

## INFORMATIONAL REPORT

**DATE ISSUED:** November 23, 2016

**REPORT NO:** HCR16-102

**ATTENTION:** Chair and Members of the San Diego Housing Commission  
For the Agenda of December 2, 2016

**SUBJECT:** Agency Financial Statements – First Quarter Fiscal Year 2017 (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 variances of actual sources and uses of funds compared to Board-approved budgeted amounts (Attachment 1). This report also provides summary explanations for significant year-to-date variances and a Statement of Financial Position as of September 30, 2016, (Attachment 2) to outline Housing Commission Assets, Liabilities and Fund Balance.

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

**SOURCES OF FUNDS:** Total actual September 2016 year-to-date funding sources available were \$203.6 million, which was 18.1 percent, or \$31.1 million, higher 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, 2016 – June 30, 2017); however, the sources of funds as well as the uses of funds do not necessarily occur evenly through the year. The following explanations account for significant variances that were identified:

#### **Federal**

- The \$6.0 million under-budget variance in Section 8/Moving to Work (MTW) is due primarily to the continuing cost savings from Phase II of the Path to Success (PTS) program. These savings will be available for use in additional MTW programs in the future. This decrease was offset by increases in administrative funding received due to a higher proration rate received for Fiscal Year 2017 compared to budget, which is expected to continue throughout Fiscal Year 2017. The PTS program modifies the method used to determine the monthly rent payment amounts for Section 8 Housing Choice Voucher rental assistance and public housing participants and sets minimum monthly rent payment amounts for participants who are identified as able to work.
- The \$1.1 million under-budget variance in Community Development Block Grant Homeownership funds and the \$1.0 million under-budget variance in U.S. Department of Housing and Urban Development Federal HOME Investment Partnerships Program funds, awarded to the City of San Diego and administered by the Housing Commission, is primarily due to the timing of multifamily loans and is expected to be fully utilized during this Fiscal Year.

**Local**

- The \$5.7 million over-budget (positive) variances in Affordable Housing Funds are primarily due to in-lieu fees that are based on new construction in the City of San Diego, and the timing of this is not predictable. Housing Commission staff does not expect the variance to continue to grow at the same rate, however the variance is expected to continue throughout the Fiscal Year.

Fund balance represents the sources available from the prior year. The \$33.2 million over-budget (positive) increase consists of restricted-use funds that have since been committed for future programmatic uses. The increase can primarily be attributed to additional City of San Diego Affordable Housing Fund in-lieu fees received in Fiscal Year 2016 (July 1, 2015 – June 30, 2016) of approximately \$11.3 million, as well as \$4.3 million received from the Island Village loan payoff and \$4.0 million primarily from the proceeds of the City of San Diego's ground lease of San Diego Square Senior Apartments, which was allocated to The Housing Commission's 1,000 Homeless Veterans Initiative.

USES OF FUNDS: Total actual September 2016 year-to-date funding uses were \$203.6 million, which was 18.1 percent, or \$31.1 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 variances between first quarter uses of funds, excluding the ending fund balance, which was \$12.1 million, or 14 percent under year-to-date budget primarily due to:

- Housing Assistance Payments expense was under budget by \$2.3 million due to savings from Phase II of PTS, as outlined in the under-budgeted revenue variance in the "Sources of Funds" section of this report. These savings will be available for use in additional MTW programs in the future..
- Grant expense was under budget by approximately \$3.6 million. This was, in part, due to the Homeless Housing Innovations Department's grant expense for the first quarter of Fiscal Year 2017, which was under budget by \$1.7 million mainly due to the timing of contract execution. This impacted the timing of the sub-recipients spending on the grants and reporting to the Housing Commission. The grant expenses are expected to occur over the course of the Fiscal Year.
- Capital purchases relating to the Greens Physical Needs Assessment (GPNA) and other Capital spending was under budget by approximately \$4.9 million during the first quarter, offset by Property expenses being \$0.9 million over budget, primarily due to the timing of executing contracts and commencing of work orders compared to the straight-lined budget amounts.
- Loans made in the first quarter of Fiscal Year 2017 were \$0.7 million under budget primarily due to the timing of disbursements on multifamily loans, as well as the First-Time Homebuyer Program. This under-budget variance is expected to be reduced over the remainder of the Fiscal Year.

November 23, 2016

Agency Financial Statements – First Quarter Fiscal Year 2017 (Unaudited)

Page 3

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

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

- Total Assets: \$644.6 million; Total Liabilities \$118.0 million; Fund Balance \$526.6 million.
- Total Notes Receivable: \$272.4 million, which primarily consists of \$160.3 million funded by the HUD HOME Program and \$60.1 million funded by the City's Affordable Housing Fund.
- Total Notes Payable: \$106.3 million, which includes the Limited Liability Companies' \$87.0 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 and other various payables.

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 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, 2016**

|                               | <u>YTD<br/>Actual</u> | <u>YTD<br/>Budget</u> | <u>Over/(Under)<br/>Budget</u> | <u>%<br/>Variance</u> |
|-------------------------------|-----------------------|-----------------------|--------------------------------|-----------------------|
| <b>SOURCES OF FUNDS</b>       |                       |                       |                                |                       |
| <b>FEDERAL</b>                |                       |                       |                                |                       |
| Section 8/MTW                 | 40,914,983            | 46,884,998            | (5,970,015)                    | -12.7%                |
| HOME                          | 2,626,750             | 3,618,499             | (991,749)                      | -27.4%                |
| Housing Innovation Funds      | 1,205,835             | 1,151,751             | 54,084                         | 4.7%                  |
| Rehabilitation Funds          | 150,175               | -                     | 150,175                        | 100.0%                |
| CDBG                          | 482,722               | 1,593,270             | (1,110,548)                    | -69.7%                |
| Other Federal Funds           | 54,579                | -                     | 54,579                         | 100.0%                |
| <b>SUBTOTAL FEDERAL</b>       | <b>45,435,044</b>     | <b>53,248,518</b>     | <b>(7,813,474)</b>             | <b>-14.7%</b>         |
| <b>LOCAL</b>                  |                       |                       |                                |                       |
| SDHC Real Estate              | 7,659,840             | 7,601,540             | 58,300                         | 0.8%                  |
| Unrestricted Funds            | 685,466               | 880,890               | (195,424)                      | -22.2%                |
| Affordable Housing Fund       | 8,297,546             | 2,688,575             | 5,608,971                      | 208.6%                |
| Other Local Funds             | 982,033               | 728,666               | 253,367                        | 34.8%                 |
| <b>SUBTOTAL LOCAL</b>         | <b>17,624,885</b>     | <b>11,899,671</b>     | <b>5,725,214</b>               | <b>48.1%</b>          |
| <b>STATE</b>                  | <b>92,653</b>         | <b>48,865</b>         | <b>43,788</b>                  | <b>89.6%</b>          |
| <b>SUBTOTAL FUND BALANCE</b>  | <b>140,409,082</b>    | <b>107,216,218</b>    | <b>33,192,864</b>              | <b>31.0%</b>          |
| <b>SOURCES OF FUNDS</b>       | <b>203,561,664</b>    | <b>172,413,272</b>    | <b>31,148,392</b>              | <b>18.1%</b>          |
| <b>USES OF FUNDS</b>          |                       |                       |                                |                       |
| <b>PERSONNEL</b>              |                       |                       |                                |                       |
| Salaries and Wages            | 4,537,281             | 4,574,688             | (37,407)                       | -0.8%                 |
| Fringe Benefits - Pension     | 572,175               | 737,937               | (165,762)                      | -22.5%                |
| Fringe Benefits - Flex Credit | 789,526               | 756,789               | 32,737                         | 4.3%                  |
| Fringe Benefits - Other       | 291,756               | 327,092               | (35,336)                       | -10.8%                |
| <b>SUBTOTAL PERSONNEL</b>     | <b>6,190,738</b>      | <b>6,396,506</b>      | <b>(205,768)</b>               | <b>-3.2%</b>          |
| <b>NON-PERSONNEL</b>          |                       |                       |                                |                       |
| Housing Assistance Payments   | 36,360,331            | 38,613,846            | (2,253,515)                    | -5.8%                 |
| Grants                        | 2,179,592             | 5,741,142             | (3,561,550)                    | -62.0%                |
| Property Expenses             | 4,657,206             | 3,783,395             | 873,811                        | 23.1%                 |
| Professional Services         | 712,476               | 1,090,318             | (377,842)                      | -34.7%                |
| Services, Supplies & Other    | 946,273               | 1,934,913             | (988,640)                      | -51.1%                |
| Loans Made                    | 6,941,325             | 7,644,698             | (703,373)                      | -9.2%                 |
| Debt Principal Payments       | 558,167               | 570,556               | (12,389)                       | -2.2%                 |
| Capital Expenditures          | 1,096,940             | 5,996,540             | (4,899,600)                    | -81.7%                |
| <b>SUBTOTAL NON-PERSONNEL</b> | <b>53,452,310</b>     | <b>65,375,408</b>     | <b>(11,923,098)</b>            | <b>-18.2%</b>         |
| <b>FUND BALANCE</b>           |                       |                       |                                |                       |
| Beginning Fund Balance        | 140,409,082           | 107,216,218           | 33,192,864                     | 31.0%                 |
| Change in Fund Balance        | 3,509,534             | (6,574,860)           | 10,084,394                     | -153.4%               |
| <b>SUBTOTAL FUND BALANCE</b>  | <b>143,918,616</b>    | <b>100,641,358</b>    | <b>43,277,258</b>              | <b>43.0%</b>          |
| <b>TOTAL USES OF FUNDS</b>    | <b>203,561,664</b>    | <b>172,413,272</b>    | <b>31,148,392</b>              | <b>18.1%</b>          |

**SAN DIEGO HOUSING COMMISSION  
STATEMENT OF FINANCIAL POSITION  
AS OF SEPTEMBER 30, 2016**

**ASSETS**

|                                      |               |
|--------------------------------------|---------------|
| Cash                                 | \$ 20,179,925 |
| Restricted Cash                      | 4,050,475     |
| Accounts Receivable                  | 12,490,232    |
| Notes Receivable                     | 272,398,325   |
| Accrued Interest on Notes Receivable | 37,017,543    |
| Investments                          | 117,989,843   |
| Deposits Payable                     | 302,605       |
| Land, Buildings & Equipment          | 177,937,464   |
| Prepaid Items & Other Assets         | 2,232,004     |

|                     |                       |
|---------------------|-----------------------|
| <b>TOTAL ASSETS</b> | <b>\$ 644,598,417</b> |
|---------------------|-----------------------|

**LIABILITIES & FUND BALANCE****LIABILITIES**

|                     |              |
|---------------------|--------------|
| Accounts Payable    | \$ 3,742,282 |
| Notes Payable       | 106,326,334  |
| Accrued Liabilities | 5,164,866    |
| Deferred Revenues   | 2,779,956    |

|                          |                    |
|--------------------------|--------------------|
| <b>TOTAL LIABILITIES</b> | <b>118,013,439</b> |
|--------------------------|--------------------|

|                     |                    |
|---------------------|--------------------|
| <b>FUND BALANCE</b> | <b>526,584,979</b> |
|---------------------|--------------------|

|   |                       |
|---|-----------------------|
| <b>TOTAL LIABILITIES &amp; FUND BALANCE</b> | <b>\$ 644,598,417</b> |
|---|-----------------------|