



## INFORMATIONAL REPORT

**DATE ISSUED:** February 7, 2025

**REPORT NO:** HCR25-006

**ATTENTION:** Chair and Members of the San Diego Housing Commission Board of Commissioners  
For the Agenda of February 14, 2025

**SUBJECT:** Agency Financial Statements – First Quarter Fiscal Year 2025 (Unaudited)

### **NO ACTION IS REQUIRED ON THE PART OF THE HOUSING COMMISSION**

#### **SUMMARY**

The San Diego Housing Commission's (SDHC) Agency Financial Statements report (Attachment 1) shows year-to-date variances between actual sources and uses of funds when compared to the budgeted amounts approved by the SDHC Board of Commissioners (Board) for the fiscal year. The SDHC Agency Financial Statements report is submitted to the SDHC Board quarterly throughout the fiscal year.

The annual budget is developed and approved as a planning document based on financial information available at the time and projects what is anticipated to occur throughout the fiscal year. The budget generally divides anticipated revenue and expenditures equally across 12 months of the fiscal year; however, actual receipt of revenue and payment of expenditures occur in different amounts from month to month. As actual circumstances occur during a fiscal year, the timing of expenditures and the availability of funding sources are affected, resulting in variances from what had been forecast in the budget. Variances are expected to decline and resolve by the end of the fiscal year.

The budget includes a "fund balance" at the beginning and end of each quarter. The fund balance consists of funds committed to specific programs that have not been expended yet, such as loans awarded to affordable housing developments that have not completed financing/construction. Those funds are committed and not available for other uses.

#### **First Quarter Fiscal Year 2025 (July 1, 2024 – September 30, 2024)**

A variety of factors affect the sources and uses of funds within a month or quarter when compared to the approved budget.

#### **Funding Sources**

The total funding sources (committed fund balance plus new funds) available in the first quarter were \$326.5 million, or 1 percent (\$4.1 million) less than budgeted. New sources of funds in the first quarter were \$52.5 million less than what had been budgeted. The specific differences that make up this \$52.5 million are detailed in the "Over/(Under) Budget" column in the "Sources of Funds" section of Attachment 1.

Variances shown on Attachment 1 include "Section 8/Moving to Work (MTW) funds," "HOME Investment Partnerships Program funds," and "Community Development Block Grant (CDBG) & Other Federal Funds."

- The U.S. Department of Housing and Urban Development (HUD) performs a calculation involving SDHC's recent rental assistance program expenditures reported in the Voucher Management System (VMS) to determine the amount HUD will allocate to SDHC for a given month. The amount allocated to SDHC reflects past activity instead of current or future

expenditures. In the first quarter of Fiscal Year 2025, this contributed to a Section 8/Moving to Work funding variance of \$8.1 million lower than budgeted.

- Revenue from the federal HOME Investment Partnerships Program (HOME) includes repayments of previously disbursed loans and draws of new HOME funds awarded to the City of San Diego, which SDHC administers. Income from repayments must be expended before new HOME funds. This may also result in a difference in when new HOME funds appear as funding sources, producing a variance from the budgeted amount. Therefore, the budget variance in HOME funds for the first quarter of Fiscal Year 2025 was \$10.7 million.
- The City of San Diego reimburses SDHC for expenditures for homelessness programs and services that SDHC administers, once SDHC receives the expense reimbursement request from the provider. As a result, the timing of reimbursement requests for homelessness programs will affect when funding appears as State or Local sources of funds for those programs. The budget variance in Local and State funds for the first quarter of Fiscal Year 2025 was \$8 million and \$12 million, respectively.

While new sources of funds were \$52.5 million less than budgeted in the first quarter, this was partially offset by a beginning fund balance that was \$48.4 million higher than budgeted. As mentioned previously, the beginning fund balance includes funds committed for specific uses, such as the development of future affordable housing units previously competitively awarded through the Notice of Funding Availability (NOFA) process. The higher-than-budgeted beginning fund balance was primarily attributed to higher-than-anticipated program income for the Housing Choice Voucher program and lower-than-anticipated expenditures for both the City of San Diego Affordable Housing Fund and federal HUD HOME program funds due to the timing of disbursements of funds, such as loans for affordable housing developments based on when they achieve development milestones, as described above.

#### Funding Uses

SDHC's corresponding uses of funds through September 30, 2024, also totaled \$326.5 million, or 1 percent (\$4.1 million) less than budgeted. "Personnel" expenditures were \$1.9 million less than budgeted, and "Non-Personnel" expenditures were \$51.0 million less than budgeted. The specific amounts that make up the variances in "Personnel" and "Non-Personnel" uses of funds are detailed in the "Over/(Under) Budget" column in the "Uses of Funds" section of Attachment 1.

Variances shown on Attachment 1 include "Loans Made," "Capital Expenditures," and "Housing Assistance Payments." For example, funds from SDHC loans are disbursed to developers upon completion of specified development milestones for each development. Many factors can influence the timing to achieve those milestones, which may result in a later disbursement of funds than projected in the budget. This contributes to the "Loans Made" category showing a variance of \$6.7 million lower than budgeted in the first quarter of Fiscal Year 2025. Similarly, the timing of construction on the rehabilitation of affordable housing may result in variances in the line item for Capital Expenditures. This is reflected in the "Capital Expenditures" category, which shows a variance of \$34.1 million lower than budgeted in the first quarter of Fiscal Year 2025. The variances in both "Loans Made" and "Capital Expenditures," as well as other categories, are expected to decrease and more closely align with the budgeted amounts as the Fiscal Year continues.

Additionally, employment vacancies affect SDHC's personnel expenses, producing variances from the budget during the fiscal year.

February 7, 2025

Agency Financial Statements – First Quarter Fiscal Year 2025 (Unaudited)

Page 3

While the uses of funds were \$1.9 million less than budgeted in “Personnel” and \$51.0 million less than budgeted for “Non-Personnel” expenses, these were partially offset by a fund balance at the end of the first quarter that was \$48.9 million higher than budgeted. As noted in the discussion of “Sources of Funds” above, the fund balance includes funds committed for specific uses, such as the development of SDHC awarded future affordable housing units. The variance in the ending fund balance is expected to decrease during the remainder of the fiscal year and more closely align with the budget.

**SDHC STRATEGIC PLAN**

This item relates to the Core Value “Believe in transparency and being good financial stewards” in SDHC’s Strategic Plan for Fiscal Year (FY) 2022-2024. SDHC is in the process of developing a new Strategic Plan.

**NONDISCRIMINATION ASSURANCES**

SDHC is committed to compliance with all applicable federal, state and local laws, rules, ordinances and regulations regarding nondiscrimination.

Respectfully submitted,

*Suket Dayal*

Suket Dayal  
Executive Vice President of Business Administration &  
Chief Financial Officer  
San Diego Housing Commission

Approved by,

*Jeff Davis*

Jeff Davis  
Deputy Chief Executive Officer  
San Diego Housing Commission

Attachments: 1) Year-to-Date Statement of Sources and Uses

Hard copies are available for review during business hours at the information desk in the main lobby of SDHC’s offices at 1122 Broadway, San Diego, CA 92101. Docket materials are also available in the “Governance & Legislative Affairs” section of SDHC’s 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 30, 2024**

	<u>YTD</u> <u>Actual</u>	<u>YTD</u> <u>Budget</u>	<u>Over/(Under)</u> <u>Budget</u>	<u>%</u> <u>Variance</u>
<b>SOURCES OF FUNDS</b>				
<b>NEW SOURCES</b>				
<b>FEDERAL</b>				
Section 8/MTW	78,672,000	86,801,000	(8,129,000)	-9%
HOME	14,319,000	25,036,000	(10,717,000)	-43%
Housing Innovation Funds	1,980,000	2,585,000	(605,000)	-23%
CDBG & Other Federal Funds	45,733,000	58,252,000	(12,519,000)	-21%
<b>TOTAL FEDERAL</b>	<b>140,704,000</b>	<b>172,674,000</b>	<b>(31,970,000)</b>	<b>-19%</b>
<b>LOCAL</b>				
SDHC Real Estate	11,509,000	11,995,000	(486,000)	-4%
Unrestricted Funds	1,108,000	1,175,000	(67,000)	-6%
Affordable Housing Fund	1,120,000	1,570,000	(450,000)	-29%
Other Local Funds	7,113,000	14,221,000	(7,108,000)	-50%
<b>TOTAL LOCAL</b>	<b>20,850,000</b>	<b>28,961,000</b>	<b>(8,111,000)</b>	<b>-28%</b>
<b>STATE</b>	<b>2,772,000</b>	<b>15,151,000</b>	<b>(12,379,000)</b>	<b>-82%</b>
<b>TOTAL NEW SOURCES</b>	<b>164,326,000</b>	<b>216,786,000</b>	<b>(52,460,000)</b>	<b>-24%</b>
<b>BEGINNING FUND BALANCE</b>	<b>162,139,000</b>	<b>113,757,000</b>	<b>48,382,000</b>	<b>43%</b>
<b>TOTAL SOURCES OF FUNDS</b>	<b>326,465,000</b>	<b>330,543,000</b>	<b>(4,078,000)</b>	<b>-1%</b>
<b>USES OF FUNDS</b>				
<b>PERSONNEL</b>				
Salaries and Wages	9,118,000	10,769,000	(1,651,000)	-15%
Fringe Benefits	3,557,000	3,850,000	(293,000)	-8%
<b>SUBTOTAL PERSONNEL</b>	<b>12,675,000</b>	<b>14,619,000</b>	<b>(1,944,000)</b>	<b>-13%</b>
<b>NON-PERSONNEL</b>				
Housing Assistance Payments	75,801,000	81,835,000	(6,034,000)	-7%
Grant Expense	9,811,000	12,527,000	(2,716,000)	-22%
Property Expenses	4,129,000	4,461,000	(332,000)	-7%
Professional Services	1,037,000	1,576,000	(539,000)	-34%
Services, Supplies & Other	2,659,000	3,368,000	(709,000)	-21%
Loans Made	1,854,000	8,529,000	(6,675,000)	-78%
Debt Principal Payments	1,878,000	1,842,000	36,000	2%
Capital Expenditures	58,312,000	92,387,000	(34,075,000)	-37%
<b>SUBTOTAL NON-PERSONNEL</b>	<b>155,481,000</b>	<b>206,525,000</b>	<b>(51,044,000)</b>	<b>-25%</b>
<b>TOTAL FUNDS EXPENDED</b>	<b>168,156,000</b>	<b>221,144,000</b>	<b>(52,988,000)</b>	<b>-24%</b>
<b>ENDING FUND BALANCE</b>	<b>158,309,000</b>	<b>109,399,000</b>	<b>48,910,000</b>	<b>45%</b>
<b>TOTAL USES OF FUNDS</b>	<b>326,465,000</b>	<b>330,543,000</b>	<b>(4,078,000)</b>	<b>-1%</b>