



INFORMATIONAL REPORT

DATE ISSUED: July 1, 2022

REPORT NO: HCR22-024

ATTENTION: Chair and Members of the San Diego Housing Commission
For the Agenda of July 8, 2022

SUBJECT: Agency Financial Statements – Third 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 budget amounts approved by the Housing Commission Board of Commissioners (Board) (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, which funded the City of San Diego Housing Stability Assistance Program (HSAP). 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) for HSAP. 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 for HSAP. 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 HSAP. ERA2 funds continue to be utilized and are expected to be exhausted by the end of the fiscal year. The Housing Commission has also applied for State of California Rental Assistance (SRA) Program Emergency Rental Assistance Short-Term Cash Flow Loan Funds to provide rental and/or utility assistance to households with low income that experience financial hardship due to, or during, the COVID-19 pandemic.

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 March 2022 year-to-date funding sources available were \$606.3 million, which was 1 percent, or \$8.3 million, higher than budget. This was primarily due to new sources of funds that were higher than budget by \$52.9 million, offset by the beginning fund balance, which was

lower than budget by \$44.6 million. The explanations below provide more details about significant variances:

Federal Sources

- The \$27.2 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 an Affordable Housing Preservation Notice of Funding Availability (NOFA) compared to the budget. These were offset by higher-than-anticipated Emergency Housing Voucher (EHV) funds, as well as additional Veterans Affairs Supportive Housing (VASH) vouchers awarded during the year.
- 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 \$7.7 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 \$92.3 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 for HSAP compared to the budget.

Local Sources

- The \$1.2 million higher-than-budget variance in Unrestricted Funds was primarily due to higher-than-anticipated collections of bond issuance fees.
- The \$5.2 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 \$5.1 million lower-than-budget variance in Other Local Funds was primarily due to an additional City General Fund allocation for new Interim Shelters that has not been fully awarded at this time, as well as lower-than-expected spending by nonprofit homelessness service providers who have been experiencing challenges with labor shortages. The variance is expected to remain through to the end of the fiscal year.

State Sources

- The \$17.8 million lower-than-budget variance was primarily due to Bridge Shelter contracts and P&D, for which ESG-CV funding is being prioritized over HHAP (state) funding as well as below budget spending on several homeless programs (Youth Focus, Outreach Coordination, Safe Parking) due to our non-profit providers facing challenges with labor shortages. Additional variance is due to the timing of revenues relating to the Local Housing Trust Fund (LHTF) program. This variance is expected to reduce by the end 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 March 2022 year-to-date funding uses were \$606.3 million, which was 1 percent, or \$8.3 million, higher-than-budget. This was primarily due to lower-than-budget variances in personnel and non-personnel expenditures of \$7.2 million and \$20.2 million, respectively, offset by a higher-than-budget variance in ending fund balance of \$35.7 million. The explanations below provide more details about significant variances:

Personnel Expenses

- The \$7.2 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 \$37.8 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 expenditures relating to permanent supportive housing and rapid rehousing for transition-aged youth. Further, spending on Homelessness programs (Prevention & Diversion and Flex Spending) has been trending lower than budget due to the statewide eviction moratorium, which has been extended to June 30, 2022. These variances are expected to reduce through the remainder of the year.
- The \$25.3 million lower-than-budget variance in grant expense was primarily due to:
 - Lower-than-expected expenditures on Bridge Shelters, Interim Shelters and other homelessness programs (Coordinated Outreach, Harm Reduction Shelter, Rapid Rehousing, Safe Parking, Storage Connect Centers) due to the timing of expense reimbursements and labor shortages at the shelters. This variance is expected to reduce; however, a lower-than-budget variance is expected at the end of the year;
 - Lower-than-expected expenditures on Interim Shelters funded with City General Funds, primarily due to the timing funds being awarded to projects. At this point, approximately 25 percent of the allocation has been awarded. This is likely to lead to a below-budget variance by year end; and
 - Lower-than-expected expenditures related to the affordable housing preservation NOFA.
- The \$9.1 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 \$2.6 million lower-than-budget variance in Professional Services was primarily due to the timing of expenditures relating to HSAP.
- The \$1.2 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 \$14.1 million lower-than-budget variance in Loans Made was primarily due to the timing of funding multifamily housing loans.
- The \$23.7 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

The ending fund balance as of March 31, 2022, was \$174.3 million, which was 26 percent, or \$35.7 million, higher than budget, primarily due to lower-than-expected personnel and non-personnel expenses, as well as higher-than-expected sources (beginning fund balance plus new sources), as

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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
Interim President & 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.

SAN DIEGO HOUSING COMMISSION
STATEMENT OF SOURCES AND USES
FISCAL YEAR-TO-DATE AS OF March 31, 2022

	<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	181,573,000	208,802,000	(27,229,000)	-13%
HOME	7,042,000	10,093,000	(3,051,000)	-30%
Housing Innovation Funds	13,225,000	5,570,000	7,655,000	137%
CDBG & Other Federal Funds	181,037,000	88,749,000	92,288,000	104%
TOTAL FEDERAL	382,877,000	313,214,000	69,663,000	22%
LOCAL				
SDHC Real Estate	30,245,000	30,625,000	(380,000)	-1%
Unrestricted Funds	3,594,000	2,373,000	1,221,000	51%
Affordable Housing Fund	10,490,000	5,287,000	5,203,000	98%
Other Local Funds	5,285,000	10,335,000	(5,050,000)	-49%
TOTAL LOCAL	49,614,000	48,620,000	994,000	2%
STATE	6,944,000	24,700,000	(17,756,000)	-72%
TOTAL NEW SOURCES	439,435,000	386,534,000	52,901,000	14%
BEGINNING FUND BALANCE	166,840,000	211,417,000	(44,577,000)	-21%
TOTAL SOURCES OF FUNDS	606,275,000	597,951,000	8,324,000	1%
USES OF FUNDS				
PERSONNEL				
Salaries and Wages	27,419,000	34,715,000	(7,296,000)	-21%
Fringe Benefits	8,886,000	8,810,000	76,000	1%
SUBTOTAL PERSONNEL	36,305,000	43,525,000	(7,220,000)	-17%
NON-PERSONNEL				
Housing Assistance Payments	321,268,000	283,512,000	37,756,000	13%
Grant Expense	22,421,000	47,750,000	(25,329,000)	-53%
Property Expenses	17,443,000	8,313,000	9,130,000	110%
Professional Services	5,383,000	7,959,000	(2,576,000)	-32%
Services, Supplies & Other	7,206,000	8,364,000	(1,158,000)	-14%
Loans Made	12,123,000	26,200,000	(14,077,000)	-54%
Debt Principal Payments	7,539,000	7,753,000	(214,000)	-3%
Capital Expenditures	2,294,000	26,024,000	(23,730,000)	-91%
SUBTOTAL NON-PERSONNEL	395,677,000	415,875,000	(20,198,000)	-5%
TOTAL FUNDS EXPENDED	431,982,000	459,400,000	(27,418,000)	-6%
ENDING FUND BALANCE	174,293,000	138,551,000	35,742,000	26%
TOTAL USES OF FUNDS	606,275,000	597,951,000	8,324,000	1%