



SAN DIEGO
HOUSING
COMMISSION

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INFORMATIONAL REPORT

DATE ISSUED: April 17, 2025

REPORT NO: HCR25-025

ATTENTION: Chair and Members of the San Diego Housing Commission Board of Commissioners
For the Agenda of April 25, 2025

SUBJECT: Agency Financial Statements – Second 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 report includes a "fund balance" at the beginning and end of the year to date. 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.

Year-to-Date through Second Quarter of Fiscal Year 2025 (July 1, 2024 – December 31, 2024)

A variety of factors affect the sources and uses of funds throughout the year when compared to the approved budget.

Funding Sources

The total funding sources (beginning fund balance plus new funds) available through the second quarter were \$453.8 million, or 1 percent (\$3.1 million) less than budgeted. New sources of funds through the second quarter were \$51.5 million less than what had been budgeted. The specific differences that make up this \$51.5 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," "Community Development Block Grant (CDBG) & Other Federal Funds," and "Affordable Housing Fund."

- 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. Through the second quarter of Fiscal Year 2025, this contributed to a Section 8/Moving to Work funding variance of \$10.6 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 from a specific fiscal year must be expended before new HOME funds. This may also result in a difference in when new HOME funds are recognized as funding sources, producing a variance from the budgeted amount. Therefore, the budget variance in HOME funds through the second quarter of Fiscal Year 2025 was \$15.7 million.
- CDBG & Other Federal Funds, Other Local Funds and State were also less than budgeted by \$11.5 million, \$9.5 million and \$15.8 million respectively. The key components of these variances were:
 - The timing of capital expenditures relating to the rehabilitation of the properties SDHC acquired earlier in calendar year 2024 with state Homekey funds.
 - The timing of reimbursement requests for City of San Diego homelessness programs that SDHC administers. 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 timing of loans to be funded with California's Infill Infrastructure Grant Catalytic Program funds.
- Revenue from the Affordable Housing Fund includes the collection of fees from developers of residential and commercial developments as well as the repayments of loans previously funded. As a result, these revenues can fluctuate from quarter to quarter and year to year. A higher level of collections in the second quarter of this fiscal year has resulted in \$12.1 million higher than what had been budgeted. These additional funds have been incorporated in the FY 2026 Affordable Housing Fund Annual Plan toward approved model programs, such as Rental Housing Production and Homeless Housing Initiatives.

While new sources of funds were \$51.5 million less than budgeted through the second 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 below under "Uses of Funds."

Uses of Funds

SDHC's corresponding uses of funds through December 31, 2024, also totaled \$453.8 million, or 1 percent (\$3.1 million) less than budgeted. "Personnel" expenditures were \$2.5 million less than budgeted, and "Non-Personnel" expenditures were \$54.1 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 \$10.7 million lower than budgeted through the second 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 \$32.6 million lower than budgeted through the second quarter of Fiscal Year 2025. Also, the expenditures on housing assistance payments are influenced by the average cost applied to each of the vouchers. The timing of the implementation of updates to SDHC’s payment standards for rental assistance has contributed to expenditures being \$8.6 million below budget through the second quarter. The variances in each of these areas, as well as other categories, are expected to decrease and more closely align with the budgeted amounts as the Fiscal Year continues.

Additionally, “Personnel” and “Services, Supplies & Other” are \$2.5 million and \$1.4 million, respectively, less than budgeted.

- Personnel costs were affected by employment vacancies across the organization.
- Services, Supplies & Other were impacted by the timing of software and related Information Technology projects.

While the uses of funds were \$2.5 million less than budgeted in “Personnel” and \$54.1 million less than budgeted for “non-personnel” expenses, these were partially offset by a fund balance at the end of the second quarter that was \$53.5 million higher than budgeted. As noted in the discussion of “Funding Sources” 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 ASSURANCE

At SDHC, we’re about people. We are committed to ensuring a compassionate, person-centered approach to SDHC’s programs, policies, projects and activities and serving our community impartially, fairly and without bias. We are also committed to ensuring compliance with all applicable federal, state and local laws and protections to the extent that they affect this action relative to nondiscrimination.

Respectfully submitted,



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

Approved by,



Jeff Davis
Deputy Chief Executive Officer
San Diego Housing Commission

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

April 17, 2025

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

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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

SAN DIEGO HOUSING COMMISSION
STATEMENT OF SOURCES AND USES
FISCAL YEAR-TO-DATE AS OF December 31, 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>
SOURCES OF FUNDS				
NEW SOURCES				
FEDERAL				
Section 8/MTW	162,992,000	173,602,000	(10,610,000)	-6%
HOME	15,664,000	31,344,000	(15,680,000)	-50%
Housing Innovation Funds	4,594,000	5,170,000	(576,000)	-11%
CDBG & Other Federal Funds	47,197,000	58,690,000	(11,493,000)	-20%
TOTAL FEDERAL	230,447,000	268,806,000	(38,359,000)	-14%
LOCAL				
SDHC Real Estate	23,306,000	24,011,000	(705,000)	-3%
Unrestricted Funds	3,157,000	2,349,000	808,000	34%
Affordable Housing Fund	15,233,000	3,141,000	12,092,000	385%
Other Local Funds	11,967,000	21,421,000	(9,454,000)	-44%
TOTAL LOCAL	53,663,000	50,922,000	2,741,000	5%
STATE	7,592,000	23,428,000	(15,836,000)	-68%
TOTAL NEW SOURCES	291,702,000	343,156,000	(51,454,000)	-15%
BEGINNING FUND BALANCE	162,139,000	113,757,000	48,382,000	43%
TOTAL SOURCES OF FUNDS	453,841,000	456,913,000	(3,072,000)	-1%
USES OF FUNDS				
PERSONNEL				
Salaries and Wages	19,594,000	21,538,000	(1,944,000)	-9%
Fringe Benefits	7,118,000	7,691,000	(573,000)	-7%
SUBTOTAL PERSONNEL	26,712,000	29,229,000	(2,517,000)	-9%
NON-PERSONNEL				
Housing Assistance Payments	155,055,000	163,671,000	(8,616,000)	-5%
Grant Expense	24,385,000	25,054,000	(669,000)	-3%
Property Expenses	8,589,000	8,928,000	(339,000)	-4%
Professional Services	3,235,000	3,152,000	83,000	3%
Services, Supplies & Other	5,338,000	6,714,000	(1,376,000)	-20%
Loans Made	6,379,000	17,059,000	(10,680,000)	-63%
Debt Principal Payments	3,818,000	3,750,000	68,000	2%
Capital Expenditures	62,986,000	95,561,000	(32,575,000)	-34%
SUBTOTAL NON-PERSONNEL	269,785,000	323,889,000	(54,104,000)	-17%
TOTAL FUNDS EXPENDED	296,497,000	353,118,000	(56,621,000)	-16%
ENDING FUND BALANCE	157,344,000	103,795,000	53,549,000	52%
TOTAL USES OF FUNDS	453,841,000	456,913,000	(3,072,000)	-1%