



REPORT

DATE: December 14, 2001 **Item 107**
REPORT NO: HCR01-137
SUBJECT: Proposed FY02 Budget Revision (Citywide)

SUMMARY

Issue No. 1 - Should the Housing Commission recommend the following revisions in the Fiscal Year 2002 (July 2001 through June 2002) Budget to the Housing Authority?

- (1) Additions/Deletions of new revenue sources netting \$5,748,739 that includes \$6.2 million primarily for the additional 900 units awarded by HUD; and
- (2) Net additions of carryover funds totaling \$5,189,396 including \$4.5 million of development funds for projects whose anticipated FY2001 approvals did not occur until FY2002 and the balance in revenues that exceeded anticipated levels. The amount of carryover funds in the FY2002 budget is below the carryover amounts in prior years.

Recommendation No. 1 - Approve the revisions as shown on Attachment 1 increasing the FY02 budget by \$10,938,135.

Fiscal Impact No. 1 - Approval of this action will result in an overall increase of \$10,938,135 in the current budget from \$127,117,644 to \$138,055,779.

Issue No. 2 – Should the Housing Commission recommend that the City Council approve the use of Low Income Housing Capital Outlay (LIHCO) funds in the amount of \$48,549 for repairs at the Housing Commission’s State funded site located at 3222 Camulos St (District 2)?

Recommendation No. 2 –That the City Council approve the request to use LIHCO funds for the repair and replacement of stairways and landings at the Housing Commission’s twelve unit apartment complex located at 3222 Camulos St.

Fiscal Impact No. 2 - Approval of this action will result in the transfer of \$48,549 of LIHCO funds from this special purpose City fund to the Housing Commission.

Previous Related Actions: On May 29, 2001, the Housing Authority approved the FY02 Budget in the amount of \$124,211,543. Subsequent budget amendments detailed on Attachment 2 have increased the budget by \$2,906,101 to \$127,117,644.

BACKGROUND – ISSUE NO. 1

The FY02 Housing Commission Budget as approved on May 29, 2001 included estimates of carryover since exact amounts were not known until after the FY01 fiscal year closed on June 30, 2001. It was reported that these budget estimates would be adjusted upon final closeout of FY01 financial statements for each source.

Also, as the Housing Commission receives its funding from numerous federal, state and local sources, these revenues are subject to change and require periodic update to reflect these changes. Most of these funds are "restricted," i.e., funds are provided for a specific purpose and not available for discretionary allocation.

Due to the nature of funding restrictions on many of the Housing Commission's revenue sources and the fact that an equivalent level of administration costs more each year (inflation and salary increases), the Commission continues to experience administrative funding pressures. We have been monitoring the level of available revenues and expenditures; one-time revenues have bridged this gap for several years. Beginning in summer, the Management Team has been studying budget projections for the next five years and has developed a plan to reduce administrative spending.

This plan calls for an immediate reduction in supplies and services and anticipates the deletion of twelve positions in the FY03 Budget. The identification of positions to be deleted was based on workload distribution and the continuing emphasis on re-engineering processes. The positions deleted were primarily administrative; programs with increased funding, e.g. Rental Assistance, will continue to need additional staff. This budget information was shared with employees in November.

DISCUSSION – ISSUE NO. 1

This budget revision is primarily a reconciliation with current financial information. Carryover funds continue to be budgeted for their previously authorized use, and new funds are added in conformance with activities previously approved in grant applications.

There are two policy decisions recommended in this revision. First, the Commission has additional carryover of \$4.5 million in HOME and Housing Trust funds that resulted from cancellation of projects, the timing of project approvals and unexpected revenue from increased loan payoffs. It is recommended that these carryover funds continue to be utilized as initially budgeted, primarily in Rental Housing Production

for the tax credit projects approved during late FY01 and early FY02. Due to these project approvals, there remains no FY02 funds available for Rental Housing Production. The Land Use and Housing Committee authorized the Housing Commission to forward commit \$3 million of FY03 development funds for this year's Notice of Funding Availability.

The second policy decision concerns the staffing for programs. In FY01, the Housing Commission received about 1500 vouchers and 900 additional housing vouchers in August 2001. As a result, Rent to Owners is increased by \$6,879,740 in the proposed FY02 budget. These two awards increased the number of households that could be assisted to 11,096. In July, the Housing Commission approved a budget revision providing for extensive use of temporary staff, equipment, and space for a "lease up push" to utilize these vouchers as quickly as possible. The lease up push has been very successful; 1,423 units have been leased since July 2001, bringing the total of households assisted from 8,450 in July to 9,873 in November. (This increase is net the normal voucher turnover and portability of households from San Diego.)

To achieve the lease up goal by June 2002, this revision recommends that administrative cost be increased by \$542,280 to extend use of a reduced number of temporary employees from February 1 through June 30, 2002 with related supplies and costs (mileage, telephone, equipment). This temporary expenditure borrows from Reserves in order to achieve lease up. The program will become self-sustaining once again by the beginning of FY03.

In the longer term, the additional workload for permanent staff will continue to maintain the new vouchers; it is recommended that five positions be added in Rental Assistance, one Housing Supervisor position and four Housing Assistants II positions. The four recommended Housing Assistants positions will handle new caseloads and the Housing Supervisor is recommended for appropriate supervision and span of control.

Due to the termination of the property management contract by the current property management firm at the Housing Commission owned 132-unit Maya Apartment complex, it is recommended that the Asset Management Department of the Housing Commission resume management of the Maya Apartments. To accomplish this task, it is recommended that the Housing Commission utilize the same staffing pattern as the property management firm by adding one Senior Maintenance Technician position. One and one half Resident Manager positions, previously identified for deletion at year-end, will be transferred to the Maya property. This action will result in a cost savings of \$60,000 per year by eliminating the management fee paid to the private management company.

The following table summarizes the proposed changes in revenues for local, state and federal sources.

Revenues	Current Budget	Revision Budget	Proposed Budget	% of Change
Local Revenues	19,363,802	2,921,902	22,285,704	+15%
State Revenues	1,070,393	2,424	1,072,817	+0%
Federal Revenues	106,683,449	8,013,809	114,697,258	+8%
Total Revenues	127,117,644	10,938,135	138,055,779	+9%

Additional information concerning the changes for each source can be found on Attachment 4 and Attachment 5.

The following table summarizes the proposed changes in expenditures by major activity.

Activities	Current Budget	Revision Budget	Proposed Budget	% of Change
Housing Services	85,564,969	8,022,148	93,587,117	+9%
Hsg Finance & Dev	27,532,473	3,220,445	30,752,918	+12%
Operations 7,807,852	154,868	7,962,720	+2%	
Reserves	6,212,350	(459,326)	5,753,024	-7%
Total Revenues	127,117,644	10,938,135	138,055,779	+9%

Additional information concerning the changes for each line item for the agency can be found on Attachment 6.

Approval of the staff recommendations by Housing Commission and Housing Authority will increase the FY02 Budget by \$10,938,135 from \$127,117,644 to \$138,055,779.

BACKGROUND – ISSUE NO. 2

The Low Income Housing Capital Outlay Fund (LIHCO) is a separate fund in the City’s Capital Outlay Fund. It was established in 1979 and sale revenues derived from private, non-profit and Housing Commission developments on City owned land were deposited to this fund. These funds are required to be used by the Housing Commission for the acquisition, construction, and other improvements related to publicly owned low-income housing

development. Over time, these funds were utilized by the Housing Commission on various low-income development projects including Colonia Barrios, University Canyon, Rancho del Rio, and El Camino Public Housing. At this time, there is a remaining balance in the fund of \$48,549.

The Housing Commission owns an affordable family housing development at 3222 Camulos St. This site was developed through the State's Rental Housing Construction Program and contains eight two- bedroom and four three- bedroom units. Periodically the Housing Commission completes capital improvements to upgrade the physical condition at its developments to ensure they continue to be available to serve low-income families. Any use of LIHCO funds must be approved by the City Council.

DISCUSSION – ISSUE NO. 2

The scope of work required at 3222 Camulos St includes repair and replacement of stairways and landings; and building components including stucco, siding and wood trim at two structures. As funding is very limited through the State's Rental Housing program, staff proposes to utilize the LIHCO Fund to complete these repairs.

CONCLUSION

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

Respectfully submitted,

**Signature on File
With Original Document**

Approved by,

Edward P. Mauk CIA
Manager, Financial Services

Elizabeth C. Morris
Chief Executive Officer

STURTEVANT/MONTAGUE (ts\ops\FY02Revision\hc_rpt.doc)

- Attachment 1: Proposed FY02 Revised Budget by Activity
- Attachment 2: Previous FY02 Budget Revisions
- Attachment 3: Schedule of Agency Reserves
- Attachment 4: Agency Summary of Revenues
- Attachment 5: Detailed Explanation of Proposed Revenue Revisions
- Attachment 6: Agency Summary of Expenditures
- Attachment 7: Resolution Attachments

PROPOSED FY02 BUDGET REVISION

ATTACHMENT 1

PROPOSED FY02 BUDGET BY ACTIVITY

Activities	Current Budget	Revision	Proposed Budget	% of Change
Housing Services	85,564,969	8,022,148	93,587,117	9%
Rental Assistance	71,962,984	7,355,575	79,318,559	10%
Property Management	11,250,211	731,021	11,981,232	6%
Management	3,091,987	0	3,091,987	0%
Routine Maintenance	4,687,111	(13,546)	4,673,565	0%
Major Renovations	3,471,113	744,567	4,215,680	21%
Resident Services	2,351,774	(64,448)	2,287,326	-3%
Operation of Self Sufficiency	1,337,034	(60,207)	1,276,827	-5%
Operation of Youth, Family & Senior Prgs	1,014,740	(4,241)	1,010,499	0%
Housing Finance & Development	27,532,473	3,220,445	30,752,918	12%
Rental Housing Production	10,549,575	4,402,599	14,952,174	42%
Homeownership	5,270,787	(1,782,236)	3,488,551	-34%
Rehabilitation	4,711,221	447,741	5,158,962	10%
Portfolio Servicing & Occupancy Monitoring	2,210,984	51,885	2,262,869	2%
Special Purpose Housing	4,789,906	100,456	4,890,362	2%
Operations	7,807,852	154,868	7,962,720	2%
Board & Executive Functions	1,469,511		1,469,511	0%
Support Services	5,793,630	147,368	5,940,998	3%
Human Resources	647,815	7,500	655,315	1%
Information Systems	1,136,932	19,655	1,156,587	2%
Financial Management	1,706,225	0	1,706,225	0%
Equal Opportunity	1,032,229	80,681	1,112,910	8%
Organizational Development	218,692	0	218,692	0%
Facilities Management	1,051,737	39,532	1,091,269	4%
Community Relations	544,711	7,500	552,211	1%
Program & Contingency Reserves	6,212,350	(459,326)	5,753,024	-7%
FY01 Proposed Activity Based Budget	127,117,644	10,938,135	138,055,779	9%

EXPLANATION OF PROPOSED FY02 BUDGET REVISIONS BY ACTIVITY**Housing Services****1. Rental Assistance**

The increase of \$7,355,575 is primarily due to the increase of \$6.9 million in rent payments in FY02 resulting from the HUD award of 900 additional units that will provide 9,900 additional monthly landlord payments in FY02. The balance of the increase will provide for an additional 4.0 Housing Assistant II positions and 1.0 Housing Supervisor for the last six months of FY02, the continuation of a reduced number of temporary employees to complete the lease-up push by June 30, 2002 and related supplies and services.

2. Property Management-Management

There is no overall dollar change in this activity. However, due to the expected management of the Maya complex by Housing Commission staff starting in January, 2002, there is a transfer of \$34,962 from management fee for the property management firm to salaries and benefits to provide for 1.5 Resident Manager positions for the last six months of FY02.

3. Property Management-Routine Maintenance

The decrease of \$13,546 is due to additional equipment purchases late in FY01 resulting in less carryover from FY01 than had been anticipated. It should be noted that due to the expected management of the Maya complex by Housing Commission staff starting in January, 2002, there is a transfer of \$23,372 from management fee for the property management firm to salaries and benefits to provide for 1.0 Senior Maintenance Technician position for the last six months of FY02.

4. Property Management-Major Renovations

The increase of \$744,567 is primarily due to the new anticipated HUD award of \$887,616 for construction defect litigation and modernization. This increase was partially offset by additional contracts for extraordinary maintenance in FY01 resulting in less carryover of Capital Funds.

5. Resident Services-Operation of Self Sufficiency

The decrease of \$60,207 is primarily due to accelerated spending of \$62,631 that resulted in less carryover of resident services contracts than anticipated on Capital Fund, COMP Grant, ICAN Welfare to Work and Ross Links programs. These decreases were partially offset by an additional carryover of \$2,424 of Neighborhood Works funds.

5. Resident Services-Operation of Youth, Family & Senior Programs

The decrease of \$4,241 is primarily due to accelerated spending of \$25,087 resulting in less carryover of resident services contracts than anticipated on COMP Grant and the Public Housing Drug Elimination Programs. This decrease was partially offset by fewer contracts than had been anticipated on the Capital Fund resulting in additional carryover.

Housing Finance & Development**7. Rental Housing Production**

The increase of \$4,402,599 is primarily due to the \$4,236,286 of additional carryover of Housing Trust and HOME funds for loans and grants due to cancellation of projects, the timing of project approvals and unexpected revenue from increased loan payoffs. It is proposed that most of these carryover funds be utilized for the tax credit projects that have been approved during late FY01 and FY02. In addition, there was \$93,207 of additional carryover of HUD Development funds due to the delay in HUD approval of the Boston Avenue project and an additional award of \$15,806 for this project. Finally, there were additional new awards of \$35,700 for CDBG projects and \$21,600 of additional HOME funds.

8. Homeownership

The decrease of \$1,782,236 is due primarily to not receiving an anticipated new award of \$1,868,000 of CDBG funds. This decrease was partially offset by additional carryover of \$85,764 of HOME, CDBG and Linda Redevelopment funds resulting from the unanticipated return of loan loss reserves at Wells Fargo, cancelled Auditor's Certificates on completed projects and additional interest earnings.

9. Rehabilitation-Rental Housing

The decrease of \$10,480 is due to unanticipated additional project commitments in FY01 resulting in less carryover of HOME funds for loans and grants.

10. Rehabilitation-Owner Occupied

The increase of \$458,221 is primarily due to additional carryover of \$462,264 from FY01 of Rental Rehabilitation, HOME, Housing Rehabilitation Trust and several Redevelopment funds. This additional carryover resulted from higher loan payoffs, less loan activity in FY01 than anticipated and the return of loan loss reserves at Wells Fargo. Also, there was an additional award of new CDBG funds of \$110,550 while actual CDBG carryover was \$114,593 less than anticipated due to additional contracts executed in FY01.

Housing Finance & Development (continued)**12. Portfolio Servicing & Occupancy Monitoring**

The increase of \$51,885 is due to additional carryover of CDBG funds resulting from lower costs in FY01 than anticipated and higher interest earnings and is proposed to provide for site acquisitions in the event of foreclosures.

13. Special Purpose Housing

The increase of \$100,456 is due primarily to the contract with the County of San Diego to provide services for \$175,000 instead of the anticipated \$90,000 of HOPWA funds that will be utilized in conjunction with the Shelter Plus Care program. The balance of \$15,456 is sponsor administration on the Shelter Plus Care program that was not committed as expected in FY01.

Operations**14. Human Resources**

The increase of \$7,500 will provide fiduciary insurance coverage for members of the Housing Commission's investment committee.

15. Information Services

The increase of \$19,655 will provide computer and telephone equipment for the five new positions in Rental Assistance.

16. Equal Opportunity & Contracting

The increase of \$80,681 is primarily for the anticipated new awards of \$44,644 of CDBG, Casey Foundation and service contract funds for the Reinvestment Task Force. Also, due to administrative savings in FY01, there was carryover of \$36,037 of Economic Development and Support Services and City and County CDBG funds.

16. Facilities Management

The increase of \$39,532 is to continue to provide office space from February 2002 through June 2002 at the Gateway facility for the Rental Assistance staff involved in the lease up push.

17. Community Relations

The increase of \$7,500 is to continue to provide for contract contract/consultants and sundry for staff involved in the lease up push.

Reserves**18. Reserves**

These anticipated revenues from various sources are proposed to be placed in Reserves to provide for the future administration on many multi-year programs and for the contingency reserves for Litigation, Insurance and the Office Facility. The decrease of \$459,326 is due primarily to the decrease of \$429,661 in Section 8 Surplus Admin Fees and Local funds that resulted from subsidizing the cost of the Rental Assistance lease up push. It is expected that this investment of funds in FY02 will provide increased Section 8 Surplus Admin Fees in FY03 sufficient to recoup this investment.

The remaining decrease of \$29,665 is primarily due to the \$103,920 decrease in SEDC funds as several anticipated contracts for homeownership are not expected and therefore will not provide administrative funding. This decrease was partially offset by increased carryover of \$74,255 of Capital Fund, Ross Links I and II, Shea Homes, and various Reinvestment Task Force funds resulting from unexpected additional income and/or administrative savings in FY01. These sources of unanticipated income, administrative savings and canceled A/C's have been targeted to provide for the supplemental funding required in FY02 and FY03 for the administration and operation of these programs.

PREVIOUS FY02 BUDGET REVISIONS

<u>DATE OF REVISION</u>	<u>AMOUNT</u>	<u>APPROVING AUTHORITY</u>	<u>COMMENTS:</u>
	124,211,543		Approved Original Budget
07/31/01	937,649	Housing Authority	Incorporate additional Section 8 Voucher funds to various accounts for lease-up
07/31/01	470,000	Housing Authority	Incorporate additional CDBG funds for Special Purpose Loans & Grants
07/31/01	287,520	Housing Authority	Incorporate additional Shelter Plus Care funds for Special Purpose Loans & Grants, Rent to Owners, & Reserves
08/27/01	24,750	CEO	Incorporate CDBG Vitenam Veterans funds for Special Purpose Loans & Grants
08/28/01	0	CEO	Transfer funds from Reserves to Special Purpose Loans & Grants
08/29/01	0	CEO	Transfer funds from Resident Services Contracts to Sundry
09/04/01	0	CEO	Transfer funds from Reserves to Property Management Major Renovations for Litigation & Consultants
09/04/01	0	CEO	Transfer funds from Reserves to Resident Services for Equipment
09/10/01	15,815	CEO	Incorporate additional Drug Elimination funds for Sundry and Resident Services activities
09/13/01	0	CEO	Transfer funds from Reserves to Property Management Major Renovations for Litigation & Consultants
09/18/01	1,106,949	Housing Authority	Incorporate additional Supportive Housing Program funds for Special Purpose Loans & Grants & Reserves
09/20/01	0	CEO	Transfer funds from Reserves to Rental Assistance Loans & Grants for Security Deposit Program
09/25/01	0	CEO	Transfer funds from Reserves to Financial Management for Benefits
09/29/01	35,808	CEO	Incorporate Family Health Center funds for Resident Services Salaries & Benefits & Reserves
10/02/01	27,610	CEO	Incorporate additional Welfare to Work funds for Resident Services Consultants
10/04/01	0	CEO	Transfer funds from Sundry to Equipment in Property Management Routine Maintenance
	<u>127,117,644</u>		

SCHEDULE OF AGENCY RESERVES

Type of Reserve	FY02 Proposed Use	FY01 Amount	FY02 Original	FY02 Current	FY02 Proposed
I Program Reserves					
The Program Reserves provide for future personnel, services and supplies and/or housing programs on specific multi-year housing programs and decrease over time unless new resources are awarded.					
CAL HOME Program	Administration for FY03	-	16,000	16,000	16,000
California Wellness Foundation	Administration for FY01	8,473	-	-	-
Capital Fund	Admin & Hsg Prog for FY03 & FY04	389,389	498,933	520,138	529,170
CDBG Vietnam Veterans	Administration for FY03	-	-	2,250	2,250
City Property Management	Administration for FY02 & FY03	1,399	-	-	1,455
Comprehensive Grant	Admin & Hsg Prog for FY02	165,209	-	-	-
Conventional	Administration for FY02 & FY03	4,780	2,478	2,478	2,478
EDD Community Works	Administration for FY01	1,436	-	-	-
Family Health Centers of San Diego	Administration for FY03	-	-	12,012	12,012
FSS Coordinator - Section 8	Administration for FY02 & FY03	71,550	22,020	22,020	22,020
HOME	Admin & Hsg Prog for FY03 & FY04	915,432	838,203	838,203	839,758
Housing Counseling	Administration for FY02	192,950	-	-	-
ICAN Welfare to Work	Administration for FY02	64,745	-	-	-
Knox Glen	Administration for FY02	29,960	-	-	-
Linda Vista Redevelopment	Administration for FY02	618	-	-	-
Local Funds	Administration for FY03 & FY04	1,783,615	1,602,605	1,527,905	1,241,755
Market Street Redevelopment	Administration for FY02	245	-	-	-
Moving to Work Tech Asst	Administration for FY03	71,096	46,450	46,450	46,450
MT. Hope Redevelopment	Administration for FY02	160	-	-	-
PH Drug Elimination	Admin & Hsg Prog for FY02 & FY03	105,970	331,975	331,975	331,975
ROSS Links I&II	Administration for FY02 to FY04	498,956	237,213	237,213	266,573
RTF Contracts	Administration for FY03	-	-	-	10,702
Section 8 Surplus Admin Fees	Administration for FY03	1,338,695	305,675	305,675	162,164
Shea Homes	Administration for FY03	48,330	65,030	65,030	89,552
Shelter Plus Care	Administration for FY02 to FY07	139,732	90,629	102,129	104,578
Southcrest Redevelopment	Administration for FY02 & FY03	10,587	4,000	4,000	4,000
Southeast Economic Dev Corp	Admin & Housing Programs for FY02	69,857	108,740	108,740	-
Supportive Housing	Administration for FY03	-	-	26,314	26,314
UC Drug Elimination	Administration for FY02	11,900	-	-	-
WP - Neighborhood Works	Administration for FY01	54,287	-	-	-
Maya Apartments	Future Extraordinary Maintenance	179,000	126,145	126,145	126,145
State Rental Housing	Future Extraordinary Maintenance	21,772	-	-	-
		6,180,143	4,296,096	4,294,677	3,835,351
II Contingency Reserves					
The Contingency Reserves include amounts to provide for potential litigation, uninsured losses, unallocated reserves and other sources dependent on future actions. The unexpended Contingency Reserves will be rebudgeted in the following year.					
Local Funds	Provide for potential litigation	240,000	300,000	300,000	300,000
Local Funds	Provide for uninsured losses	300,000	300,000	102,000	102,000
Local Funds	Provide for office facility	1,015,673	1,515,673	1,515,673	1,515,673
	Subtotal	1,555,673	2,115,673	1,917,673	1,917,673
Total Program & Contingency Reserves		7,735,816	6,411,769	6,212,350	5,753,024

Agency Summary of Revenues

	Current FY02 Budget (Column A)	Proposed FY02 Revisions (Column B)	Revised FY02 Budget (Column C)	% of Chg Rev/Curr (Column D)
Revenues				
Bond Program	3,401,842	536,100	3,937,942	16%
CAL HOME Program	516,000	0	516,000	0%
Capital Fund	3,906,398	(142,419)	3,763,979	-4%
Casey Foundation	15,000	15,000	30,000	100%
CDBG	5,679,526	(1,508,974)	4,170,552	-27%
City's Properties Management	7,491	1,455	8,946	19%
City's Economic Development & Community Services	0	2,294	2,294	0%
City's Women's Shelter	150,000	0	150,000	---
Coastal Housing	151,800	139,360	291,160	92%
Comprehensive Grant Program	189,003	(14,304)	174,699	-8%
Condo Conversion	143,550	1,068	144,618	1%
Conventional Operating Management	7,369,088	0	7,369,088	0%
County CDBG RTF	50,000	1,082	51,082	2%
County HOPWA	0	85,000	85,000	0%
Discretionary	3,642,553	(504,974)	3,137,579	-14%
Family Health Centers of San Diego	35,808	0	35,808	0%
FSS Coordinator Section 8	75,391	0	75,391	0%
HOME	10,728,036	2,257,201	12,985,237	21%
Housing Rehabilitation Trust Fund	214,293	268,076	482,369	125%
HTF - CDBG	141,830	10,677	152,507	8%
HTF - Fay Avenue	8,617	(8,004)	613	-93%
HTF - Linkage Fees	5,135,825	1,555,195	6,691,020	30%
HTF - Redevelopment Agency	201,544	691,912	893,456	343%
HTF - Transient Occupancy Tax	5,326	11,814	17,140	222%
HUD Development Project	759,739	93,207	852,946	12%
HUD Modernization Funds	0	887,616	887,616	0%
Knox Glen	750,254	37,532	787,786	---
Lease Sale Proceeds	1,535,331	121,791	1,657,122	8%
Low Income Capital Outlay	48,579	0	48,579	0%
MAAC CIOF Youth Training	2,406	0	2,406	---
Market Street Redevelopment	278,668	51,508	330,176	18%
Maya Apartments	1,113,383	0	1,113,383	0%
Moving to Work Technical Assistance	75,000	0	75,000	---
Mt Hope Rehabilitation Project	137,432	(48,753)	88,679	-35%
Public Housing Drug Elimination	589,596	(7,616)	581,980	-1%
Redevelopment Agency - Linda Vista	24,845	640	25,485	3%
Rental Rehabilitation	338,532	187,479	526,011	55%
ROSSLinks I	211,017	(4,167)	206,850	-2%
ROSSLinks II	499,334	666	500,000	0%
RTF Contracts	33,654	16,346	50,000	49%
SDCCD ICAN Implementation & Welfare to Work Programs	95,858	(1,489)	94,369	-2%
Section 8 Existing	1,500,303	0	1,500,303	0%
Section 8 Housing Counseling	382,525	3,590	386,115	1%
Section 8 Mariner's Cove	624,703	0	624,703	0%
Section 8 Moderate Rehabilitation	1,617,687	12,968	1,630,655	1%
Section 8 Move to Work	335,483	34,227	369,710	10%
Section 8 University Canyon	582,888	0	582,888	0%
Section 8 Voucher	69,484,885	6,193,307	75,678,192	9%
Service Coordinators for PHA	62,899	0	62,899	0%
Shea Homes	500,000	24,522	524,522	5%
Shelter Plus Care	427,252	17,905	445,157	4%
Southcrest Redevelopment Agency	50,194	22,490	72,684	45%
Southeast Economic Development Corp	463,740	(108,740)	355,000	-23%
State Rental	554,393	0	554,393	0%
Supportive Housing Program	1,106,949	3,123	1,110,072	0%
University Canyon Drug Elimination	137,215	0	137,215	0%
University Canyon Management	1,024,009	0	1,024,009	0%
WP Neighborhood Works	0	2,424	2,424	0%
Total Budget	127,117,674	10,938,135	138,055,809	9%

DETAILED EXPLANATION OF PROPOSED REVENUE REVISIONS

The following chart details the \$10,938,135 Budget Revision by each major component of restricted and non-restricted revenue.

Revenues	Current Budget	Revision Budget	Proposed Budget	% of Change
Restricted Revenues				
Section 8	74,603,685	6,244,092	80,847,957	+ 8%
Other HUD	15,333,490	834,011	16,167,501	+ 5%
State	1,070,393	2,424	1,072,817	+ 0%
CDBG	5,679,526	-1,508,974	4,170,552	- 27%
Categorical Local	<u>4,995,584</u>	<u>366,963</u>	<u>5,362,547</u>	+ 7%
Sub-Total	101,682,858	5,938,516	107,621,374	+ 6%
Non-Restricted Revenues				
Rental Rehabilitation	338,532	187,479	526,011	+ 55%
Local	8,875,076	293,345	9,168,421	+ 32%
Housing Trust Fund	5,493,142	2,261,594	7,754,736	+ 41%
HOME	<u>10,728,036</u>	<u>2,257,201</u>	<u>12,985,237</u>	<u>+ 21%</u>
Sub-Total	25,434,786	4,999,619	30,434,405	+ 20%
Total Revenues	127,117,644	10,938,135	138,055,779	+ 9%

For ease of review, this budget revision has been divided into four sections that are:

1. Restricted Carryover Funding adjustments (+ \$278,144)
2. Restricted New Funding adjustments (+ \$5,660,372)
3. Non-Restricted Carryover Funding adjustments (+ \$4,911,252)
4. Non-Restricted New Funding Adjustments (+ \$88,367)

Each of these sections is explained on the following pages.

1. Restricted Carryover Funding Adjustments + \$278,144

The following is a detailed listing of all Restricted carryover funding adjustments.

- A. + \$ 216,050 Additional carryover of Linda Vista, Market Street, Mt. Hope, Southcrest Redevelopment funds and Rehabilitation Trust Funds primarily for Homeownership and Rehabilitation loans and grants.
- B. + \$ 153,181 Additional carryover of CDBG funds resulting from lower activity than expected primarily on foreclosure activity and administrative savings. It is proposed that these funds be utilized as budgeted in FY01. The carryover of administrative funds is proposed to substitute for local funds and increase the program reserves.
- C. + \$ 93,207 HUD Development carryover funds resulting from HUD delays in approval of the Boston Avenue project. These funds will increase site acquisition/housing development in Rental Housing Production.
- D. + \$ 87,913 Additional carryover of City Property Management, Knox Glen, Shea Homes, Shelter Plus Care and Supportive Housing and various Reinvestment Task Force funds. The increased carryover funding ranged from \$1,082 to \$37,532. These funds have been incorporated in grants for sponsor administration in Special Purpose Housing, increased the Reinvestment Task Force in Equal Opportunity and Compliance and Property Management to substitute for local funds in administration and increase the program reserves.
- E. + \$ 58,986 Additional carryover of Move to Work and Section 8 Voucher funds for additional rent to owners and reserves.

- F. - \$ 6,592 Additional carryover of several Resident Services funds including the Housing Counseling, ICAN Welfare to Work, Neighborhood Works, Drug Elimination and Ross Links I and II. The reduced carryover funding ranged from -\$7,616 to \$3,590. These funds have been incorporated primarily in reserves, service contracts and in other line items as they were approved in FY01 in Resident Services.

- G. - \$ 103,920 The decrease in SEDC funds is due to several anticipated contracts for homeownership that are not expected and therefore will not provide administrative funding.

- H. - \$ 220,681 The decrease in carryover of Capital Fund and COMP Grant funds is due primarily to the unanticipated completion of Extraordinary Maintenance in FY01. This was partially offset by additional carryover of funds for Dwelling Equipment, Relocation and Resident contracts and it is proposed that these funds be utilized as budgeted in FY01 in Major Renovations and Resident Services.

2. Restricted New Funding Adjustments +\$5,660,372

The following is a detailed listing of all Restricted new funding adjustments.

- A. +\$6,181,516 The new award of 900 additional Voucher units and the expected 3% higher average contract rents than originally forecast will provide for an increase in rent to owners of \$6,829,341. Due to the underlease of the Voucher units in FY02, there is a reduction of \$663,091 in expected new administrative fees that have been replaced by \$492,137 of Local funds and a draw of \$170,954 of FY01 Section 8 Surplus Admin Fees. It is expected that this investment of funds in FY02 will provide increased Section 8 Surplus Admin Fees in FY03 sufficient to recoup this investment. Finally, the administrative fee increase by HUD will provide for an increase in Reserves in Move to Work and Moderate Rehabilitation of \$15,266.

- B. +\$ 887,616

It is expected that HUD will provide \$887,616 of remaining funds from old development projects. These funds will be utilized to provide for modernization of existing housing stock and provide for litigation of construction defects.
- C. +\$ 142,035

Agreements with Wells Fargo included loan loss reserve funds to provide for 10% collateralization of loans made by the bank. As this loan portfolio has decreased in size, \$142,035 of collateral is being returned and it is proposed that these Housing Rehabilitation and CDBG funds provide for additional shared equity loans in Homeownership and additional owner-occupied Rehabilitation loans.
- D. +\$ 111,526

The HOPWA contract with the County of San Diego will provide services for \$175,000 instead of the anticipated \$90,000 and will be utilized in conjunction with the Shelter Plus Care program. Also, the Reinvestment Task Force is expected to receive an additional \$31,346 of funds and these have been incorporated in contract/consultants in Equal Opportunity and Reserves. In addition, there is a \$4,820 decrease in expected SEDC funds as several anticipated contracts for homeownership are not expected and therefore will not provide administrative funding.
- E. +\$ 63,958

Additional HUD award of \$63,958 of Capital funds which are proposed to be used for Extraordinary Maintenance in Major Renovations, development in Rental Housing Production and Reserves for administrative costs in FY03 and FY04.
- D. - \$ 1,726,279

The decrease in CDBG funds is due primarily to the actual award from the City of San Diego did not include \$1,868,000 of expected funds for Homeownership. This decrease was partially offset by additional funds of \$168,250 for Rental Housing Production, Rehabilitation and the Reinvestment Task Force and a reduced award

amount of \$26,529 for Portfolio Services and Occupancy Monitoring Homeownership and Board and Executive Functions.

3. Non-Categorical Carryover Funding Adjustments + \$4,911,252

The following is a detailed listing of all Non-categorical carryover funding adjustments.

- A. +\$ 2,233,201 Additional carryover of HOME funds is due primarily to cancellation of projects, the timing of project approvals, program and administrative savings and unexpected revenue from increased loan payoffs. It is proposed that \$2,079,135 of these carryover funds be utilized as initially budgeted in FY01 for Rental Housing Production and will fully utilize this funding for the tax credit projects that have been approved during late FY01 and FY02. Also, \$10,220 has been incorporated in loans and grants in Homeownership and Rehabilitation as they were approved in FY01. The balance of carryover of \$143,846 is administrative funds resulting from administrative savings and greater program income from loan payoffs and these funds are proposed to substitute for Local Funds in Rental Housing Production and will increase program reserves.
- B. +\$ 228,978 Additional carryover of Local funds resulting primarily from \$135,440 of additional NCFUA fees and \$93,538 of additional bond fees, lease payments, SRO fees, loan fees and payoffs, interest earnings and surplus Maya income. In addition, there was administrative savings and the release of some continuing appropriations. This amount is proposed primarily to increase Program Reserves to provide for FY03 administration for federal, state and local programs that do not provide sufficient administrative funding.
- C. +\$ 2,261,594 Additional carryover of Housing Trust Funds is due primarily to cancellation of projects, the timing of project approvals, program and administrative savings and unexpected revenue from increased loan payoffs. It is proposed that \$2,157,151 of these carryover funds be utilized as initially budgeted in FY01 for Rental Housing Production and will fully utilize this funding for

the tax credit projects that have been approved during late FY01 and FY02. Also, \$5,589 has been incorporated in loans and grants in Rehabilitation as they were approved in FY01. The balance of carryover of \$98,854 is administrative funds resulting from administrative savings and greater program income from loan payoffs and these funds are proposed to substitute for Local Funds in Rental Housing Production and Rehabilitation and will increase program reserves.

B. +\$ 228,978

Additional carryover of Local funds resulting primarily from \$135,440 of additional NCFUA fees and \$93,538 of additional bond fees, lease payments, SRO fees, loan fees and payoffs, interest earnings and surplus Maya income. In addition, there was administrative savings and the release of some continuing appropriations. This amount is proposed primarily to increase Program Reserves to provide for FY03 administration for federal, state and local programs that do not provide sufficient administrative funding.

D. +\$ 187,479

Due to timing of project approvals, there was greater carryover of Rental Rehabilitation funds than anticipated in FY01. This amount is proposed to increase Rehabilitation loans along with a small decrease in Special Purpose Housing.

4. **Non-Categorical New Funding Adjustments +\$88,367**

D. +\$ 64,367

Agreements with Wells Fargo included loan loss reserve funds to provide for 10% collateralization of loans made by the bank. As this loan portfolio has decreased in size, \$64,367 of collateral is being returned and it is proposed that these Local funds provide for an increase in Program Reserves to provide

for FY03 administration for federal, state and local programs that do not provide sufficient administrative funding.

D. +\$ 24,000

HUD provided \$24,000 additional HOME funds and it is proposed that these funds provide \$21,600 for Rental Housing Production and the balance for Program Reserves to provide for FY03 administration.

Agency Summary of Expenditures

	Current FY02 Budget (Column A)	Proposed FY02 Revisions (Column B)	Revised FY02 Budget (Column C)	% of Chg Rev/Curr (Column D)
Staffing	249.75	3.75	253.50	2%
Expenditures				
1 Salaries & Benefits	14,998,419	187,101	15,185,520	1%
Services & Supplies				
2 Legal	452,365	200,000	652,365	44%
3 Training	250,536	(60)	250,476	0%
4 Travel	111,942	800	112,742	1%
5 Audit	49,878	0	49,878	0%
6 Contract/Consultant	2,765,458	444,266	3,209,724	16%
7 Office Rent	848,160	0	848,160	0%
8 Facility Expenses	976,856	39,532	1,016,388	4%
9 Data Processing	152,897	0	152,897	0%
10 Sundry	1,628,525	43,719	1,672,244	3%
11 Insurance	198,485	7,500	205,985	4%
12 Equipment	497,365	9,179	506,544	2%
Total Services & Supplies	7,932,467	744,936	8,677,403	9%
Housing Programs				
13 Resident Services Contracts	1,127,392	(63,860)	1,063,532	-6%
14 Maintenance Contract Costs	1,705,379	0	1,705,379	0%
15 Utilities	1,563,006	0	1,563,006	0%
16 PILOT & Property Taxes	19,561	0	19,561	0%
17 Collection Loss	46,205	0	46,205	0%
18 Mortgage Payments	784,620	0	784,620	0%
19 Protective Services	166,553	0	166,553	0%
20 Rent to Owners	66,180,899	6,879,740	73,060,639	10%
21 Loans & Grants	21,336,611	3,059,547	24,396,158	14%
22 Relocation	154,340	1,987	156,327	1%
23 Site Acquisition & Housing Development	2,357,922	160,898	2,518,820	7%
24 Extraordinary Maintenance	2,388,248	402,228	2,790,476	17%
25 Dwelling Equipment	143,672	24,884	168,556	17%
Total Housing Programs	97,974,408	10,465,424	108,439,832	11%
Program & Contingency Reserves	6,212,350	(459,326)	5,753,024	-7%
Total Budget	127,117,644	10,938,135	138,055,779	9%