



SAN DIEGO  
HOUSING  
COMMISSION

## INFORMATIONAL REPORT

**DATE ISSUED:** November 8, 2017

**REPORT NO:** HCR17-088

**ATTENTION:** Chair and Members of the San Diego Housing Commission  
For the Agenda of November 17, 2017

**SUBJECT:** Agency Financial Statements – First Quarter Fiscal Year 2018 (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 September 30, 2017 (Attachment 2).

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

**SOURCES OF FUNDS:** Total actual September 2017 year-to-date funding sources available were \$214.5 million, which was 1 percent, or \$3.2 million, lower 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, 2017 – June 30, 2018); however, the source of funds as well as the use of funds do not necessarily occur evenly throughout the year. The following explanations account for significant variances identified:

#### **Federal**

- The \$5.8 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 2018 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 will be available for use in other MTW programs in the future. In addition to the PTS program savings, the under-budget variance is also due to the expenses of the FY2018 Green Physical Needs Assessment (GPNA) initiative being scheduled to occur through the remainder of the fiscal year. As a result, the majority of this variance is expected to reverse by the end of Fiscal Year 2018 as contracts are executed and rehabilitation work is completed.

- The \$2.0 million under-budget variance in HOME funds is primarily related to the timing of loan payoffs. Because these payoffs are still anticipated to be received throughout the fiscal year, this variance is expected to reverse.
- The \$1.4 million over-budget variance in Community Development Block Grant and Other Federal Funds is primarily due to the timing of when the Affordable Housing Revolving Loan Fund was budgeted versus actually recognized. The budgeted amount was straight-lined throughout the year, while a significant portion of the revenue was recognized during the first quarter of Fiscal Year 2018.

### **Local**

- The \$4.9 million under-budget variance in SDHC Real Estate is primarily due to the timing of receipt of expected proceeds from utilizing equity of an SDHC owned property. This is expected to reverse as the proceeds are expected to be received later in the fiscal year.

Beginning fund balance represents the sources available from the end of the prior year. The \$7.7 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 2017 (July 1, 2016 – June 30, 2017), which are committed via Board Reports for the development of affordable housing units.

USES OF FUNDS: Total actual September 2017 year-to-date funding uses were \$214.5 million, which was 1 percent, or \$3.2 million, lower 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 uses of funds variances, excluding the ending fund balance, which was \$18.5 million or 24 percent under year-to-date budget primarily due to:

- Personnel expenses are under budget by \$2.2 million due to vacant positions within the agency. This variance is expected to partially reverse as positions are filled through the remaining three quarters of the fiscal year, some of which were filled during the fiscal year's second quarter.
- Housing Assistance Payment expense is under-budget by \$2.1 million due to savings from Phase II of the Path to Success program, as outlined in the under-budgeted revenue variance above.
- Grant expense is under budget by approximately \$1.2 million as a result of the execution and start of the next phase of HOUSING FIRST – SAN DIEGO, the Housing Commission's homelessness action plan. This variance is expected to reverse as the fiscal year progresses and homelessness efforts continue to increase.
- Loans made are under budget by \$5.9 million because of timing of when multifamily loans close. As this is a timing issue, this variance is expected to reverse by the end of the fiscal year.
- Capital purchases are under-budget by approximately \$5.9 million primarily due to the expenses within the Greens Physical Needs Assessment (GPNA) initiative being scheduled to occur through the remainder of the fiscal year. As a result, the majority of

this variance is expected to reverse by the end of the fiscal year as contracts are executed and rehabilitation work is completed.

Ending fund balance as of September 30, 2017, was \$154.4 million, which was 11 percent, or \$15.3 million, higher than budgeted year-to-date ending fund balance. This is a result of the lower than budgeted use of funds to date described above.

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

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

- Total Assets: \$705.0 million, Total Liabilities \$119.5 million, Net Position \$585.5 million
- Total Notes Receivable: \$285.9 million, which primarily consists of \$163.1 million funded by the HUD HOME Program and \$67.4 million funded by the City’s Affordable Housing Fund.
- Total Notes Payable: \$101.6 million, includes the Limited Liability Companies’ \$88.8 million Fannie Mae and Federal Housing Administration loans financed via Housing Commission property equity and \$8.2 million from Key Bank Real Estate Capital for the Smart Corner building.

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 at the security information desk in the main lobby and at 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](http://www.sdhc.org).

**SAN DIEGO HOUSING COMMISSION  
STATEMENT OF SOURCES AND USES  
FISCAL YEAR-TO-DATE AS OF SEPTEMBER 30, 2017**

	<u>YTD Actual</u>	<u>YTD Budget</u>	<u>Over/(Under) Budget</u>	<u>% Variance</u>
<b>SOURCES OF FUNDS</b>				
<b>NEW SOURCES</b>				
<b>FEDERAL</b>				
Section 8/MTW	46,369,000	52,192,000	(5,823,000)	-11%
HOME	1,635,000	3,695,000	(2,060,000)	-56%
Housing Innovation Funds	1,086,000	1,422,000	(336,000)	-24%
CDBG & Other Federal Funds	3,278,000	1,865,000	1,413,000	76%
<b>TOTAL FEDERAL</b>	<b>52,368,000</b>	<b>59,174,000</b>	<b>(6,806,000)</b>	<b>-12%</b>
<b>LOCAL</b>				
SDHC Real Estate	8,826,000	13,764,000	(4,938,000)	-36%
Unrestricted Funds	940,000	776,000	164,000	21%
Affordable Housing Fund	3,173,000	2,840,000	333,000	12%
Other Local Funds	1,429,000	1,025,000	404,000	39%
<b>TOTAL LOCAL</b>	<b>14,368,000</b>	<b>18,405,000</b>	<b>(4,037,000)</b>	<b>-22%</b>
<b>STATE</b>	<b>31,000</b>	<b>133,000</b>	<b>(102,000)</b>	<b>-77%</b>
<b>TOTAL NEW SOURCES</b>	<b>66,767,000</b>	<b>77,712,000</b>	<b>(10,945,000)</b>	<b>-14%</b>
<b>BEGINNING FUND BALANCE</b>	<b>147,702,000</b>	<b>139,963,000</b>	<b>7,739,000</b>	<b>6%</b>
<b>TOTAL SOURCES OF FUNDS</b>	<b>214,469,000</b>	<b>217,675,000</b>	<b>(3,206,000)</b>	<b>-1%</b>
<b>USES OF FUNDS</b>				
<b>PERSONNEL</b>				
Salaries and Wages	4,690,000	6,332,000	(1,642,000)	-26%
Fringe Benefits	1,810,000	2,374,000	(564,000)	-24%
<b>SUBTOTAL PERSONNEL</b>	<b>6,500,000</b>	<b>8,706,000</b>	<b>(2,206,000)</b>	<b>-25%</b>
<b>NON-PERSONNEL</b>				
Housing Assistance Payments	36,587,000	38,713,000	(2,126,000)	-5%
Grant Expense	4,140,000	5,337,000	(1,197,000)	-22%
Property Expenses	3,881,000	4,090,000	(209,000)	-5%
Professional Services	934,000	1,076,000	(142,000)	-13%
Services, Supplies & Other	1,172,000	1,945,000	(773,000)	-40%
Loans Made	5,815,000	11,714,000	(5,899,000)	-50%
Debt Principal Payments	601,000	683,000	(82,000)	-12%
Capital Expenditures	479,000	6,340,000	(5,861,000)	-92%
<b>SUBTOTAL NON-PERSONNEL</b>	<b>53,609,000</b>	<b>69,898,000</b>	<b>(16,289,000)</b>	<b>-23%</b>
<b>TOTAL FUNDS EXPENDED</b>	<b>60,109,000</b>	<b>78,604,000</b>	<b>(18,495,000)</b>	<b>-24%</b>
<b>ENDING FUND BALANCE</b>	<b>154,360,000</b>	<b>139,071,000</b>	<b>15,289,000</b>	<b>11%</b>
<b>TOTAL USES OF FUNDS</b>	<b>214,469,000</b>	<b>217,675,000</b>	<b>(3,206,000)</b>	<b>-1%</b>

**SAN DIEGO HOUSING COMMISSION  
STATEMENT OF FINANCIAL POSITION  
AS OF SEPTEMBER 30, 2017**

**ASSETS**

Cash	\$ 16,285,000
Restricted Cash	2,865,000
Accounts Receivable	9,992,000
Notes Receivable	285,942,000
Accrued Interest on Notes Receivable	40,097,000
Investments	138,712,000
Deposits Payable	528,000
Land, Buildings & Equipment	198,101,000
Prepaid Items & Other Assets	12,513,000
<b>TOTAL ASSETS</b>	<b><u>\$ 705,035,000</u></b>

**LIABILITIES & NET POSITION**

**LIABILITIES**

Accounts Payable	\$ 5,931,000
Notes Payable	101,622,000
Accrued Liabilities	8,430,000
Deferred Revenues	3,528,000
<b>TOTAL LIABILITIES</b>	<b><u>119,511,000</u></b>
<b>NET POSITION</b>	<b>585,524,000</b>
<b>TOTAL LIABILITIES &amp; NET POSITION</b>	<b><u>\$ 705,035,000</u></b>