

**HOUSING AUTHORITY REPORT**

**DATE ISSUED:** February 1, 2008 **REPORT NO:** HAR 08-004  
**ATTENTION:** Members of the Housing Authority  
For the Agenda of February 26, 2008  
**ORIGINATING DEPARTMENT:** San Diego Housing Commission  
**SUBJECT:** Proposed Fiscal Year 2008 Budget Revision  
**COUNCIL DISTRICT(S):** Citywide  
**STAFF CONTACT:** John Pfeiffer

**REQUESTED ACTION:**

Housing Authority approval of the revisions to the Fiscal Year 2008 Budget to reflect actual FY07 carryover and net new revenues.

**STAFF RECOMMENDATION:**

Approve the revision that will result in a net increase to the Fiscal Year 2008 budget of \$41,194,106.

**EXECUTIVE SUMMARY:**

This proposed budget revision is mainly a reconciliation of the previously approved FY08 budget with current, more accurate financial data. The FY08 Housing Commission budget was prepared in early 2007 and approved by the Housing Commission on April 20, 2007 and by the Housing Authority on June 19, 2007. The original budget included estimates of carryover funds because exact amounts would not be known prior to the close of Fiscal Year 2007. At this point, more precise carryover data has been identified and this revision reflects these additions and deductions.

In addition, the Housing Commission receives renewal funding from numerous federal, state and local sources and these revenues can change and require periodic update. Finally, new sources of funds received require adjustments to the previously approved budget. All of the adjustments noted above are included in this budget revision.

Agency Reserves in this budget revision involve the distribution of an increase of almost \$8.5 million in Reserves. The SDHC has three types of reserve funds: Program, Contingency and Unobligated. Program Reserves provide for future personnel, services and supplies or housing expenditures from specific grant programs. Contingency Reserves include amounts set aside to provide for potential litigation, uninsured losses and building reserves. Lastly, Unobligated Reserves are used for unanticipated housing needs. In this revision, Program Reserves increased by over \$5.4 million, Contingency Reserves increased by a little over \$1 million and the Unobligated Reserves grew by just over \$2 million.

The growth of \$5,403,309 in Program Reserves was generally due to an increase in Section 8 reserves from the receipt of higher administrative fees provided by HUD on existing Voucher units and from the additional administrative fees to be earned on the vouchers awarded in connection with the public housing disposition. In addition, Public Housing reserves increased because of savings in administration and program costs as well as higher tenant rents; a set-aside for Local Units for the future extraordinary maintenance on the disposed public housing units; and, finally, administrative savings from Rental Housing Production and Rehabilitation that increased HOME program reserves for future year costs.

The Contingency Reserves increase of \$1,005,546 is a staff recommendation that a reserve be established and funds set aside for development of the 350 affordable units that HUD required as a condition of approving the disposition application. Because there are not specific plans for these 350 units at this early juncture, staff recommends establishing this item in the Contingency Reserves.

Finally, the Unobligated Reserves increase of \$2,043,371 resulted from additional income from bond, SRO and MCC fees, distributions from the Maya Apartments, SOFA rents, lease payments, parking fees, interest income, and administrative and program savings. The total Unobligated Reserves of over \$7 million will be earmarked for unanticipated expenses. The five year goal of the Housing Commission is to achieve an Unobligated Reserve of five percent of the total budget. After this proposed revision, the Unobligated Reserves will increase from 2.21% to 2.63% of the total budget. Details on the Agency Reserves are shown in Attachment 5.

In Housing Finance & Development, higher than anticipated carryover resulted from: a savings of \$3 million in homebuyer programs funds; \$7.8 million in rental development projects forecasted for funding in FY07 that were delayed until FY08 because of project readiness issues; and \$2.3 million higher linkage and inclusionary fees and loan payments. Staff proposes to allocate the carryover funds to the same activities in FY08 except to transfer \$2 million of Homeownership funds to Rental Housing Production for pipeline projects. The cumulative result will be an increase of approximately \$13 million in funds available for rental housing and an increase in the anticipated housing production goal from 400 to 600 units.

#### **FISCAL CONSIDERATIONS:**

There are two types of revenue funds incorporated into this budget revision: carryover and new revenues. The addition to the budget from carryover sources was over \$20 million and new revenues increased by almost \$21 million.

Carryover funds are those funds budgeted in the prior fiscal year that, for several reasons, do not get spent or obligated. Carryover may also indicate that revenues received were greater than expected. Carryover funds are split into two categories based on the requirements of the funding sources, restricted and unrestricted. First, "restricted carryover" amounted to \$4,449,077. This carryover is restricted to a particular purpose or activity as required by the funding source. The second type of carryover is "unrestricted" and amounted to \$16,023,258. There is some discretion in the use of these funds. Historically, most of the unrestricted carryover funds have been used for financing housing needs and proposals that are anticipated to be ready for funding approval in FY08 and beyond.

New revenues sources are also broken into restricted and unrestricted funds. Restricted new funding increased by \$20,705,499, mostly due to the formula change of funding for Section 8 HAP and administrative payments and additional vouchers received as part of the public housing disposition and transition process. Finally, unrestricted new revenue increased by \$16,272 will provide for kitchen and bath remodel at University Canyon.

#### **PREVIOUS COUNCIL and/or COMMITTEE ACTIONS:**

On April 14, 2007, the Housing Commission approved the Fiscal Year 2008 draft budget in the amount of \$231,288,338. The budget was presented to the Housing Authority for approval on June 19, 2007. Subsequent budget amendments have increased the budget \$300,000 to \$231,588,338. The Housing Commission supported this midyear revision on February 1, 2008.

Respectfully submitted,

  
John A. Pfeiffer, CPA  
Chief Financial Officer

Approved by,

  
Carrol M. Vaughan  
Interim President & Chief Executive Officer