	1,693,000	22,667,000	(20,974,000)	-93%
SUBTOTAL NON-PERSONNEL	200,556,000	226,561,000	(26,005,000)	-11%
TOTAL FUNDS EXPENDED	227,488,000	254,136,000	(26,648,000)	-10%
FUND BALANCE				
ENDING FUND BALANCE	166,316,000	125,007,000	41,309,000	33%
TOTAL USES OF FUNDS	393,804,000	379,143,000	14,661,000	4%