



INFORMATIONAL REPORT

DATE ISSUED: December 30, 2020 **REPORT NO:** HCR21-005

ATTENTION: Chair and Members of the San Diego Housing Commission
For the Agenda of January 8, 2021

SUBJECT: Agency Financial Statements – First Quarter Fiscal Year 2021 (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 budgeted amounts approved by the Housing Commission Board of Commissioners (Attachment 1). The budget has been amended to reflect the approved City of San Diego COVID-19 Emergency Rental Assistance Program (ERAP) budget. This amendment increases the total budget by \$15.1 million. The September 2020 year-to-date financial statements include \$5.0 million of actual ERAP expenses as well as \$4.9 million of budget. This report also provides summary explanations for significant year-to-date variances.

FINANCIAL SUMMARY – SOURCES AND USES OF FUNDS:

SOURCES OF FUNDS: Total actual September 2020 year-to-date funding sources available were \$247.4 million, which was 2 percent, or \$6.1 million, lower than budget. The shortfall was primarily due to the receipt of new sources of funds that were \$17.1 million lower than budget, offset by the beginning fund balance that was \$11.0 million higher than budget. The explanations below provide more details about significant variances:

Federal Sources

- The \$13.1 million lower-than-budget variance in Section 8/Moving to Work (MTW) funding was primarily due to the timing of budgeted activities that have not occurred yet. These include Acquisitions and Comprehensive Renovations, Increased Housing Assistance Payment levels, and an Affordable Housing Preservation Notice of Funding Availability. Acquisitions of three properties will close in the second quarter.
- The \$1.8 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 through the remainder of Fiscal Year (FY) 2021 and beyond.
- The \$1.5 million lower-than-budget variance in Homeless Housing Innovations is primarily due to the timing of Emergency Solutions Grant (ESG) Coronavirus Aid, Relief, and Economic Security (CARES) Act funding and the processing of Continuum of Care (CoC) invoices.
- The \$0.9 million lower-than-budget variance in Community Development Block Grant (CDBG) & Other Federal Funds is primarily due to the timing of loans to be funded with CDBG funds. Committed loans are expected to be funded through the remainder of Fiscal Year (FY) 2021 and beyond.

Local Sources

- The \$6.0 million higher-than-budget variance in City of San Diego 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 anticipated.

State Sources

The \$5.2 million lower-than-budget variance was partially due to some delay in contract execution of the City of San Diego Bridge Shelters. It should be noted that delays with invoice submission did not impact the operations of the Bridge Shelters, which transitioned to be part of Operation Shelter to Home from April 1 to present. Further variance can be attributed to food service costs not being invoiced for the Bridge Shelters due to the broader Operation Shelter to Home expense processes, and staffing costs coming in lower than projected. In addition, programs funded by Homeless Emergency Aid Program (HEAP) or Homeless Housing, Assistance and Prevention (HHAP) programs, such as Homelessness Prevention & Diversion were under-utilized in the last quarter of the previous fiscal year and into this fiscal year. The Homelessness Prevention and Diversion programs specifically are underspending due to the mitigating effects of the eviction moratorium and some longer lead times between enrollment and lease-up for Rapid Rehousing (RRH) programs due to impacts of the public health crisis on the private rental market. As the Housing Commission has moved through the first and second quarters of this fiscal year, it has seen RRH programs accelerate and has worked with the City to determine how to best allocate excess HEAP funds toward other approved programs.

Beginning Fund Balance

The beginning fund balance represents the sources available from the prior year. The \$11.0 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.

USES OF FUNDS: Total actual September 2020 year-to-date funding uses were \$247.4 million, which was 2 percent, or \$6.1 million, lower than budget. This was primarily due to personnel and non-personnel expenses that were lower than budget by \$1.9 million and \$25.1 million respectively, offset by ending fund balance that was \$20.9 million higher than budget. The explanations below give more details about the significant variances:

Personnel Expenses

- The \$1.9 million lower-than-budget variance was primarily due to vacancies across the agency during the quarter.

Non-Personnel Expenses

- The \$4.7 million lower-than-budget variance in housing assistance payments was primarily due to the timing of the usage of budgeted HAP initiatives in the first quarter. We anticipate higher usage in future quarters.
- The \$10.4 million lower-than-budget variance in grant expense was primarily due to:
 - The timing of receiving September invoices for several large programs (Bridge Shelters, Interim Shelters etc.)
 - Rapid Rehousing/ Supportive Services budgeted for the Housing Commission's hotel acquisitions will not be starting until after the completion of the hotel purchases in the second quarter.
- The \$0.7 million lower-than-budget variance in property expenses was primarily due to the timing of invoicing for repairs and maintenance and contracted work, as well as the timing of minor capital projects that were lower than expected during the quarter.

- The \$9.2 million lower-than-budget variance in loans made was primarily due to the timing of multifamily housing loans. The variance is expected to decrease as loans are funded through the remainder of the year.
- The \$0.5 million higher-than-budget variance in capital expenditures was primarily due to the timing of renovation-related expenditures compared to the budget for the year. The variance is expected to decrease over the remainder of the year.

Ending Fund Balance

Ending fund balance as of September 2020 was \$175.0 million, which was 14 percent, or \$20.9 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 and 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
Chief Financial Officer
Financial Services Department

Approved by,

Jeff Davis

Jeff Davis
Deputy Chief Executive Officer
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 September 30, 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	56,627,000	69,695,000	(13,068,000)	-19%
HOME	1,651,000	3,476,000	(1,825,000)	-53%
Housing Innovation Funds	933,000	2,451,000	(1,518,000)	-62%
CDBG & Other Federal Funds	15,562,000	16,445,000	(883,000)	-5%
TOTAL FEDERAL	74,773,000	92,067,000	(17,294,000)	-19%
LOCAL				
SDHC Real Estate	8,114,000	8,114,000	-	0%
Unrestricted Funds	126,000	515,000	(389,000)	-76%
Affordable Housing Fund	7,524,000	1,536,000	5,988,000	390%
Other Local Funds	1,909,000	2,117,000	(208,000)	-10%
TOTAL LOCAL	17,673,000	12,282,000	5,391,000	44%
STATE	902,000	6,088,000	(5,186,000)	-85%
TOTAL NEW SOURCES	93,348,000	110,437,000	(17,089,000)	-15%
BEGINNING FUND BALANCE	154,075,000	143,107,000	10,968,000	8%
TOTAL SOURCES OF FUNDS	247,423,000	253,544,000	(6,121,000)	-2%
USES OF FUNDS				
PERSONNEL				
Salaries and Wages	6,332,000	7,759,000	(1,427,000)	-18%
Fringe Benefits	2,444,000	2,902,000	(458,000)	-16%
SUBTOTAL PERSONNEL	8,776,000	10,661,000	(1,885,000)	-18%
NON-PERSONNEL				
Housing Assistance Payments	52,527,000	57,219,000	(4,692,000)	-8%
Grant Expense	2,506,000	12,949,000	(10,443,000)	-81%
Property Expenses	1,780,000	2,498,000	(718,000)	-29%
Professional Services	1,241,000	1,549,000	(308,000)	-20%
Services, Supplies & Other	1,642,000	2,040,000	(398,000)	-20%
Loans Made	1,407,000	10,590,000	(9,183,000)	-87%
Debt Principal Payments	1,973,000	1,923,000	50,000	3%
Capital Expenditures	548,000	-	548,000	
SUBTOTAL NON-PERSONNEL	63,624,000	88,768,000	(25,144,000)	-28%
TOTAL FUNDS EXPENDED	72,400,000	99,429,000	(27,029,000)	-27%
ENDING FUND BALANCE	175,023,000	154,115,000	20,908,000	14%
TOTAL USES OF FUNDS	247,423,000	253,544,000	(6,121,000)	-2%