



## INFORMATIONAL REPORT

**DATE ISSUED:** March 2, 2017 **REPORT NO:** HCR17-026

**ATTENTION:** Chair and Members of the San Diego Housing Commission  
For the Agenda of March 10, 2017

**SUBJECT:** Agency Financial Statements – Second Quarter Fiscal Year 2017 (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 and a Statement of Financial Position as of December 31, 2016 (Attachment 2).

#### **FINANCIAL SUMMARY – SOURCES AND USES OF FUNDS:**

**SOURCES OF FUNDS:** Total actual December 2016 year-to-date funding sources available were \$277.2 million, which was 16.7 percent, or \$39.6 million, higher than budgeted year-to-date funding sources. Given difficulty in predicting timing of funding, the budget is primarily spread out evenly (straight-line) through the Fiscal Year (July 1, 2016 – June 30, 2017); however, the source of funds as well as the use of funds does not necessarily come in evenly throughout the year. The following explanations account for significant variances identified:

#### **Federal**

- The Section 8/Moving to Work (MTW) funding received is under budget by \$11.2 million primarily due to the continuing cost savings from the Phase II of the Path to Success (PTS) program; offset by increases in administrative funding received due to a higher proration rate received year to date compared to budget. The PTS program modifies the method used to determine the monthly rent payment amounts for Section 8 Housing Choice Voucher and public housing participants and sets minimum monthly rent payment amounts for participants who are identified as able to work. These cost savings will be available for use in other MTW programs in the future.
- The \$2.1 million under-budget variance in CDBG is related to the Affordable Housing Revolving Loan funds due to the timing of approval of the contract with the City of San Diego. This variance is expected to remain throughout this fiscal year.

#### **Local**

- The \$17.3 million over-budget (positive) variances in Affordable Housing Funds are primarily due to in lieu fees that are based on new construction in the City of San Diego and the timing of this is not predictable. While not predictable, we do not expect the variance to continue to grow at the same rate, however we do expect to have a significant variance to continue throughout the fiscal year.

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- The \$1.5 million over-budget (positive) variance in Unrestricted Funds is related to \$1.1 million in lieu fee received from Star Hotel SRO that was not anticipated.

Beginning Fund balance represents the sources available from the prior year. The \$33.2 million over-budget (positive) variance consists of restricted-use funds that have since been committed for future programmatic uses. This increase can primarily be attributed to additional City of San Diego Affordable Housing Fund in-lieu fees received in Fiscal Year 2016 (July 1, 2015 – June 30, 2016) of approximately \$11.3 million, as well as \$4.3 million received from the Island Village loan payoff and \$4.0 million primarily from the proceeds of the City of San Diego's ground lease of San Diego Square Senior Apartments, which was allocated to The Housing Commission's 1,000 Homeless Veterans Initiative.

USES OF FUNDS: Total actual December 2016 year-to-date funding uses were \$277.2 million, which was 16.7 percent, or \$39.6 million, higher than budgeted year-to-date funding uses. Since the variance in beginning fund balance rolls forward into the ending fund balance, the following explanations focus on the variances between first quarter uses of funds excluding the ending fund balance, which was \$18.1 million or 12.5 percent under year-to-date budget primarily due to:

- HAP expense was under budget by \$4.7 million due to savings from the Phase II Path to Success program as outlined in the under-budgeted revenue variance above.
- Grant expense was under budget by approximately \$6.0 million in part related to the following factors. Real Estate Housing Finance is under budget by \$4.2 million related to the timing of multifamily loans, in addition, Homeless Housing Innovations in also under budget by \$3.5 million related to the timing of the Veterans Initiative project. This is offset by an over budget variance of \$1.0 million in Rental Assistance division related to HUD's recapture of \$882,000 excess cash in November 2016.
- Capital purchases was under budget by approximately \$5.4 million primarily related to the Greens Physical Needs Assessment (GPNA) initiative. This is a result of both the percentage completion of projects and projects being rescheduled to the following fiscal year.

Ending Fund Balance as of December 2016 was \$151.1 million, which was 61.7% or \$57.6 million higher than budgeted year-to-date ending fund balance. This is a result of the \$33.2 million positive beginning fund balance above lower than budgeted use of funds to date both described above.

#### **FINANCIAL SUMMARY – STATEMENT OF FINANCIAL POSITION:**

Statement of Financial Position Highlights and Selected Notes (Attachment 2):

- Total Assets: \$679.3 million, Total Liabilities \$130.4 million, Net Position \$548.9 million
- Total Notes Receivable: \$280.5 million, which primarily consists of \$163.0 million funded by the HUD HOME Program and \$65.0 million funded by the City's Affordable Housing Fund.
- Total Notes Payable: \$105.0 million, includes the Limited Liability Companies' \$86.6 million Fannie Mae and Federal Housing Administration loans financed via Housing Commission property equity and \$7.0 million from Key Bank Real Estate Capital for the Smart Corner building.

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Respectfully submitted,

*Tracey McDermott*

Tracey McDermott  
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  
2) Agency Statement of Financial Position

Hard copies are available for review during business hours in the main lobby of the San Diego Housing Commission offices at 1122 Broadway, San Diego, CA 92101 and at the Office of the San Diego City Clerk, 202 C Street, San Diego, CA 92101. You may also review complete docket materials on 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, 2016**

	<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	82,583,034	93,769,996	(11,186,962)	-11.9%
HOME	7,232,947	7,236,999	(4,052)	-0.1%
Housing Innovation Funds	2,333,253	2,303,502	29,751	1.3%
Rehabilitation Funds	150,175	-	150,175	100.0%
CDBG	1,045,875	3,182,992	(2,137,117)	-67.1%
Other Federal Funds	78,200	-	78,200	100.0%
<b>TOTAL FEDERAL</b>	<b>93,423,484</b>	<b>106,493,489</b>	<b>(13,070,005)</b>	<b>-12.3%</b>
<b>LOCAL</b>				
SDHC Real Estate	15,541,390	15,203,079	338,311	2.2%
Unrestricted Funds	3,221,046	1,761,780	1,459,266	82.8%
Affordable Housing Fund	22,682,458	5,377,150	17,305,308	321.8%
Other Local Funds	1,701,961	1,440,019	261,942	18.2%
<b>TOTAL LOCAL</b>	<b>43,146,855</b>	<b>23,782,028</b>	<b>19,364,827</b>	<b>81.4%</b>
<b>STATE</b>	<b>171,386</b>	<b>97,730</b>	<b>73,656</b>	<b>75.4%</b>
<b>TOTAL NEW SOURCES</b>	<b>136,741,725</b>	<b>130,373,247</b>	<b>6,368,478</b>	<b>4.9%</b>
<b>BEGINNING FUND BALANCE</b>	<b>140,409,082</b>	<b>107,216,218</b>	<b>33,192,864</b>	<b>31.0%</b>
<b>TOTAL SOURCES OF FUNDS</b>	<b>277,150,807</b>	<b>237,589,465</b>	<b>39,561,342</b>	<b>16.7%</b>
<b>USES OF FUNDS</b>				
<b>PERSONNEL</b>				
Salaries and Wages	10,418,759	10,397,045	21,714	0.2%
Fringe Benefits	3,538,211	3,927,173	(388,962)	-9.9%
<b>SUBTOTAL PERSONNEL</b>	<b>13,956,970</b>	<b>14,324,218</b>	<b>(367,248)</b>	<b>-2.6%</b>
<b>NON-PERSONNEL</b>				
Housing Assistance Payments	72,485,512	77,227,692	(4,742,180)	-6.1%
Grants	5,469,894	11,482,284	(6,012,390)	-52.4%
Property Expenses	7,024,536	7,566,791	(542,255)	-7.2%
Professional Services	1,674,501	2,180,637	(506,136)	-23.2%
Services, Supplies & Other	2,492,283	3,118,957	(626,674)	-20.1%
Loans Made	15,408,583	15,289,396	119,187	0.8%
Debt Principal Payments	1,904,066	1,925,830	(21,764)	-1.1%
Capital Expenditures	5,616,719	10,993,079	(5,376,360)	-48.9%
<b>SUBTOTAL NON-PERSONNEL</b>	<b>112,076,094</b>	<b>129,784,666</b>	<b>(17,708,572)</b>	<b>-13.6%</b>
<b>TOTAL FUNDS EXPENDED</b>	<b>126,033,064</b>	<b>144,108,884</b>	<b>(18,075,820)</b>	<b>-12.5%</b>
<b>ENDING FUND BALANCE</b>	<b>151,117,743</b>	<b>93,480,581</b>	<b>57,637,162</b>	<b>61.7%</b>
<b>TOTAL USES OF FUNDS</b>	<b>277,150,807</b>	<b>237,589,465</b>	<b>39,561,342</b>	<b>16.7%</b>

**SAN DIEGO HOUSING COMMISSION  
STATEMENT OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2016**

**ASSETS**

Cash	\$ 29,203,986
Restricted Cash	4,143,525
Accounts Receivable	21,826,257
Notes Receivable	280,478,848
Accrued Interest on Notes Receivable	40,450,377
Investments	116,735,186
Deposits Payable	2,337,229
Land, Buildings & Equipment	181,131,831
Prepaid Items & Other Assets	2,990,802
<b>TOTAL ASSETS</b>	<b><u><u>\$ 679,298,041</u></u></b>

**LIABILITIES & NET POSITION**

**LIABILITIES**

Accounts Payable	\$ 3,383,346
Notes Payable	104,980,434
Accrued Liabilities	6,458,816
Deferred Revenues	15,591,862
<b>TOTAL LIABILITIES</b>	<b><u>130,414,458</u></b>
<b>NET POSITION</b>	<b>548,883,583</b>
<b>TOTAL LIABILITIES &amp; NET POSITION</b>	<b><u><u>\$ 679,298,041</u></u></b>