



Good Neighbors

San Diego  
Housing Commission

## REPORT

### ITEM 107

DATE: For the Agenda of April 20, 2001

REPORT NO. HCR01-047

SUBJECT: Proposed Fiscal Year 2002 Budget

### SUMMARY

**Issue No. 1:** Should the Housing Commission recommend Housing Authority adoption of the proposed Fiscal Year 2002 (FY02) Budget?

**Recommendation No. 1:** Review and recommend Housing Authority adoption of the \$124.2 million FY02 Activity Based Budget as proposed (Attachment 1).

**Alternative:** Commissioners may wish to continue this matter until the next meeting on May 11, 2001 or set a special meeting and until that date delay adoption of the FY02 Proposed Budget in order to discuss the document more thoroughly.

**Fiscal Impact No. 1:** The proposed FY02 Budget anticipates revenues of \$124,211,543 from almost 70 sources. Approval of the proposed FY02 Budget will appropriate funds for the Agency to pursue the goals and objectives outlined in the proposed Budget document.

**Issue No. 2:** Should the Housing Commission seek authority from the Housing Authority to enable the Housing Commission to amend the approved FY02 Budget during the fiscal year?

**Recommendation No. 2:** That the Housing Authority continue to delegate limited authority to the Housing Commission to amend the FY02 Budget as described on Page 3 of this report, consistent with the policies, programs and activities approved by the Housing Authority, as it has in past years.

**Issue No. 3:** Should the Chief Executive Officer be authorized to amend the FY02 Budget when additional funding resources are available?

**Recommendation No. 3:** Continue to delegate limited authority to the Chief Executive Officer to amend the FY02 Budget consistent with policies, programs and activities approved by the Housing Authority, as in past years by providing the Chief Executive Officer authority to add or transfer funds up to \$100,000 that aligns with procurement authority levels.

**Issue No. 4:** Should the Housing Commission recommend that the Housing Authority approve the use of Section 8 Operating Reserves to support various City of San Diego related projects? HUD requires specific action to access this fund each year.

**Recommendation No. 4:** That the Housing Authority approve the use of Section 8 Operating Reserves to support various City of San Diego related projects.

**Affordable Housing Impact:** The proposed FY02 Budget allocates resources so that the Commission will continue to serve more than 50,000 San Diegans. In essence, the \$124.2 million FY02 Proposed Budget would enable the San Diego Housing Commission to:

- Assist 10,801 households to rent private housing.
- Subsidize approximately 580 first-time homebuyers.
- Produce over 530 additional affordable rental units.
- Oversee physical improvements to 1,920 homes and apartments.
- Manage 1,790 units of publicly-owned housing.
- Provide special purpose housing opportunities for 320 persons.
- Aid 625 families toward self-sufficiency.

**Previous Related Actions:** For Recommendation Numbers 1 - 3, the Housing Commission and Housing Authority approved similar delegation of budget authority on April 21, 2000 and June 6, 2000, respectively, along with the adoption of the FY01 Budget. For Recommendation Number 4, the Housing Commission and Housing Authority approved specific threshold levels for the withdrawal of Section 8 Operating Reserves on January 19, 2001 and January 30, 2001 respectively.

**Future Related Actions:** Following Housing Commission approval of the proposed FY02 Budget, this item will be presented for review to the City Council Committee on Land Use & Housing, and then to the Housing Authority for consideration. Prior to approval, the City's Financial Management staff will review the proposed Budget and issue a letter of opinion to the Housing Authority. Appropriate sections of the FY02 Budget will be submitted to the funding sources (State, HUD and City Council) for review and action as required.

## **BACKGROUND**

The Housing Commission's FY02 proposed budget is prepared as an activity-based budget. It contains prior year and proposed year data for comparison by activity. Also, the objectives for each activity shown in Section III of the budget document clearly delineate the expected performance measures. Available funds have been allocated to support multiple housing activities that address the increasingly critical affordable housing needs in San Diego.

## **DISCUSSION**

This report transmits the proposed FY02 Budget totaling \$124,211,543 an increase of \$2.0 million from the current FY01 Budget of \$122,180,104. The proposed FY02 Budget shows a two percent increase in proposed expenditures, which reflects, in large part, the addition of over 1,000 Vouchers received during FY01. The rent payments for these Vouchers will be annualized for FY02 along with a provision for rent increases for landlords. In addition, there has been the receipt of new revenues available to carry out certain functions. These increases have been partially offset by the obligation and/or expenditure of most HOME and Housing Trust Funds on various projects in the current fiscal year and will lead to substantially less carryover of funds from FY01 than occurred in FY00.

As in past years, it is expected that additional funding will become available during the coming year through grant application cycles not yet completed. Any increases in funding would result in amendments to the FY02 Budget.

### Delegation of Budget Authority

As in prior years, the Commission is seeking Housing Authority approval to amend the budget within certain limitations. Specifically, it is recommended that the Housing Authority authorize the Commissioners to amend the budget as follows, provided that the amendments are consistent with the policies, programs and activities approved by the Housing Authority:

- a. Addition of any unanticipated funds not to exceed \$250,000 that are made available during the course of the year;
- b. Transfer of funds of less than \$500,000 among activities within the FY02 Budget that do not impact the overall size of the Agency's annual budget;
- c. Addition of funding resulting from applications submitted with the approval of the Housing Authority.

The Housing Commission has previously delegated authority to amend the budget to the Chief Executive Officer. In previous years, this authority included adding and transferring funds up to \$50,000. In FY99, the Housing Commission increased the Chief Executive Officer's authority to expend funds from \$50,000 to \$100,000, and in FY00 the Housing Commission approved a parallel increase in authority for the Chief Executive Officer to amend the budget from \$50,000 to \$100,000.

This report proposes that the Chief Executive Officer's authority to amend the budget be maintained at \$100,000 as follows:

- a. Addition of funds resulting from applications submitted with the approval of the Housing Commission;
- b. Addition of up to \$100,000 available from other sources;
- c. Transfer of funds up to \$100,000 among line items within the FY02 Budget that do not impact the overall size of the Agency's annual budget.

Use of Section 8 Operating Reserves

Rather than providing a fixed dollar amount of administrative funding, Section 8 programs earn an administrative fee for each unit leased to encourage Housing Authorities to maintain maximum leasing of units. This fee currently provides greater income than is required to provide for the direct cost of program staff and support activities. The surplus administrative fees must be placed in the Operating Reserve at the end of each year and in the past were available for "general housing purposes," pursuant to the Board approved budget, without a specific Board action. These funds have provided for a variety of other housing purposes in the past including administrative support for programs that do not provide sufficient administrative funding, loans and grants to a variety of non-profits, litigation and insurance reserves.

HUD now requires that Housing Authorities amend their administrative plan to include a "threshold for the amount of expenditures that may be made from the Section 8 Operating Reserves for other housing purposes without approval of the Board." The Housing Commission and Housing Authority approved specific threshold levels for the withdrawal of Section 8 Operating Reserves on January 19, 2001 and January 30, 2001 respectively. These thresholds provided authorization for the withdrawal of Section 8 Operating Reserves of \$100,000 or less for the Chief Executive Officer, \$250,000 or less for the Housing Commission and over \$250,000 for the Housing Authority.

The Housing Commission supports a number of City of San Diego projects including the Winter Shelter, Fair Housing Council, Episcopal Community Services Work Program, Shared Housing, the City's Homeless Coordinator, Access Center and the Regional Task Force on the Homeless. Contracts for \$783,359 with these organizations have been executed for FY01 and it is estimated that contracts for \$802,255 will occur in FY02. This budget resolution proposes that the Section 8 Operating Reserves be utilized to provide for these costs.

Approval of the staff recommendations will allow this item to be forwarded to the Land Use & Housing Committee and Housing Authority for consideration and, if approved by the Housing Authority, will provide budget authority sufficient to continue implementation of the City's multifaceted strategy for the provision of affordable housing during FY02.

Respectfully submitted,

Steve Mikelman  
Director of Operations

**Signature on File  
With Original Document**

Approved by,

Elizabeth C. Morris  
Chief Executive Officer