



INFORMATIONAL REPORT

DATE ISSUED: June 8, 2017

REPORT NO: HCR17-049

ATTENTION: Chair and Members of the San Diego Housing Commission
For the Agenda of June 16, 2017

SUBJECT: Agency Financial Statements – Third 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 March 31, 2017 (Attachment 2).

FINANCIAL SUMMARY – SOURCES AND USES OF FUNDS:

SOURCES OF FUNDS: Total actual March 2017 year-to-date funding sources available were \$341.8 million, which was 13 percent, or \$39.0 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 \$16.7 million under-budget variance in Section 8/Moving to Work (MTW) funding is primarily due to cost savings that have resulted from Phase II of the Path to Success (PTS) program. These cost savings are expected to continue throughout Fiscal Year 2017 as the PTS program modified the calculation used to determine the monthly rental payments for Section 8 Housing Choice Voucher and public housing participants by setting a minimum monthly payment for participants who are identified as able to work. These savings have been committed for eligible MTW uses, such as rehabilitation of Housing Commission owned-units and/or acquisitions. In addition to the PTS program savings, the under-budget variance is also due to the delay in the project completion of the Green Physical Needs Assessment (GPNA) initiative; however, the majority of this variance is expected to reverse by the end of fiscal year 2017.
- The \$3.3 million under-budget variance in Community Development Block Grant funds is related to the timing of execution of the Memorandum of Understanding (MOU) with the City of San Diego regarding the Affordable Housing Revolving Loan funds. This variance is expected to remain throughout this fiscal year, as funds have been identified for use in next fiscal year.

Local

- The \$17.6 million over-budget variance in Affordable Housing Funds is primarily due to in-lieu fees that are based on new construction of residential and commercial developments within the

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city of San Diego. While the over-budget variance is expected to continue throughout the remainder of the fiscal year, the rate at which it was growing is not expected to sustain for the final quarter of Fiscal Year 2017.

- The \$1.5 million over-budget variance in Unrestricted Funds is related to \$1.7 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 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 Housing Our Heroes initiative.

USES OF FUNDS: Total actual March 2017 year-to-date funding uses were \$341.8 million, which was 13 percent, or \$39.0 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 variances in the uses of funds, excluding the ending fund balance, which was \$18.1 million or 8 percent, under year-to-date budget primarily due to:

- Housing Assistance Payment expense is under-budget by \$7.4 million due to savings from the Phase II PTS program, as outlined in the under-budgeted revenue variance above.
- Grant expense is under-budget by approximately \$9.1 million as a result of the timing of multifamily loans, as well as the execution and start of the Housing Commission's Housing Our Heroes initiative. These variances are expected to remain throughout the final quarter of the fiscal year, as projects have been identified for use in the following fiscal year.
- The "loans made" category is under-budget by \$2.0 million because of timing of multifamily loans. Similar to the under-budget multifamily loans within grant expense, this variance also is expected to remain, as projects have been identified for use in the next fiscal year.
- Capital purchases are over-budget by approximately \$2.3 million primarily due to the unbudgeted acquisition of Town & Country Village Apartments of \$10.5 million, which was offset by the delay and timing of projects within the GPNA initiative, however, the majority of this variance is expected to reverse by the end of the fiscal year.

Ending Fund Balance as of March 2017 was \$144.4 million, which was 66 percent, or \$57.2 million, higher than budgeted year-to-date Ending Fund Balance. This is a result of the \$33.2 million positive Beginning Fund Balance, as well as the 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: \$667.5 million, Total Liabilities \$124.4 million, Net Position \$552.1 million
- Total Notes Receivable: \$281.1 million, which primarily consists of \$160.5 million funded by the U.S. Department of Housing and Urban Development's HOME Investment Partnerships Program and \$67.9 million funded by the City's Affordable Housing Fund.
- Total Notes Payable: \$104.4 million, includes the Limited Liability Companies' \$86.2 million Fannie Mae and Federal Housing Administration loans financed via Housing Commission property equity and \$8.6 million from Key Bank Real Estate Capital for the Smart Corner building.

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Respectfully submitted,

Tracey McDermott

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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 at the security information desk in the main lobby and the fifth floor reception desk 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 in the “Public Meetings” 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, 2017

| | <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 | 123,979,501 | 140,654,994 | (16,675,493) | -12% |
| HOME | 15,255,853 | 10,855,498 | 4,400,355 | 41% |
| Housing Innovation Funds | 3,584,399 | 3,455,253 | 129,146 | 4% |
| Rehabilitation Funds | 150,175 | - | 150,175 | 100% |
| CDBG | 1,464,289 | 4,773,136 | (3,308,847) | -69% |
| Other Federal Funds | 99,728 | - | 99,728 | 100% |
| TOTAL FEDERAL | 144,533,945 | 159,738,881 | (15,204,936) | -10% |
| LOCAL | | | | |
| SDHC Real Estate | 24,466,987 | 23,495,173 | 971,814 | 4% |
| Unrestricted Funds | 3,625,263 | 1,952,116 | 1,673,147 | 86% |
| Affordable Housing Fund | 25,623,016 | 8,065,725 | 17,557,291 | 218% |
| Other Local Funds | 2,880,061 | 2,193,871 | 686,190 | 31% |
| TOTAL LOCAL | 56,595,327 | 35,706,885 | 20,888,442 | 58% |
| STATE | 265,190 | 106,620 | 158,570 | 149% |
| TOTAL NEW SOURCES | 201,394,462 | 195,552,386 | 5,842,076 | 3% |
| BEGINNING FUND BALANCE | 140,409,082 | 107,216,218 | 33,192,864 | 31% |
| TOTAL SOURCES OF FUNDS | 341,803,544 | 302,768,604 | 39,034,940 | 13% |
| USES OF FUNDS | | | | |
| PERSONNEL | | | | |
| Salaries and Wages | 15,605,135 | 15,387,627 | 217,508 | 1% |
| Fringe Benefits | 5,430,681 | 5,843,505 | (412,824) | -7% |
| SUBTOTAL PERSONNEL | 21,035,816 | 21,231,132 | (195,316) | -1% |
| NON-PERSONNEL | | | | |
| Housing Assistance Payments | 108,477,502 | 115,841,537 | (7,364,035) | -6% |
| Grants | 8,118,230 | 17,223,426 | (9,105,196) | -53% |
| Property Expenses | 11,240,045 | 11,350,186 | (110,141) | -1% |
| Professional Services | 2,608,917 | 3,270,955 | (662,038) | -20% |
| Services, Supplies & Other | 3,638,069 | 4,678,435 | (1,040,366) | -22% |
| Loans Made | 20,954,737 | 22,934,095 | (1,979,358) | -9% |
| Debt Principal Payments | 2,477,896 | 2,496,386 | (18,490) | -1% |
| Capital Expenditures | 18,806,888 | 16,529,469 | 2,277,419 | 14% |
| SUBTOTAL NON-PERSONNEL | 176,322,284 | 194,324,489 | (18,002,205) | -9% |
| TOTAL FUNDS EXPENDED | 197,358,100 | 215,555,621 | (18,197,521) | -8% |
| ENDING FUND BALANCE | 144,445,444 | 87,212,983 | 57,232,461 | 66% |
| TOTAL USES OF FUNDS | 341,803,544 | 302,768,604 | 39,034,940 | 13% |

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

ASSETS

| | |
|--------------------------------------|-------------------------------------|
| Cash | \$ 27,600,036 |
| Restricted Cash | 3,317,250 |
| Accounts Receivable | 11,108,460 |
| Notes Receivable | 281,065,184 |
| Accrued Interest on Notes Receivable | 37,571,078 |
| Investments | 115,149,288 |
| Deposits Payable | 272,783 |
| Land, Buildings & Equipment | 192,820,810 |
| Prepaid Items & Other Assets | 7,620,759 |
| TOTAL ASSETS | <u><u>\$ 676,525,648</u></u> |

LIABILITIES & NET POSITION

LIABILITIES

| | |
|---|-------------------------------------|
| Accounts Payable | \$ 5,841,130 |
| Notes Payable | 104,406,604 |
| Accrued Liabilities | 11,968,160 |
| Deferred Revenues | 2,206,568 |
| TOTAL LIABILITIES | <u>124,422,462</u> |
| NET POSITION | 552,103,186 |
| TOTAL LIABILITIES & NET POSITION | <u><u>\$ 676,525,648</u></u> |