



INFORMATIONAL REPORT

DATE ISSUED: July 13, 2023

REPORT NO: HCR23-061

ATTENTION: Chair and Members of the San Diego Housing Commission
For the Agenda of July 21, 2023

SUBJECT: Agency Financial Statements – Third Quarter Fiscal Year 2023 (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) Financial Statements Report is to show year-to-date variances of actual sources and uses of funds compared to Housing Commission Board-approved budgeted amounts (Attachment 1).

FINANCIAL SUMMARY – SOURCES AND USES OF FUNDS:

SOURCES OF FUNDS: Total actual March 2023 year-to-date funding sources available were \$462.5 million, which was 5 percent, or \$26.3 million, lower than budget. This was primarily due to new sources of funds that were lower than budget by \$31.7 million offset by the beginning fund balance which was higher than budget by \$5.4 million. The explanations below provide more details about significant variances:

Federal Sources

- The \$25.2 million lower-than-budget variance in Section 8/Moving to Work (MTW) funding was primarily due to the timing of both property acquisitions and the retirement of loans on Housing Commission-owned properties. These were offset by voucher-related revenues (Emergency Housing Vouchers, Housing Choice Vouchers, Family Unification and Veterans Affairs Supportive Housing) that were higher due to the award of additional vouchers as well as an increase in the average cost per voucher. With the retirement of loans on Housing Commission-owned properties in the fourth quarter, the variance is expected to decrease by the end of the fiscal year.
- The \$6.6 million lower-than-budget variance in U.S. Department of Housing and Urban Development (HUD) HOME Investment Partnerships Program funds was primarily due to the timing of the loans to be funded. Committed loans are expected to be funded through the remainder of Fiscal Year (FY) 2023 and beyond.
- The \$5.0 million higher-than-budget variance in Community Development Block Grant (CDBG) & Other Federal funding is primarily due to higher-than-anticipated funding for the Eviction Prevention Program as well as the timing of State Emergency Rental Assistance (ERA2) American Rescue Plan Act (ARPA) expenditures compared to the budget.

Local Sources

- The \$1.8 million higher-than-budget variance in Housing Commission Real Estate was primarily due higher-than-anticipated revenue from legal settlements as well as favorable vacancy rates on the Housing Commission’s property portfolio.
- The \$2.3 million lower-than-budget variance in Other Local Funds was primarily due the timing of expenditure on programs funded by the City General Fund programs compared to the budget. The variance is expected to decrease over the remainder of the year.

State Sources

- The \$4.1 million lower-than-budget variance was primarily due to the timing of expenditures relating to homelessness programs (Bridge Shelters, Storage Connect Center, Women’s Shelter and Sprung Shelter), offset by higher than anticipated revenue from the COVID-19 Housing Stability Assistance Program State of California Cash flow Loan program. The variance is expected to decrease over the remainder of the year.

Beginning Fund Balance

The beginning fund balance represents the sources available from the prior year. The \$5.4 million higher-than-budget variance consists of restricted-use funds that are committed to programs. The variance was primarily attributed to higher-than-budgeted HOME program income and lower-than-expected Affordable Housing Fund expenditures and Moving to Work (MTW) funded projects in prior years, which are committed for the development of future affordable housing units through the current Notice of Funding Availability (NOFA) process. These are offset by a lower-than-budget variance relating to the State Cash flow Loan Program due to the timing of expenditures in the prior year.

USES OF FUNDS: Total actual March 2023 year-to-date funding uses were \$462.5 million, which was 5 percent, or \$26.3 million, lower than budget. This was primarily due to a lower-than-budget variance in non-personnel expenditures of \$82.7 million, offset by a higher-than-budget variance in ending fund balance and personnel expenses of \$55.4 million and \$0.9 million, respectively. The explanations below provide more details about significant variances:

Personnel Expenses

- The \$0.9 million higher-than-budget variance in personnel expenses is primarily due to COVID-19 Housing Stability Assistance Program direct-hire contract staffing budgeted under Professional Services.

Non-Personnel Expenses

- The \$18.5 million lower-than-budget variance in housing assistance payments (HAP) was primarily due to the timing of payments relating to State Cash flow Loan funds compared to the budget as well as lower than expected expenditure relating to permanent supportive housing, rapid rehousing for transition-age youth and Moving Home Continuum of Care, due to staffing shortages. These are offset by an increase in the average cost per voucher for Moving to Work, Family Unification Program, Veterans Affairs Supportive Housing and Mainstream vouchers.
- The \$10.2 million lower-than-budget variance in grant expense was primarily due to:
 - Lower-than-expected expenditures on Bridge Shelters, Sprung Shelter, Women’s Shelter, Storage Connect Center, and programs for Youth funded with Homeless Housing, Assistance and Prevention funds and programs funded by the City General Fund due to the timing of expense reimbursements; and

- Lower-than-expected expenditures related to the affordable housing preservation NOFA; offset by
- Higher-than-anticipated expenditures relating to the Community Development Block Grant Eviction Prevention Program.
- The \$2.3 million higher-than-budget variance in Property Expenses was primarily due to higher-than-anticipated utility payments through the COVID-19 Housing Stability Assistance Program State Cash flow Loan program, which were budgeted under housing assistance payments, well as higher-than-expected expenditures on property repairs.
- The \$2.9 million lower-than-budget variance in Professional Services was primarily due to the timing of expenditures relating to the State ERA2 (ARPA) program.
- The \$1.2 million lower-than-budget variance in Services, Supplies & Other was primarily due to the timing of software related Information Technology projects and software contract renewals. The variance has also been impacted by the timing of repairs and maintenance expenditures for Smart Corner property.
- The \$8.8 million higher-than-budget variance in Loans Made was primarily due to the timing of funding multifamily housing loans.
- The \$24.9 million lower-than-budget variance in Debt Principal Payments was primarily due to the timing of payments relating to the payoff of loans on Housing Commission-owned properties compared to the budget. This variance is expected to reduce in the last quarter of the year.
- The \$18.5 million lower-than-budget variance in Capital Expenditure was primarily due to the timing of capital acquisitions compared to the budget.

Ending Fund Balance

Ending fund balance as of March 31, 2023, was \$169.2 million, which was 49 percent, or \$55.4 million, higher than budget, primarily due to lower-than-expected non-personnel expenses offset by lower-than-expected sources (beginning fund balance plus new sources) and higher-than-expected personnel expenses, as previously explained. Funds in the ending fund balance are committed for use to create and preserve affordable housing.

Respectfully submitted,



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

Approved by,



Jeff Davis
Interim President & Chief Executive Officer
San Diego Housing commission

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

Docket materials are available in the in the “Governance & Legislative Affairs” 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, 2023

	<u>YTD</u> <u>Actual</u>	<u>YTD</u> <u>Budget</u>	<u>Over/(Under)</u> <u>Budget</u>	<u>%</u> <u>Variance</u>
SOURCES OF FUNDS				
NEW SOURCES				
FEDERAL				
Section 8/MTW	206,821,000	231,997,000	(25,176,000)	-11%
HOME	9,014,000	15,588,000	(6,574,000)	-42%
Housing Innovation Funds	4,018,000	4,689,000	(671,000)	-14%
CDBG & Other Federal Funds	7,024,000	2,006,000	5,018,000	250%
TOTAL FEDERAL	226,877,000	254,280,000	(27,403,000)	-11%
LOCAL				
SDHC Real Estate	32,854,000	31,072,000	1,782,000	6%
Unrestricted Funds	3,616,000	2,673,000	943,000	35%
Affordable Housing Fund	4,908,000	5,594,000	(686,000)	-12%
Other Local Funds	6,210,000	8,535,000	(2,325,000)	-27%
TOTAL LOCAL	47,588,000	47,874,000	(286,000)	-1%
STATE	19,660,000	23,717,000	(4,057,000)	-17%
TOTAL NEW SOURCES	294,125,000	325,871,000	(31,746,000)	-10%
BEGINNING FUND BALANCE	168,403,000	162,996,000	5,407,000	3%
TOTAL SOURCES OF FUNDS	462,528,000	488,867,000	(26,339,000)	-5%
USES OF FUNDS				
PERSONNEL				
Salaries and Wages	26,788,000	25,230,000	1,558,000	6%
Fringe Benefits	8,991,000	9,629,000	(638,000)	-7%
SUBTOTAL PERSONNEL	35,779,000	34,859,000	920,000	3%
NON-PERSONNEL				
Housing Assistance Payments	191,777,000	210,237,000	(18,460,000)	-9%
Grant Expense	25,515,000	35,679,000	(10,164,000)	-28%
Property Expenses	12,295,000	10,030,000	2,265,000	23%
Professional Services	3,452,000	6,365,000	(2,913,000)	-46%
Services, Supplies & Other	7,003,000	8,244,000	(1,241,000)	-15%
Loans Made	9,276,000	18,033,000	(8,757,000)	-49%
Debt Principal Payments	7,132,000	32,047,000	(24,915,000)	-78%
Capital Expenditures	1,119,000	19,596,000	(18,477,000)	-94%
SUBTOTAL NON-PERSONNEL	257,569,000	340,231,000	(82,662,000)	-24%
TOTAL FUNDS EXPENDED	293,348,000	375,090,000	(81,742,000)	-22%
ENDING FUND BALANCE	169,180,000	113,777,000	55,403,000	49%
TOTAL USES OF FUNDS	462,528,000	488,867,000	(26,339,000)	-5%