



## INFORMATIONAL REPORT

**DATE ISSUED:** December 29, 2021

**REPORT NO:** HCR22-022

**ATTENTION:** Chair and Members of the San Diego Housing Commission  
For the Agenda of January 7, 2022

**SUBJECT:** Agency Financial Statements – First Quarter Fiscal Year 2022 (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 Housing Commission Board-approved budgeted amounts (Attachment 1). The budget in this report has been amended to reflect the following adjustments:

- City of San Diego federal allocation of the second round of the Emergency Rental Assistance Program (ERA2)/American Rescue Plan Act (ARPA) budget. This amendment increased the total budget by \$41.1 million.
- City of San Diego additional State allocation of the first round of the federal Emergency Rental Assistance Program (ERA1). This amendment increased the total budget by \$5.6 million.
- City of San Diego state allocation of the second round of the federal Emergency Rental Assistance Program (ERA2)/ARPA. This amendment has increased the total budget by \$39.7 million of sources and \$37.8 million of expenses.

The first round of federal Emergency Rental Assistance program (ERA1) funds were substantially exhausted by the end of the first quarter through the COVID-19 Housing Stability Assistance Program (HSAP). The second round of funds (ERA2) continues to be utilized and is expected to be exhausted by the end of the fiscal year.

These adjustments increased the annual Fiscal Year (FY) 2022 budget from \$604.1 million to \$690.5 million. 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 2021 year-to-date funding sources available were \$333.8 million, which was 14 percent, or \$54.0 million, lower than budget. This was primarily due to the beginning fund balance and new sources of funds that were lower than budget by \$44.6 million and \$9.5 million, respectively. The explanations below provide more details about significant variances:

##### **Federal Sources**

- The \$1.6 million greater-than-budget variance in Section 8/Moving to Work (MTW) funding was primarily due to Emergency Housing Voucher (EHV) funds being higher than anticipated.

- The \$1.7 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 through the remainder of FY 2022 and beyond.
- The \$1.6 million lower-than-budget variance in Homeless Housing Innovations is primarily due to the timing of contract execution. This variance is expected to decrease through the remainder of the fiscal year.
- The \$4.5 million lower-than-budget variance in Community Development Block Grant (CDBG) & Other Federal funding is primarily due to the timing of Emergency Rental Assistance (ERA) program revenue recognition compared to the budget.

### **Local Sources**

- The \$5.4 million higher-than-budget variance in the City of San Diego Affordable Housing Fund was primarily due to higher than expected collections and payments on notes receivable.
- The \$2.7 million lower-than-budget variance in Other Local Funds was primarily due to the timing of homelessness programs contract execution. Additional variance is due to new City General Fund allocation that has not fully been awarded at this time.

### **State Sources**

- The \$5.9 million lower-than-budget variance was primarily due to the timing of contract execution. Homelessness programs contracts were being signed in October/November with expenditures expected to align with budget by the end of the second quarter of the fiscal year.

### **Beginning Fund Balance**

The beginning fund balance represents the sources available from the prior year. The \$44.6 million lower-than-budget variance consists of restricted-use funds that are committed to programs. The variance was primarily attributed to the timing of revenue recognition relating to the Emergency Rental Assistance (ERA1) funds for HSAP, offset by higher-than-budgeted federal HOME program income received in prior years, which is committed for the development of future affordable housing units through the current Notice of Funding Availability (NOFA) process.

USES OF FUNDS: Total actual September 2021 year-to-date funding uses were \$333.8 million, which was 14 percent, or \$54.0 million, lower-than-budget. This was primarily due to lower-than-budget variances in personnel and non-personnel expenditures of \$1.1 million and \$44.2 million, respectively, as well as a lower-than-budget variance in ending fund balance of \$8.8 million. The explanations below provide more details about significant variances:

### **Personnel Expenses**

- The \$1.1 million lower-than-budget variance was primarily due to vacancies across the organization as well as the timing of costs compared to the budget. This was offset by pay differential expenditures resulting from the COVID-19 pandemic.

### **Non-Personnel Expenses**

- The \$14.7 million lower-than-budget variance in housing assistance payments (HAP) was primarily due to the timing of payments relating to the Emergency Rental Assistance program compared to the budget. Further variance resulted from the timing of contract execution for permanent supportive housing and rapid rehousing for transition-age youth in addition to lower-

than-expected spending in Homelessness programs (Prevention & Diversion and Flex Spending) due to the statewide eviction moratorium, which concluded September 30, 2021. These variances expected to decrease through the remainder of the year to align with the budget.

- The \$14.9 million lower-than-budget variance in grant expense was primarily due to:
  - Lower-than-expected expenditure on Bridge Shelters, Interim Shelters and other homelessness programs (Coordinated Outreach, RRH, Safe Parking, Storage Connect) due to the timing of contract execution. Expenditures on these programs are expected to align with the budget in the upcoming quarters of the fiscal year; and
  - Lower-than-expected expenditures related to the affordable housing preservation NOFA.
- The \$3.4 million higher-than-budget variance in property expenses was primarily due to higher-than-expected utility payments through HSAP, funded by ERA and ARPA, which were budgeted under HAP.
- The \$12.1 million lower-than-budget variance in Professional Services was primarily due to the timing of expenditures relating to HSAP, funded by ERA and ARPA.
- The \$4.6 million lower-than-budget variance in Loans Made was primarily due to the timing of funding multifamily housing loans.

### Ending Fund Balance

Ending fund balance as of September 30, 2021, was \$178.0 million, which was 5 percent, or \$8.8 million, lower than budget, primarily due to lower-than-expected beginning fund balance and year-to-date new sources, as previously explained. This is offset by lower-than-expected non-personnel expenses, as described above. Funds in the ending fund balance are committed for use to create and preserve affordable housing.

Respectfully submitted,



Suket Dayal  
Executive Vice President of Business Administration  
San Diego Housing Commission

Approved by,



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 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, 2021**

	<u>YTD</u> <u>Actual</u>	<u>YTD</u> <u>Budget</u>	<u>Over/(Under)</u> <u>Budget</u>	<u>%</u> <u>Variance</u>
<b>SOURCES OF FUNDS</b>				
<b>NEW SOURCES</b>				
<b>FEDERAL</b>				
Section 8/MTW	62,762,000	61,156,000	1,606,000	3%
HOME	1,710,000	3,364,000	(1,654,000)	-49%
Housing Innovation Funds	230,000	1,857,000	(1,627,000)	-88%
CDBG & Other Federal Funds	82,701,000	87,226,000	(4,525,000)	-5%
<b>TOTAL FEDERAL</b>	<b>147,403,000</b>	<b>153,603,000</b>	<b>(6,200,000)</b>	<b>-4%</b>
<b>LOCAL</b>				
SDHC Real Estate	10,014,000	10,209,000	(195,000)	-2%
Unrestricted Funds	985,000	791,000	194,000	25%
Affordable Housing Fund	7,155,000	1,762,000	5,393,000	306%
Other Local Funds	713,000	3,445,000	(2,732,000)	-79%
<b>TOTAL LOCAL</b>	<b>18,867,000</b>	<b>16,207,000</b>	<b>2,660,000</b>	<b>16%</b>
<b>STATE</b>	<b>652,000</b>	<b>6,567,000</b>	<b>(5,915,000)</b>	<b>-90%</b>
<b>TOTAL NEW SOURCES</b>	<b>166,922,000</b>	<b>176,377,000</b>	<b>(9,455,000)</b>	<b>-5%</b>
<b>BEGINNING FUND BALANCE</b>	<b>166,840,000</b>	<b>211,417,000</b>	<b>(44,577,000)</b>	<b>-21%</b>
<b>TOTAL SOURCES OF FUNDS</b>	<b>333,762,000</b>	<b>387,794,000</b>	<b>(54,032,000)</b>	<b>-14%</b>
<b>USES OF FUNDS</b>				
<b>PERSONNEL</b>				
Salaries and Wages	6,692,000	7,492,000	(800,000)	-11%
Fringe Benefits	2,697,000	2,958,000	(261,000)	-9%
<b>SUBTOTAL PERSONNEL</b>	<b>9,389,000</b>	<b>10,450,000</b>	<b>(1,061,000)</b>	<b>-10%</b>
<b>NON-PERSONNEL</b>				
Housing Assistance Payments	128,032,000	142,741,000	(14,709,000)	-10%
Grant Expense	1,002,000	15,917,000	(14,915,000)	-94%
Property Expenses	6,187,000	2,802,000	3,385,000	121%
Professional Services	2,255,000	14,334,000	(12,079,000)	-84%
Services, Supplies & Other	1,975,000	2,920,000	(945,000)	-32%
Loans Made	4,176,000	8,733,000	(4,557,000)	-52%
Debt Principal Payments	2,634,000	2,585,000	49,000	2%
Capital Expenditures	126,000	565,000	(439,000)	-78%
<b>SUBTOTAL NON-PERSONNEL</b>	<b>146,387,000</b>	<b>190,597,000</b>	<b>(44,210,000)</b>	<b>-23%</b>
<b>TOTAL FUNDS EXPENDED</b>	<b>155,776,000</b>	<b>201,047,000</b>	<b>(45,271,000)</b>	<b>-23%</b>
<b>ENDING FUND BALANCE</b>	<b>177,986,000</b>	<b>186,747,000</b>	<b>(8,761,000)</b>	<b>-5%</b>
<b>TOTAL USES OF FUNDS</b>	<b>333,762,000</b>	<b>387,794,000</b>	<b>(54,032,000)</b>	<b>-14%</b>