



INFORMATIONAL REPORT

DATE ISSUED: March 1, 2018 **REPORT NO:** HCR18-036

ATTENTION: Chair and Members of the San Diego Housing Commission
For the Agenda of March 9, 2018

SUBJECT: Agency Financial Statements – Second 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 December 31, 2017 (Attachment 2).

FINANCIAL SUMMARY – SOURCES AND USES OF FUNDS:

SOURCES OF FUNDS: Total actual December 2017 year-to-date funding sources available were \$289.8 million, which was less than 1 percent, or \$0.4 million, higher than budgeted year-to-date funding sources. Given difficulty in predicting timing of funding, the budget is primarily spread out evenly across 12 months through the Fiscal Year (July 1, 2017 – June 30, 2018); the following explanations account for significant variances identified:

Federal

- The \$10.2 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 savings will be available to increase payment standards and for other MTW programs in the future. In addition to the PTS program savings, the under-budget variance is also due to the expenses relating to comprehensive renovation being scheduled to occur through the remainder of the fiscal year. As a result, the majority of this variance is expected to decrease by the end of Fiscal Year 2018 as contracts are executed and rehabilitation work is completed.
- The \$3.6 million under-budget variance in HOME 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 \$2.9 million over-budget variance in Community Development Block Grant (CDBG) 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 spread out evenly across 12 months through Fiscal Year 2018, while a significant portion of the revenue was recognized during the first quarter of Fiscal Year 2018 with respect to funding of the loan for New Palace.

Local

March 1, 2018

Agency Financial Statements – Second Quarter Fiscal Year 2018 (Unaudited)

Page 2

- The \$4.0 million under-budget variance in SDHC Real Estate is primarily due to the timing of receipt of expected proceeds from utilizing the equity of an SDHC-owned property. This is expected to reverse as the proceeds are expected to be received later in the fiscal year.
- The \$6.2 million over-budget variance in Affordable Housing Funds is due to higher than anticipated receipt of in-lieu fees throughout the first half of Fiscal Year 2018.

Beginning fund balance represents the sources available from 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 December 2017 year-to-date funding uses were \$289.8 million, which was less than 1 percent, or \$0.4 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 uses of funds variances, excluding the ending fund balance, which was \$37.8 million, or 19 percent, under year-to-date budget primarily due to:

- Personnel expenses are under budget by \$1.7 million due to natural attrition within the agency. This variance is expected to partially reverse as positions are filled through the remaining second half of the fiscal year.
- Housing Assistance Payment expense is under budget by \$3.7 million due to savings from Phase II of the Path to Success program, as outlined in the under-budget revenue variance above.
- Grant expense is under budget by approximately \$8.8 million as a result delay in the Transit-Oriented Development Fund, offset by costs incurred for the startup and first month of operation for the unbudgeted City of San Diego Temporary Bridge Shelters. This variance is expected to reverse as a result of the cost operations for the Temporary Bridge Shelters.
- Loans made is over budget by \$2.5 million because of timing of when multifamily loans close. As the timing of when loans are funded varies, this variance is expected to reverse to be back in line with expectations.
- Capital purchases are under budget by approximately \$21.9 million primarily due to: the unbudgeted sale of the Town and Country property (reduction in capital assets) to the Housing Commission's nonprofit affiliate, Housing Development Partners, and the delay of renovations to the Housing Commission's properties. Budgeted acquisitions for Fiscal Year 2018 are on track, as the two hotels: West Park Inn and Quality Inn were acquired in December 2017. The under-budget decrease is expected to reverse by the end of the fiscal year.

Ending fund balance as of December 2017 was \$141.2 million, which was 33 percent, or \$35.2 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 and is expected to reverse as the committed funds are executed over the remainder of the fiscal year for budgeted activities.

FINANCIAL SUMMARY – STATEMENT OF FINANCIAL POSITION:

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

- Total Assets: \$715.5 million, Total Liabilities \$115.0 million, Net Position \$600.5 million. (Net Position is the net value of all Housing Commission assets if they were liquidated, and outstanding debts and obligations were paid.)

March 1, 2018

Agency Financial Statements – Second Quarter Fiscal Year 2018 (Unaudited)

Page 3

- Total Notes Receivable: \$303.9 million, which primarily consists of \$169.2 million funded by the HUD HOME Program and \$77.0 million funded by the City's Affordable Housing Fund.
- Total Notes Payable: \$101.0 million, includes the Limited Liability Companies' \$83.4 million Fannie Mae and Federal Housing Administration loans financed via Housing Commission property equity and \$8.0 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 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.

**SAN DIEGO HOUSING COMMISSION
STATEMENT OF SOURCES AND USES
FISCAL YEAR-TO-DATE AS OF December 31, 2017**

	<u>YTD Actual</u>	<u>YTD Budget</u>	<u>Over/(Under) Budget</u>	<u>% Variance</u>
SOURCES OF FUNDS				
NEW SOURCES				
FEDERAL				
Section 8/MTW	94,249,000	104,420,000	(10,171,000)	-10%
HOME	3,809,000	7,390,000	(3,581,000)	-48%
Housing Innovation Funds	2,287,000	2,844,000	(557,000)	-20%
CDBG & Other Federal Funds	6,585,000	3,730,000	2,855,000	77%
TOTAL FEDERAL	106,930,000	118,384,000	(11,454,000)	-10%
LOCAL				
SDHC Real Estate	17,508,000	21,513,000	(4,005,000)	-19%
Unrestricted Funds	2,272,000	1,551,000	721,000	46%
Affordable Housing Fund	11,872,000	5,680,000	6,192,000	109%
Other Local Funds	3,276,000	2,050,000	1,226,000	60%
TOTAL LOCAL	34,928,000	30,794,000	4,134,000	13%
STATE	293,000	266,000	27,000	10%
TOTAL NEW SOURCES	142,151,000	149,444,000	(7,293,000)	-5%
BEGINNING FUND BALANCE	147,702,000	139,963,000	7,739,000	6%
TOTAL SOURCES OF FUNDS	289,853,000	289,407,000	446,000	0%
USES OF FUNDS				
PERSONNEL				
Salaries and Wages	11,578,000	12,664,000	(1,086,000)	-9%
Fringe Benefits	3,932,000	4,605,000	(673,000)	-15%
SUBTOTAL PERSONNEL	15,510,000	17,269,000	(1,759,000)	-10%
NON-PERSONNEL				
Housing Assistance Payments	73,716,000	77,426,000	(3,710,000)	-5%
Grant Expense	11,854,000	20,673,000	(8,819,000)	-43%
Property Expenses	8,093,000	7,641,000	452,000	6%
Professional Services	1,572,000	2,120,000	(548,000)	-26%
Services, Supplies & Other	2,678,000	3,637,000	(959,000)	-26%
Loans Made	25,933,000	23,427,000	2,506,000	11%
Debt Principal Payments	1,212,000	1,296,000	(84,000)	-6%
Capital Expenditures	8,074,000	29,940,000	(21,866,000)	-73%
SUBTOTAL NON-PERSONNEL	133,132,000	166,160,000	(33,028,000)	-20%
TOTAL FUNDS EXPENDED	148,642,000	183,429,000	(34,787,000)	-19%
ENDING FUND BALANCE	141,211,000	105,978,000	35,233,000	33%
TOTAL USES OF FUNDS	289,853,000	289,407,000	446,000	0%

**SAN DIEGO HOUSING COMMISSION
STATEMENT OF FINANCIAL POSITION
AS OF December 31, 2017**

ASSETS

Cash	\$ 20,504,000
Restricted Cash	2,962,000
Accounts Receivable	18,709,000
Notes Receivable	303,925,000
Accrued Interest on Notes Receivable	43,820,000
Investments	112,809,000
Deposits Payable	146,000
Land, Buildings & Equipment	204,365,000
Prepaid Items & Other Assets	8,311,000
TOTAL ASSETS	<u><u>\$ 715,551,000</u></u>

LIABILITIES & NET POSITION

LIABILITIES

Accounts Payable	\$ 4,160,000
Notes Payable	101,031,000
Accrued Liabilities	5,109,000
Deferred Revenues	4,704,000
TOTAL LIABILITIES	<u>115,004,000</u>
NET POSITION	600,547,000
TOTAL LIABILITIES & NET POSITION	<u><u>\$ 715,551,000</u></u>