



SAN DIEGO
HOUSING
COMMISSION

INFORMATIONAL REPORT

DATE ISSUED: June 9, 2016 **REPORT NO:** HCR16-057

ATTENTION: Chair and Members of the San Diego Housing Commission
For the Agenda of June 17, 2016

SUBJECT: Agency Financial Statements – Third Quarter Fiscal Year
2016 (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) Agency Financial Statements Report is to show year-to-date increases and decreases of actual sources and uses of funds compared to Housing Commission Board-approved budgeted amounts (Attachment 1). The report also provides summary explanations for significant year-to-date increases and decreases and a Balance Sheet as of March 31, 2016, (Attachment 2) to outline Housing Commission Assets, Liabilities and Fund Balance.

FINANCIAL SUMMARY – SOURCES AND USES OF FUNDS:

SOURCES OF FUNDS: Total actual March 31, 2016 year-to-date funding sources earned were \$314.7 million, which was 9 percent, or \$25.7 million, higher than budgeted year-to-date funding sources. This was primarily due to the change in beginning fund balance and transfers of \$21.2 million, which resulted from unexpected developer fees received late in Fiscal Year 2015 (July 1, 2014 – June 30, 2015) and higher than anticipated Property Reserves.

As of March 31, 2016, total Federal sources were \$5.6 million lower than budgeted, while total Local sources were \$10.6 million higher than budgeted, primarily due to:

Federal

- A \$2.8 million under budget variance in Section 8/Moving to Work (MTW) funding, which is a result of the second phase of the Housing Commission's Path to Success program. This program modifies the method used to determine the monthly rent payment amounts for Section 8 Housing Choice Voucher and public housing participants; it sets minimum monthly rent payment amounts for participants who are identified as able to work. These savings will be available for use in other MTW programs in the future.
- Federal HOME Investment Partnerships Program (HOME) funds ending with a \$2.9 million under budget variance. This is a direct result from the timing of multifamily loans; it is not expected to fully reverse this fiscal year. HOME funds are awarded by the U.S. Department of

Housing and Urban Development to the City of San Diego and are administered by the Housing Commission.

Local

- The \$1.1 million increase in local funds over the budget amount in Housing Commission Real Estate is primarily due to the receipt of Insurance Proceeds, which were unbudgeted for Fiscal Year 2016, on State Sites that are being converted to Federal Public Housing operated by the Housing Commission.
- The \$1.0 million increase in Unrestricted Funds and \$1.6 million increase in Redevelopment Agency Funds are primarily due to the Island Village loan payoff. In addition to funds received from the loan payoff itself, the Housing Commission also received additional bond administration fees.
- City of San Diego Affordable Housing Funds, which are administered by the Housing Commission, are \$6.8 million over the budgeted amount, which is primarily due to the Island Village loan payoff of \$4.3 million, as well as additional in lieu fees of \$3.1 million received for the fiscal year. These increases were offset by Homeownership loans receiving \$730,000 less than anticipated in program income receipts.

USES OF FUNDS: Total actual March 31, 2016 year-to-date funding uses were \$314.7 million, which was 9 percent, or \$25.7 million, higher than budgeted year-to-date funding uses. The variance primarily due to a \$50.2 million increase over the budget amount relating to the beginning fund balance and transfers (discussed above), as well as the change in Fund Balance due to delays in loans made and grant expense in 2016, which was offset by a \$24.5 million below budget variance within the personnel and non-personnel uses categories. Staff expects most of this to reverse by the end of the fiscal year.

The explanations below describe the significant variances contributing to the \$24.5 million decrease in the budgeted amount:

- The \$2.0M decrease below the budget amount in personnel costs is due to agency-wide vacancies within the Housing Commission's Operations Support Departments, Rental Assistance Division and Real Estate Division, as well as funds budgeted for the Classification and Compensation Study. The results of the Classification and Compensation Study, which was approved by the Housing Commission Board on May 6, 2016 (Report No. HCR16-039), will be implemented July 1, 2016.
- The \$2.5 million decrease below the budget amount in grants expenditures is due primarily to the timing of grant disbursements and is substantially expected to reverse in the current fiscal year. The exception is \$993,000 related to the renovation of the historical Hotel Churchill that was budgeted in fiscal year 2016 (July 1, 2015 – June 30, 2016); however, was actually expended in the prior fiscal year.
- The \$1.5 million decrease below the budget amount in services, supplies and other expenditures is primarily due to the timing of purchased software and equipment for projects not yet in process. This is expected to partially reverse in the current fiscal year.
- The \$11.3 million decrease below the budget amount in loans made is primarily due to the timing of the disbursements on multifamily loans. Even though the loans have been approved, loan disbursements have not occurred as of March 31, 2016, as conditions necessary for payment remain outstanding. This variance is expected to partially reduce in the current fiscal year. Additionally,

applications for the FY2016 Permanent Supportive Housing Notice of Funding Availability (PSH NOFA) are currently under review. While approvals should be obtained by Fiscal Year-End 2016, expenditure is not likely to occur until Fiscal Year 2017.

- The \$3.4 million decrease below the budget amount in capital expenditures is primarily due to timing of expenditures related to conversion of State Sites properties into Federal public housing operated by the Housing Commission. The majority of this variance is expected to decrease within the current fiscal year, which is to be offset from savings amounting from timing of Green Physical Needs Assessment expenditures.

FINANCIAL SUMMARY – BALANCE SHEET:

Balance Sheet Highlights and Selected Notes (Attachment 2):

- Total Assets: \$620.2 million, Total Liabilities \$117.5 million, Fund Balance \$502.8 million
- Total Notes Receivable: \$268.9 million, which primarily consists of \$157.4 million funded by the HOME Investment Partnerships Program (funds granted by the U.S. Department of Housing and Urban Development to the City of San Diego, which are administered by the Housing Commission) and \$54.4 million funded by the City of San Diego's Affordable Housing Fund.
- Total Notes Payable: \$107.4 million, includes the Limited Liability Companies' \$87.8 million FNMA and FHA financed via Housing Commission property equity and \$9.2 million from GE Capital for the Smart Corner building and other various payables.

Respectfully submitted,



Tracey McDermott
Vice President of Financial Services &
Chief Financial Officer

Approved by,



Jeff Davis
Executive Vice President & Chief Operating Officer
San Diego Housing Commission

Attachment(s):

1. Year-to-Date Statement of Sources and Uses
2. Agency Balance Sheet

Hard copies are available for review during business hours at the security information desk 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 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, 2016**

	<u>YTD Actual</u>	<u>YTD Budget</u>	<u>Over/(Under) Budget</u>	<u>% Variance</u>
SOURCES OF FUNDS				
FEDERAL				
Section 8/MTW	124,387,334	127,187,639	(2,800,305)	-2.2%
HOME	7,070,493	10,000,583	(2,930,090)	-29.3%
Housing Innovation Funds	3,217,837	3,489,189	(271,352)	-7.8%
Rehabilitation Funds	191,190	-	191,190	100.0%
CDBG	1,641,824	1,035,084	606,740	58.6%
Other Federal Funds	153,332	534,776	(381,444)	-71.3%
SUBTOTAL FEDERAL	136,662,010	142,247,271	(5,585,261)	-3.9%
LOCAL				
SDHC Real Estate	23,671,136	22,579,167	1,091,969	4.8%
Unrestricted Funds	3,096,017	2,090,991	1,005,026	48.1%
Affordable Housing Fund	11,797,195	5,002,331	6,794,864	135.8%
Other Local Funds	4,729,671	3,050,581	1,679,090	55.0%
SUBTOTAL LOCAL	43,294,019	32,723,070	10,570,949	32.3%
STATE	498,092	939,653	(441,561)	-47.0%
FUND BALANCE				
Beginning Fund Balance	114,088,824	90,405,105	23,683,719	26.2%
Transfers	20,181,983	22,668,432	(2,486,449)	-11.0%
SUBTOTAL FUND BALANCE	134,270,807	113,073,537	21,197,270	18.7%
SOURCES OF FUNDS	314,724,928	288,983,531	25,741,397	8.9%
USES OF FUNDS				
PERSONNEL				
Salaries and Wages	14,026,682	15,227,827	(1,201,145)	-7.9%
Fringe Benefits - Pension	1,685,862	2,101,448	(415,586)	-19.8%
Fringe Benefits - Flex Credit	1,950,359	2,123,502	(173,143)	-8.2%
Fringe Benefits - Other	1,015,031	1,246,585	(231,554)	-18.6%
SUBTOTAL PERSONNEL	18,677,934	20,699,362	(2,021,428)	-9.8%
NON-PERSONNEL				
Housing Assistance Payments	110,281,525	113,738,722	(3,457,197)	-3.0%
Grants	5,342,255	7,813,310	(2,471,055)	-31.6%
Property Expenses	10,622,651	10,813,747	(191,096)	-1.8%
Professional Services	3,114,892	3,199,177	(84,285)	-2.6%
Services, Supplies & Other	3,077,578	4,583,882	(1,506,304)	-32.9%
Loans Made	10,642,889	21,896,303	(11,253,414)	-51.4%
Debt Principal Payments	2,478,680	2,546,099	(67,419)	-2.6%
Capital Expenditures	2,861,018	6,271,027	(3,410,009)	-54.4%
SUBTOTAL NON-PERSONNEL	148,421,488	170,862,267	(22,440,779)	-13.1%
FUND BALANCE				
Beginning Fund Balance	114,088,824	90,405,105	23,683,719	26.2%
Transfers	20,181,983	22,668,432	(2,486,449)	-11.0%
Change in Fund Balance	13,354,699	(15,651,635)	29,006,334	-185.3%
SUBTOTAL FUND BALANCE	147,625,506	97,421,902	50,203,604	51.5%
TOTAL USES OF FUNDS	314,724,928	288,983,531	25,741,397	8.9%

**SAN DIEGO HOUSING COMMISSION
BALANCE SHEET
AS OF MARCH 31, 2016**

ASSETS

Cash	\$ 29,713,089
Restricted Cash	4,483,656
Accounts Receivable	10,699,229
Notes Receivable	268,904,135
Accrued Interest on Notes Receivable	38,327,901
Investments	91,871,764
Deposits Payable	193,821
Land, Buildings & Equipment	173,855,969
Prepaid Items & Other Assets	2,200,275

TOTAL ASSETS

\$ 620,249,838

LIABILITIES & FUND BALANCE

LIABILITIES

Accounts Payable	\$ 1,782,529
Notes Payable	107,435,232
Accrued Liabilities	5,913,818
Deferred Revenues	2,322,903

TOTAL LIABILITIES

117,454,482

FUND BALANCE

502,795,356

TOTAL LIABILITIES & FUND BALANCE

\$ 620,249,838