

HOUSING AUTHORITY OF THE COUNTY OF CONTRA COSTA

TO: BOARD OF COMMISSIONERS

FROM: Joseph Villarreal, Executive Director

DATE:

SUBJECT: FY 2017-2018 1st QUARTER BUDGET REPORT

SPECIFIC REQUEST(S) OR RECOMMENDATION(S) & BACKGROUND AND JUSTIFICATION **RECOMMENDATION:**

ACCEPT the 1st Quarter (Unaudited) Budget Report for the period ending 6/30/17.

FINANCIAL IMPACT:

None. Information item only.

BACKGROUND

This report is intended to provide the Board of Commissioners with an overview of the financial position of the Housing Authority of the County of Contra Costa (HACCC) for the 1st quarter period ending 6/30/2017. The report begins with a summary of HACCC's overall fiscal standing at the end of the quarter. The overall numbers are then broken down by individual funds. Each fund overview includes a brief program summary and an explanation of the variance between budgeted and actual performance.

AGENCY OVERVIEW: Budget Report

HACCC's overall budget position for the quarter ending 6/30/17 is shown in the chart below. Activity in Section 8 Voucher and Housing Certificate programs had the most significant impact on HACCC's budget.

The projected revenue increase of \$2,723,102 is primarily a result of the rapid increase in rents in the Section 8 Voucher and Housing Certificates programs which accounted for \$2,461,155 or 90% of the increase. Rent increases for these programs were over \$3.4 million during this period.

Projected expenditure increase of \$2,756,234 is a result of the rent increases referenced above less a major cost adjustment benefiting all of the federal programs in implementing GASB (General Accounting Standards Board) - 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB). In accord with OMB requirements, OPEB obligations are now recorded under the management fund HACCC's State Local Programs.

HACC Agency Summary	Annual Budget	1st Quarter Actual 6/30/17	Remaining FY Estimate	Annual Total	Variance
Revenue	\$ 114,281,783	\$ 31,293,548	\$ 85,711,337	\$ 117,004,885	\$ 2,723,102
Expenditures	<u>\$ 113,496,710</u>	<u>\$ 31,130,413</u>	<u>\$ 85,122,533</u>	<u>\$ 116,252,944</u>	<u>\$(2,756,234)</u>
	\$ 785,073	\$ 163,135	\$ 588,805	\$ 751,941	

The net change to reserve totals for the end of this quarter was a gain of \$163,135. The net gain was a result of a decrease to restricted reserves in the amount of \$854,852 and an unrestricted reserve increase of \$1,017,987 as shown in the summary below.

Analysis of Agency Reserves	Beginning Balance 4/1/17 (Unaudited)	1st Quarter ending 6/30/17 (Unaudited)	Reserve Balance period ending 6/30/17 (Unaudited)
Total Reserves	\$ 15,980,003	\$ 163,135	\$ 16,143,138
<u>Restricted Reserves</u>			
Housing Choice Vouchers	\$ 5,802,124	\$ (894,648)	\$ 4,907,476
Public Housing & Cap. Funds	\$ -0-	\$ -0-	\$ -0-
State & Local Programs	\$ 1,884,156	\$ 39,796	\$ 1,923,952
Housing Certificates Programs	\$ -0-	\$ -0-	\$ -0-
Total Restricted Reserves	\$ 7,686,280	\$ (854,852)	\$ 6,831,428
<u>Unrestricted Reserves</u>			
Housing Choice Vouchers	\$ 3,908,751	\$ 365,700	\$ 4,274,451
Public Housing & Cap. Funds	\$ 1,295,242	\$ 479,306	\$ 1,774,548
State & Local Programs	\$ 3,089,730	\$ 172,981	\$ 3,262,711*
Housing Certificates Programs	\$ -0-	\$ -0-	\$ -0-
Total Unrestricted Reserves	\$ 8,293,723	\$ 1,017,987	\$ 9,311,710

* Does not include unfunded pension liability of \$10.8 million.

As a reminder, almost all reserves are restricted for use within each program. The designation of restricted or unrestricted reserves merely indicates that the funds are obligated for special use within the program (restricted) or that they can be used for any purpose tied to the program (unrestricted). The only reserves that can be used freely are unrestricted reserves within the State and Local Programs that are not tied to the tax credit properties. These reserves can be used to support any of HACCC's programs.

FUNDS OVERVIEW:

Housing Choice Vouchers

Program Summary - The HCV program provides assistance to families in the private rental market. HACCC qualifies families for the program based on income. These families find a home in the private rental market and HACCC provides them with a subsidy via a HAP contract with the property owner. HAP is paid by HACCC directly to the owner. Through its HCV program, HACCC is authorized to provide affordable housing assistance to a maximum of 6,910 families. However, funding constraints limited program utilization to approximately 6,300 families.

Summary of Difference Between Budgeted and Annual Estimate:

Revenue – The projected revenue increase of \$2,252,049 is a direct result of increases in rental costs in the County. These rental cost increases were confirmed by HUD after an appeal by housing agencies in Alameda and Contra Costa counties. As a result of the new study funded by local agencies, HUD approved an increase of up to 33% in the FMR for the two counties.

Expenditures - The projected increase in expenditures of \$3,010,967 was a result of the \$3.4 million rental rate increase that HACCC has experienced. HACCC has a savings in expenditures due to the GASB cost adjustment concerning OPEB that has benefitted all of the federal programs.

Housing Choice	Annual Budget	1st Quarter Actual	Remaining FY	Annual Total	Variance
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Vouchers		6/30/17 (Unaudited)	Estimate		
Revenue	\$ 92,564,347	\$ 25,393,136	\$ 69,423,260	\$ 94,816,396	\$ 2,252,049
Expenditures	\$ 91,644,464	\$ 25,922,083	\$ 68,733,348	\$ 94,655,431	\$ (3,010,967)
	\$ 919,883	\$ (528,947)	\$ 689,912	\$ 160,965	

Analysis of Program Reserves:

Housing Choice Vouchers	Beginning Balance 4/1/17 (Unaudited)	1st Quarter 6/30/17 (Unaudited)	Reserve Balance period ending 6/30/17 (Unaudited)
Restricted Reserves	\$ 5,802,124	\$ (894,648)	\$ 4,907,476
Unrestricted Reserves	\$ 3,908,751	\$ 365,700	\$ 4,274,451
Total Reserves	\$ 9,710,875	\$ (528,948)	\$ 9,181,927

Public Housing Operating and Capital Funds

Program Summary - HACCC owns and manages 1,179 public housing units at 16 different sites throughout the County. Operating funds for these properties come from tenant rents as well as an operating subsidy received from HUD that is designed to cover the gap between rents collected from the low-income tenants and annual operating expenses. HUD allocates the Capital Fund annually via formula to approximately 3,200 housing authorities. Capital Fund grants may be used for development, financing, modernization, and management improvements within public housing.

Summary of Difference Between Budgeted and Annual Estimate:

Revenue – The projected increase in revenue of \$359,515 is a result of increased HUD funding over the annual budgeted amount for Capital Fund in the amount of \$259,515 and an increase in HUD operating subsidy of \$100,00.

Expenditures - The projected decrease in expenditures of \$236,686 is a result of implementing GASB (General Accounting Standards Board) -75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.

Public Housing Operating and Capital Fund	Annual Budget	1st Quarter Actual 6/30/17 (Unaudited)	Remaining FY Estimate	Annual Total	Variance
Revenue	\$ 11,053,573	\$ 3,122,909	\$ 8,290,180	\$ 11,413,088	\$ 359,515
Expenditures	\$ 11,521,156	\$ 2,643,603	\$ 8,640,867	\$ 11,284,470	\$ 236,686
	\$ (467,583)	\$ 479,306	\$ (350,687)	\$ 128,618	

Analysis of Program Reserves:

Public Housing & Capital Fund	Beginning Balance 4/1/17 (Unaudited)	1st Quarter 6/30/17 (Unaudited)	Reserve Balance period ending 6/30/17 (Unaudited)
Restricted Reserves	\$ -0-	\$ -0-	\$ -0-
Unrestricted Reserves	\$ 1,295,242	\$ 479,306	\$ 1,774,548
Total Reserves	\$ 1,295,242	\$ 479,306	\$ 1,774,548

State and Local Programs

Program Summary - HACCC administers a variety of programs and activities that are either not funded by HUD or that involve non-restricted HUD funds. Currently, HACCC is the managing general partner for two tax credit projects (DeAnza Gardens & Casa Del Rio) and also has a contract with the City of Antioch to run their rental rehabilitation program. HACCC receives management fees for administering the Public Housing and HCV programs under HUD's asset-management model. In addition, the State and Local Program manages the employee pension and OPEB benefit program.

Summary of Difference between Budgeted and Annual Year-End Estimate:

Revenue –The projected decrease in revenue of \$97,569 was due to an \$80,525 rental loss in the tax credit programs and \$17,844 in reduced management fees because of a lower occupancy rate at De Anza and the ongoing reduction in occupied units at Las Deltas as a result of the RAD program.

Expenditures - The projected \$236,471 reduction in expenditures is primarily related to the implementing GASB (General Accounting Standards Board) -75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.

State & Local Programs	Annual Budget	1st Quarter Actual 6/30/17 (Unaudited)	Remaining FY Estimate	Annual Total	Variance
Revenue	\$ 6,245,234	\$ 1,463,740	\$ 4,683,926	\$ 6,147,666	\$ (97,569)
Expenditures	\$ 5,949,740	\$ 1,250,964	\$ 4,462,305	\$ 5,713,269	\$ 236,471
	\$ 295,494	\$ 212,776	\$ 221,621	\$ 434,397	

Analysis of Reserves:

State & Local Programs	Beginning Balance 4/1/17 (Unaudited)	1st Quarter 6/30/17 (Unaudited)	Reserve Balance Period ending 6/30/17 (Unaudited)
Restricted Reserves	\$ 1,884,156	\$ 39,796	\$ 1,923,952
Unrestricted Reserves	\$ 3,089,730	\$ 172,981	\$ 3,262,711*
Total Reserves	\$ 4,973,886	\$ 212,777	\$ 5,186,663

* does not include the unfunded pension liability of 10.8 million.

Housing Certificate Programs

Program Summary - HACCC administers two separate Housing Certificate Programs; Shelter Plus Care and Moderate Rehabilitation (Mod Rehab). The Shelter-Plus Care Program provides rental assistance for hard-to-serve homeless persons with disabilities in connection with supportive services funded from sources outside the program. HACCC assists approximately 311 clients under this program. The Mod Rehab program was designed in 1978 as an expansion of the rental certificate program. Mod Rehab was designed to provide low-cost loans for the rehabilitation of rental units in an effort to upgrade and preserve the nation's housing stock. In return, the owner agreed to provide long-term affordable housing for low income families. The program was repealed in 1991 and no new projects are authorized for development. HACCC administers 28 Mod Rehab units.

Summary of Difference Between Budgeted and Annual Year-End Estimate:

Revenue & Expenditure -The projected increase of \$209,106 in revenue is tied to the increase of \$218,425 in HAP expenses. HUD increases revenue (to a budget cap) to reimburse HACCC for added rental costs.

Housing Certificate Programs	Annual Budget	1st Quarter Actual 6/30/17 (Unaudited)	Remaining FY Estimate	Annual Total	Variance
Revenue	\$ 4,418,628	\$ 1,313,763	\$ 3,313,971	\$ 4,627,734	\$ 209,106
Expenditures	\$ 4,381,350	\$ 1,313,762	\$ 3,286,013	\$ 4,599,775	\$ (218,425)
	\$ 37,278	\$ 1	\$ 27,959	\$ 27,960	

Analysis of Reserves:

Housing Certificate Programs	Beginning Balance 4/1/17 (Unaudited)	1st Quarter 6/30/17 (Unaudited)	Reserve Balance period ending 6/30/17 (Unaudited)
Restricted Reserves	\$ -0-	\$ -0-	\$ -0-
Unrestricted Reserves	\$ -0-	\$ 1	\$ -0-
Total Reserves	\$ -0-	\$ 1	\$ 1