



## INFORMATIONAL REPORT

**DATE ISSUED:** February 24, 2022

**REPORT NO:** HCR22-018

**ATTENTION:** Chair and Members of the San Diego Housing Commission  
For the Agenda of March 4, 2022

**SUBJECT:** Agency Financial Statements – Second 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 ERA1 funds were completely exhausted by the end of the second quarter through the COVID-19 Housing Stability Assistance Program (HSAP). ERA2 funds continue to be utilized and are 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 December 2021 year-to-date funding sources available were \$466.0 million, which was 8 percent, or \$39.4 million, lower than budget. This was primarily due to the beginning fund balance, which was lower than budget by \$44.6 million, offset by new sources of funds that were above budget by \$5.2 million. The explanations below provide more details about significant variances:

##### **Federal Sources**

- The \$22.8 million lower-than-budget variance in Section 8/Moving to Work (MTW) funding was primarily due to the timing of property acquisitions, renovation projects and the funding of a

Preservation Notice of Funding Availability (NOFA) compared to the budget. These were offset by higher-than-anticipated Emergency Housing Voucher (EHV) funds.

- The \$3.1 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 \$1.1 million higher-than-budget variance in Homeless Housing Innovations is primarily due to higher than anticipated Emergency Solutions Grant (ESG-CV2) funding relating to Bridge Shelters.
- The \$40.7 million higher-than-budget variance in Community Development Block Grant (CDBG) & Other Federal funding is primarily due to the timing of Emergency Rental Assistance (ERA) program expenditures compared to the budget.

### **Local Sources**

- The \$1.1 million higher-than-budget variance in Unrestricted Funds was primarily due to higher-than-anticipated collections of bond issuance fees.
- The \$7.5 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 \$4.2 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 the City General Fund allocation that has not been fully awarded at this time. This is expected to result in a portion of the variance remaining through to the end of the fiscal year.

### **State Sources**

- The \$15.0 million lower-than-budget variance was primarily due to the timing of contract execution relating to homelessness programs, which were signed in November/December. Additional variance is due to the timing of revenues relating to the Local Housing Trust Fund (LHTF) Program. This variance is expected to reduce significantly over the remainder 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 program expenditures relating to the 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 NOFA process.

USES OF FUNDS: Total actual December 2021 year-to-date funding uses were \$466.0 million, which was 8 percent, or \$39.4 million, lower-than-budget. This was primarily due to lower-than-budget variances in personnel and non-personnel expenditures of \$0.8 million and \$51.8 million, respectively, offset by a higher-than-budget variance in ending fund balance of \$13.2 million. The explanations below provide more details about significant variances:

### **Personnel Expenses**

- The \$0.8 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 \$7.7 million higher-than-budget variance in housing assistance payments (HAP) was primarily due to the timing of payments relating to HSAP compared to the budget. This was offset by lower-than-expected expenditure relating to permanent supportive housing and rapid rehousing for transition-age youth due to the timing of contract execution. Further, spending on Homelessness programs (Prevention & Diversion and Flex Spending) has been trending lower than budget due to the statewide eviction moratorium, which concluded September 30, 2021. These variances are expected to decrease through the remainder of the year to align with the budget.
- The \$21.6 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 and labor shortages. This variance is expected to decrease; however, a lower-than-budget variance is expected at the end of the year;
  - Lower-than-expected expenditure on Interim Shelters funded with City General Funds primarily due to the timing of contracts being awarded. This is likely to lead to a lower-than-budget variance by year end; and
  - Lower-than-expected expenditures related to the affordable housing preservation NOFA.
- The \$5.8 million higher-than-budget variance in property expenses was primarily due to higher-than-expected utility payments through HSAP, which were budgeted under HAP.
- The \$10.4 million lower-than-budget variance in Professional Services was primarily due to the timing of expenditures relating to HSAP.
- The \$1.0 million lower-than-budget variance in Services, Supplies & Other was primarily due to the timing of budgeted Information Technology (IT) projects and renewal of software licenses, offset by higher than anticipated spending on COVID-related staff equipment stipends.
- The \$10.0 million lower-than-budget variance in Loans Made was primarily due to the timing of funding multifamily housing loans.
- The \$22.4 million lower-than-budget variance in Capital Purchases was primarily due to the timing of capital acquisitions and rehabilitation projects compared to the budget.

### Ending Fund Balance

Ending fund balance as of December 31, 2021, was \$177.6 million, which was 8 percent, or \$13.2 million, higher than budget, primarily due to lower-than-expected non-personnel expenses, as mentioned above. This is offset by lower-than-expected sources (beginning fund balance plus new sources), as previously explained. Funds in the ending fund balance are committed for use to create and preserve affordable housing.

Respectfully submitted,

*Suket Dayal*

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

Approved by,

*Jeff Davis*

Jeff Davis  
Deputy Chief Executive Officer  
San Diego Housing Commission

Attachments: 1) Year-to-Date Statement of Sources and Uses

February 24, 2022

Agency Financial Statements – Second Quarter Fiscal Year 2022 (Unaudited)

Page 4

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 December 31, 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	122,171,000	144,979,000	(22,808,000)	-16%
HOME	3,666,000	6,729,000	(3,063,000)	-46%
Housing Innovation Funds	4,846,000	3,713,000	1,133,000	31%
CDBG & Other Federal Funds	128,735,000	87,987,000	40,748,000	46%
<b>TOTAL FEDERAL</b>	<b>259,418,000</b>	<b>243,408,000</b>	<b>16,010,000</b>	<b>7%</b>
<b>LOCAL</b>				
SDHC Real Estate	20,256,000	20,417,000	(161,000)	-1%
Unrestricted Funds	2,633,000	1,582,000	1,051,000	66%
Affordable Housing Fund	11,059,000	3,525,000	7,534,000	214%
Other Local Funds	2,647,000	6,890,000	(4,243,000)	-62%
<b>TOTAL LOCAL</b>	<b>36,595,000</b>	<b>32,414,000</b>	<b>4,181,000</b>	<b>13%</b>
<b>STATE</b>	<b>3,142,000</b>	<b>18,133,000</b>	<b>(14,991,000)</b>	<b>-83%</b>
<b>TOTAL NEW SOURCES</b>	<b>299,155,000</b>	<b>293,955,000</b>	<b>5,200,000</b>	<b>2%</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>465,995,000</b>	<b>505,372,000</b>	<b>(39,377,000)</b>	<b>-8%</b>
<b>USES OF FUNDS</b>				
<b>PERSONNEL</b>				
Salaries and Wages	15,789,000	16,216,000	(427,000)	-3%
Fringe Benefits	5,684,000	6,009,000	(325,000)	-5%
<b>SUBTOTAL PERSONNEL</b>	<b>21,473,000</b>	<b>22,225,000</b>	<b>(752,000)</b>	<b>-3%</b>
<b>NON-PERSONNEL</b>				
Housing Assistance Payments	220,864,000	213,126,000	7,738,000	4%
Grant Expense	10,260,000	31,833,000	(21,573,000)	-68%
Property Expenses	11,355,000	5,558,000	5,797,000	104%
Professional Services	6,268,000	16,651,000	(10,383,000)	-62%
Services, Supplies & Other	4,642,000	5,642,000	(1,000,000)	-18%
Loans Made	7,440,000	17,466,000	(10,026,000)	-57%
Debt Principal Payments	5,177,000	5,170,000	7,000	0%
Capital Expenditures	902,000	23,294,000	(22,392,000)	-96%
<b>SUBTOTAL NON-PERSONNEL</b>	<b>266,908,000</b>	<b>318,740,000</b>	<b>(51,832,000)</b>	<b>-16%</b>
<b>TOTAL FUNDS EXPENDED</b>	<b>288,381,000</b>	<b>340,965,000</b>	<b>(52,584,000)</b>	<b>-15%</b>
<b>ENDING FUND BALANCE</b>	<b>177,614,000</b>	<b>164,407,000</b>	<b>13,207,000</b>	<b>8%</b>
<b>TOTAL USES OF FUNDS</b>	<b>465,995,000</b>	<b>505,372,000</b>	<b>(39,377,000)</b>	<b>-8%</b>