

**HOUSING AUTHORITY of the
COUNTY OF CONTRA COSTA**

**CALENDAR FOR THE BOARD OF COMMISSIONERS
BOARD CHAMBERS ROOM 107, COUNTY ADMINISTRATION BUILDING
651 PINE STREET
MARTINEZ, CALIFORNIA 94553-1229**

**CANDACE ANDERSEN, CHAIR
DIANE BURGIS, VICE CHAIR
JOHN GIOIA
KAREN MITCHOFF
FEDERAL D. GLOVER
FAY NATHANIEL
JANNEL GEORGE-ODEN**

JOSEPH VILLARREAL, EXECUTIVE DIRECTOR, (925) 957-8000

PERSONS WHO WISH TO ADDRESS THE BOARD DURING PUBLIC COMMENT OR WITH RESPECT TO AN ITEM THAT IS ON THE AGENDA, WILL BE LIMITED TO TWO (2) MINUTES.

The Board Chair may reduce the amount of time allotted per speaker at the beginning of each item or public comment period depending on the number of speakers and the business of the day.
Your patience is appreciated.

A closed session may be called at the discretion of the Board Chair.

Staff reports related to open session items on the agenda are also accessible on line at www.co.contra-costa.ca.us

**AGENDA
March 10, 2020**

1:00 P.M. Convene and call to order.

CONSIDER CONSENT ITEMS: (Items listed as C.1 through C.5 on the following agenda) - Items are subject to removal from the Consent Calendar by request from any Commissioner or on request for discussion by a member of the public. Items removed from the Consent Calendar will be considered with the Discussion Items.

DISCUSSION ITEMS

D. 1 CONSIDER Consent Items previously removed.

D. 2 PUBLIC COMMENT (2 Minutes/Speaker)

D.3 CONSIDER approving the Housing Authority's Fiscal Year 2021 Annual Agency Budget; and CONSIDER adopting PHA Board Resolution No. 5227 approving the Annual Agency Budget on HUD Form 52574.

- D.4 CONSIDER accepting a report concerning the U.S. Department of Housing and Urban Development's (HUD) award to the Housing Authority of the County of Contra Costa (HACCC) as the 2020 large PHA Housing Choice Voucher Program of the Year.
- D.5 CONSIDER accepting a report concerning the impact of AB 1482 (Chiu) on the housing choice voucher program.
- D.6 CONSIDER accepting a report concerning HUD's proposed mixed-status rule.

ADJOURN

CONSENT ITEMS:

- C.1 RECEIVE the Housing Authority of the County of Contra Costa's investment report for the quarter ending December 31st, 2019.
- C.2 ACCEPT the 3rd Quarter (Unaudited) Budget Report for the period ending 12/31/19.
- C.3 ADOPT Resolution No.5228 to approve collection loss write-offs in the public housing program in the amount of \$ 97,148.32 for the quarter ending December 31, 2019.
- C.4 APPROVE and AUTHORIZE the Executive Director, or his designee, to execute an agreement with Enterprise FM Trust (Enterprise) to lease vehicles for the Housing Authority of the County of Contra Costa (HACCC) and execute an agreement with Enterprise Fleet Management, Inc. (EFM) to provide scheduled maintenance for the leased vehicles in an amount not to exceed \$350,000 through March 31, 2025.
- C.5 ACCEPT the financial and program compliance audit report for the period April 1, 2018, through March 31, 2019, prepared by Harn & Dolan CPA's, Walnut Creek, California.

GENERAL INFORMATION

Persons who wish to address the Board of Commissioners should complete the form provided for that purpose and furnish a copy of any written statement to the Clerk.

All matters listed under CONSENT ITEMS are considered by the Board of Commissioners to be routine and will be enacted by one motion. There will be no separate discussion of these items unless requested by a member of the Board or a member of the public prior to the time the Commission votes on the motion to adopt.

Persons who wish to speak on matters set for PUBLIC HEARINGS will be heard when the Chair calls for comments from those persons who are in support thereof or in opposition thereto. After persons have spoken, the hearing is closed and the matter is subject to discussion and action by the Board.

Comments on matters listed on the agenda or otherwise within the purview of the Board of Commissioners can be submitted to the office of the Clerk of the Board via mail: Board of Commissioners, 651 Pine Street Room 106, Martinez, CA 94553; by fax: 925-335-1913; or via the County's web page: www.co.contracosta.ca.us, by clicking "Submit Public Comment" (the last bullet point in the left column under the title "Board of Commissioners.")

The County will provide reasonable accommodations for persons with disabilities planning to attend Board meetings who contact the Clerk of the Board at least 24 hours before the meeting, at (925) 335-1900; TDD (925) 335-1915. An assistive listening device is available from the Clerk, Room 106. Copies of taped recordings of all or portions of a Board meeting may be purchased from the Clerk of the Board. Please telephone the Office of the Clerk of the Board, (925) 335-1900, to make the necessary arrangements.

Applications for personal subscriptions to the monthly Board Agenda may be obtained by calling the Office of the Clerk of the Board, (925) 335-1900. The monthly agenda may also be viewed on the County's internet Web Page: www.co.contra-costa.ca.us

The Closed session agenda is available each month upon request from the Office of the Clerk of the Board, 651 Pine Street, Room 106, Martinez, California, and may also be viewed on the County's Web Page.

AGENDA DEADLINE: Thursday, 12 noon, 12 days before the Tuesday Board meetings.

To: Contra Costa County Housing Authority Board of Commissioners
 From: Joseph Villarreal, Housing Authority
 Date: March 10, 2020



Contra
 Costa
 County

Subject: Annual Agency Budget Fiscal Year 2020

RECOMMENDATIONS

1. CONSIDER approving the Housing Authority's Fiscal Year 2021 Annual Agency Budget; and
2. CONSIDER adopting PHA Board Resolution No. 5227 approving the Annual Agency Budget on HUD Form 52574.

BACKGROUND

In compliance with the U. S. Department of Housing and Urban Development's (HUD) regulations, the Housing Authority of the County of Contra Costa (HACCC) has prepared its proposed budget for fiscal year (FY) 2021. At present, the federal government's FY 2021 budget is not finalized. The federal fiscal year (FFY) runs from October 1st through September 30th, meaning that HACCC's budget year is bifurcated by two FFYs. Additionally, most of HACCC's programs are funded on a calendar year basis which adds another layer of complexity to budget projections. HACCC's proposed budget is based on current HUD funding advances. Staff will update HACCC's budget as part of the quarterly budget to actual presentations, unless a significant change occurs earlier.

Action of Board On: **03/10/2020** APPROVED AS RECOMMENDED OTHER

Clerks Notes:

VOTE OF COMMISSIONERS

I hereby certify that this is a true and correct copy of an action taken and entered on the minutes of the Board of Supervisors on the date shown.

ATTESTED: March 10, 2020

Joseph Villarreal, Executive Director

Contact: 925-957-8028

By: , Deputy

cc:

BACKGROUND (CONT'D)

Three primary factors impact the funding of a housing authority’s public housing and housing choice voucher (HCV) programs. These factors are the amount of funding allocated to HUD by Congress, the national utilization rate (number of families housed) and the local utilization rate. Congressional funding of HUD sets baseline funding for the Department's programs. For well over a decade HUD has not been fully funded by Congress. As a result, housing authority programs are almost always funded at less than 100% of need. Once Congressional funding is known, HUD adjusts the funding provided to housing authorities based on the national utilization rate of each program. Utilization is the number of families under contract at a given time or period. At the national level, if utilization has increased past HUD's budget projections because more families are being housed, then HUD will reduce the money available to each housing authority. If fewer families are being housed nationally, then the money available to each housing authority is increased. At the individual housing authority level proration works in reverse. Within the parameters set by Congressional funding and national utilization, funding for an individual housing authority will rise when local utilization increases and will fall when the number of families housed drops. HUD calculates program funding and utilization retroactively. Final public housing funding in a given calendar year is not usually calculated until November of the same calendar year. Funding for the voucher program is normally adjusted quarterly, with final funding usually calculated by March of the following calendar year.

As stated above, housing authorities usually never receive full program funding. Further, there are often significant swings in program funding levels from year-to-year. Over the past seven years, public housing proration levels have been as follows:

- 2020 96.54% (current HUD advance)
- 2019 96.54%
- 2018 94.74%
- 2017 93.10%
- 2016 90.21%
- 2015 85.36%
- 2014 88.79%
- 2013 81.86%

During the same period, HCV administrative fee proration levels have been as follows:

- 2020 80.00% (current HUD advance)
- 2019 79.00%
- 2018 80.00%
- 2017 77.51%
- 2016 83.94%
- 2015 81.57%
- 2014 79.77%
- 2013 69.27%

In developing HACCC’s proposed budget, staff used HUD's two-year forecasting tool to project Housing Assistance Payments (HAP) for the HCV program, and the PHA Excel Tool for computing Operating Subsidy eligibility for the Public Housing Program. Other revenue items were estimated by utilizing the past three-year's median funding levels.

The two primary expenditures, labor and benefits, were computed using projected costs based on the updated approved pay schedule. All other expenditures were computed by augmenting the three-year median funding levels with any new planned activities.

The proposed budget includes the following significant changes for this year:

- The absorption of the Richmond Housing Authority's (RHA) Voucher program and the corresponding addition of six full-time positions and the opening of a branch office in San Pablo.
- Funding of an ongoing file conversion project designed to completely clean up RHA's files and bring them into line with HACCC's protocols. This project is being conducted under a contract with CGI, INC. It is expected that HUD will ultimately reimburse HACCC for at least a portion of this contract.
- A Director of Information Technology. This position has been left vacant for over ten years in response to funding levels, but is needed now to move the agency forward.
- Re-classification of the Recreational Supervisor position to a Resident Services Coordinator.
- The addition of an ongoing contract with Enterprise Fleet Management to allow HACCC to lease vehicles. The contract will provide maintenance and regular fleet upgrades.

HACCC’s proposed overall budget is shown below in comparison to last year’s approved budget, along with the projected change in reserve levels. This overview is followed by a breakdown of HACCC’s four major program areas, HCV, Public Housing, State and Local programs and Certificate programs. Each section provides a brief program overview, the projected budget, last year’s approved budget, the projected change in reserve levels and an explanation of the change from prior year. A more detailed budget is available for viewing at HACCC’s administrative office.

Agency Summary

	2020-2021 Budget	2019-2020 Budget	Change
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Revenue	\$181,082,889	\$183,857,681	-\$2,774,792
Operating Expenditures	\$28,231,899	\$25,957,656	-\$2,274,243
Program Costs, Debt Service & Other Capital Improvements	\$153,502,665	\$157,584,008	\$4,081,343
To Reserves	-\$651,675	\$316,017	-\$967,692
	Restricted Reserves	Unrestricted Reserves	Consolidated Reserves
Projected 3/31/2020	\$97,396	\$12,603,404	\$12,700,800
FY 2021 Budget Impact	\$12,157	-\$663,832	-\$651,675
Projected 3/31/2021	\$109,533	\$11,939,572	\$12,049,125

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 exception to this rule is the unrestricted balance within the State and Local Fund. This balance can be used in any of HACCC's programs.

Housing Choice Voucher Overview:

The HCV program provides rental assistance to families in the private market. HACCC qualifies families for the program based on income. Eligible 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 as many as 9,248 families. Due to funding and regulatory restrictions, HACCC is projected to house an average of 7,306 families per month under the proposed budget.

HCV Summary

	2020-2021 Budget	2019-2020 Budget	Change
Revenue	\$154,948,218	\$158,543,289	-\$3,595,071
Expenditures	\$9,242,747	\$9,137,677	-\$105,070
Program Costs, Debt Service & Other Capital Improvements	\$146,094,005	\$149,303,339	\$3,209,334
To Reserves	-\$388,534	\$102,273	\$490,807
	Restricted Reserves	Unrestricted Reserves	Consolidated Reserves
Projected 3/31/2020	\$0	\$5,015,942	\$5,015,942
FY 2021 Budget Impact	\$0	-\$388,533	-\$388,533
Projected to 3/31/2021	\$0	\$4,627,409	\$4,627,409

Explanation of Change:

The decrease in revenue and program costs is primarily tied to last year's projections related to the transfer of the RHA's voucher program to HACCC, as it was hard to project the true impact of the conversion.

The increase in expenditures is related to the file conversion project designed to clean up RHA's files.

Public Housing & Capital Fund Overview:

HACCC owns and manages 1,179 public housing units at 16 different sites throughout the County. This number will be reduced during this budget year to 963 units due to the removal of the North Richmond units from the public housing program. Revenue to manage these properties is derived from tenant rents and an operating subsidy received from HUD. Because tenant rents are limited by income, and are significantly less than the operating costs of the properties, HUD provides a subsidy to supplement the shortfall in actual operating costs versus tenant rents. HUD also provides annual Capital Fund grants via formula to approximately 3,300 housing authorities. Capital Fund grants may be used for the development, financing, and modernization of public housing developments as well as for management improvements.

Public Housing Summary - All Units

	2020-2021 Budget	2019-2020 Budget	Change
Revenue	\$13,577,775	\$12,595,614	\$982,161
Expenditures	\$12,185,591	\$10,581,167	-\$1,604,424
Program Costs, Debt Service & Other Capital Improvements	\$1,502,608	\$1,912,519	\$409,911
To Reserves	-\$110,424	\$101,928	

CONSEQUENCE OF NEGATIVE ACTION

Should the Board of Commissioners choose not adopt Resolution No. 5227 approving HACCC's budget for the fiscal year 2020-2021, HACCC will not be in compliance with HUD regulations. Further, HACCC will not be in compliance in fulfilling its financial and programmatic obligations to program participants and property owners, as well as HACCC employees, contractors, and vendors.

ATTACHMENTS

HUD 52574

PHA Board Resolution
Approving Operating Budget

**U.S. Department of Housing
and Urban Development**
Office of Public and Indian Housing -
Real Estate Assessment Center (PIH-REAC)

OMB No. 2577-0026
(exp. 07/31/2019)

Public reporting burden for this collection of information is estimated to average 10 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. This agency may not collect this information, and you are not required to complete this form, unless it displays a currently valid OMB control number.

This information is required by Section 6(c)(4) of the U.S. Housing Act of 1937. The information is the operating budget for the low-income public housing program and provides a summary of the proposed/budgeted receipts and expenditures, approval of budgeted receipts and expenditures, and justification of certain specified amounts. HUD reviews the information to determine if the operating plan adopted by the public housing agency (PHA) and the amounts are reasonable, and that the PHA is in compliance with procedures prescribed by HUD. Responses are required to obtain benefits. This information does not lend itself to confidentiality.

PHA Name: HA of the County of Contra Costa

PHA Code: CA011

PHA Fiscal Year Beginning: 4/1/2020

Board Resolution Number: 5227

Acting on behalf of the Board of Commissioners of the above-named PHA as its Chairperson, I make the following certifications and agreement to the Department of Housing and Urban Development (HUD) regarding the Board's approval of (check one or more as applicable):

DATE

- Operating Budget approved by Board resolution on: 03/10/2020
- Operating Budget submitted to HUD, if applicable, on:
- Operating Budget revision approved by Board resolution on:
- Operating Budget revision submitted to HUD, if applicable, on:

I certify on behalf of the above-named PHA that:

1. All statutory and regulatory requirements have been met;
2. The PHA has sufficient operating reserves to meet the working capital needs of its developments;
3. Proposed budget expenditure are necessary in the efficient and economical operation of the housing for the purpose of serving low-income residents;
4. The budget indicates a source of funds adequate to cover all proposed expenditures;
5. The PHA will comply with the wage rate requirement under 24 CFR 968.110(c) and (f); and
6. The PHA will comply with the requirements for access to records and audits under 24 CFR 968.110(i).

I hereby certify that all the information stated within, as well as any information provided in the accompaniment herewith, if applicable, is true and accurate.

Warning: HUD will prosecute false claims and statements. Conviction may result in criminal and/or civil penalties. (18 U.S.C. 1001, 1010, 1012.31, U.S.C. 3729 and 3802)

Print Board Chairperson's Name: Candace Anderson	Signature:	Date: 03/10/2020
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Contra
Costa
County

To: Contra Costa County Housing Authority Board of Commissioners

From: Joseph Villarreal, Housing Authority

Date: March 10, 2020

Subject: HUD NAMES THE HOUSING AUTHORITY OF THE COUNTY OF CONTRA COSTA THE 2020 LARGE PHA VOUCHER PROGRAM OF THE YEAR

RECOMMENDATIONS

CONSIDER accepting a report concerning the U.S. Department of Housing and Urban Development's (HUD) award to the Housing Authority of the County of Contra Costa (HACCC) as the 2020 large PHA Housing Choice Voucher Program of the Year.

BACKGROUND

On January 28, 2020, HACCC was named as the Large PHA Housing Choice Voucher Program of the Year by HUD San Francisco's Public and Indian Housing (PIH) staff. There are approximately 32 housing authorities in Northern California/Nevada, the geographic territory covered by HUD San Francisco's PIH staff. This is the third time in the past eleven years that HACCC has received this award. HACCC was selected this year based both on our continued status as a High Performer in the Voucher Program and the initial success of the transfer of the Richmond Housing Authority's Voucher program.

FISCAL IMPACT

None. Information item only.

CONSEQUENCE OF NEGATIVE ACTION

None. Information item only.

Action of Board On: **03/10/2020** APPROVED AS RECOMMENDED OTHER

Clerks Notes:

VOTE OF COMMISSIONERS

I hereby certify that this is a true and correct copy of an action taken and entered on the minutes of the Board of Supervisors on the date shown.

ATTESTED: March 10, 2020

Joseph Villarreal, Executive Director

Contact: 925-957-8028

By: , Deputy

cc:

ATTACHMENTS

Program of the Year - Certificate of Recognition
2020



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Certificate of Recognition

**2020 Housing Choice Voucher
Program of the Year – Large PHA**

This certificate is awarded to:

**Housing Authority of
the County of Contra Costa**

Presented by

A blue ink signature of Gerard R. Windt, written over a thin green horizontal line.

Gerard R. Windt, Director

To: Contra Costa County Housing Authority Board of Commissioners
 From: Joseph Villarreal, Housing Authority
 Date: March 10, 2020



Contra
 Costa
 County

Subject: IMPACT OF AB 1482 (CHIU) ON THE HOUSING CHOICE VOUCHER PROGRAM

RECOMMENDATIONS

CONSIDER accepting a report concerning the impact of AB 1482 (Chiu) on the housing choice voucher program.

BACKGROUND

AB 1482 (Chiu), the Tenant Protection Act of 2019 took effect on January 1, 2020. AB 1482 limits rent increases in California and requires "just cause" evictions in most cases. AB 1482 clearly exempts certain types of affordable housing from coverage under the law, such as public housing and project-based vouchers. However, what is not clear, and is being hotly debated, is whether or not Housing Choice Vouchers (HCV) are covered under the new law. Tenant advocates such as the National Housing Law Project and the Western Center on Law and Poverty (WCLP) argue that "regular" vouchers are covered under AB 1482, while groups like the California Apartment Association believe that Vouchers are exempt.

It is our understanding that, at least in early discussions, AB 1482 was intended to cover the voucher program. However, the published law does not read that way to many housing professionals. In conversations with two of our Housing Authority industry groups (CAHA and NAHRO), Assemblymember Chiu's staff has said that they do not believe the law, as written, covers HCV participants.

Action of Board On: **03/10/2020** APPROVED AS RECOMMENDED OTHER

Clerks Notes:

VOTE OF COMMISSIONERS

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ATTESTED: March 10, 2020

Joseph Villarreal, Executive Director

Contact: 925-957-8028

By: , Deputy

cc:

BACKGROUND (CONTD)

Further, the Assembly's legal counsel, the Legislative Counsel Bureau, has published an opinion stating that "a rental unit participating in the HCV program" is exempt from AB 1482's requirements.

It is unclear at this time whether an attempt will be made to amend this law to include the HCV program, or if this will end in one or more lawsuits. Based on both conversations with tenant advocates and the fact that HACCC is not the entity that would raise the rent under the HCV program, it is unlikely that HACCC will be sued in an AB 1482 case.

Staff will discuss this issue further with the Board at our meeting. Attached for your information are the new law, a one-page summary of the law from WCLP and the California Rural Legal Assistance Foundation, a memo from WCLP arguing that HCV program participants are covered by the law and the Opinion from the Legislative Counsel Bureau that HCV program participants are exempt from the law.

FISCAL IMPACT

None. Information item only.

CONSEQUENCE OF NEGATIVE ACTION

None. Information item only.

ATTACHMENTS

Leg Counsel Analysis

AB 1482 Summary

AB 1482 Text

Western Center Letter RE AB1482



CHIEF DEPUTY
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PRINCIPAL DEPUTIES
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February 11, 2020

Honorable Tyler Diep
Room 4153, State Capitol

TENANT PROTECTION ACT OF 2019: HOUSING CHOICE VOUCHER PROGRAM - #1923504

Dear Mr. Diep:

Civil Code section 1946.2¹ generally prohibits an owner of residential real property from terminating a tenancy without “just cause,” and section 1947.12 prohibits an owner of residential real property from annually increasing the gross rental rate for that property by more than 5 percent plus the cost of inflation or 10 percent, whichever is lower. Sections 1946.2, subdivision (e)(9) and 1947.12, subdivision (d)(1) (hereafter sections 1946.2(e)(9) and 1947.12(d)(1)) both exempt from their prohibitions “[h]ousing ... subject to an agreement that provides housing subsidies for affordable housing for persons and families of very low, low, or moderate income, as defined in Section 50093 of the Health and Safety Code or comparable federal statutes.” Under the Housing Choice Voucher Program² (hereafter the HCV program), the federal Department of Housing and Urban Development (hereafter HUD) provides funding for rental subsidies to eligible families and project-based assistance at specific privately owned affordable housing communities.³ In this context, you have asked whether a rental unit participating in the HCV program qualifies for the exemptions under sections 1946.2(e)(9) and 1947.12(d)(1).

1. Background

1.1 Exemptions under sections 1946.2(e)(9) and 1947.12(d)(1)

Until January 1, 2030, section 1946.2 requires an owner of residential real property to show “just cause” to evict tenants with a tenancy of 12 months or more, and

¹ All further references are to the Civil Code unless otherwise indicated.

² 42 U.S.C. § 1437f.

³ 42 U.S.C § 1437f(b), (d)(2) & (o)(13).

section 1947.12 regulates how much an owner of residential real property can annually increase rental rates. Each of those sections contains an identical exemption applicable to the following two types of housing: (1) “[h]ousing restricted by deed, regulatory restriction contained in an agreement with a government agency, or other recorded document as affordable housing for persons and families of very low, low, or moderate income, as defined in Section 50093 of the Health and Safety Code,” and (2) housing that is “subject to an agreement that provides housing subsidies for affordable housing for persons and families of very low, low, or moderate income, as defined in Section 50093 of the Health and Safety Code or comparable federal statutes.”⁴

1.2 Overview of the HCV program

The federal government provides rental assistance to low-income, elderly, and disabled families through the HCV program. Under this program, HUD pays rental subsidies so eligible families can afford decent, safe, and sanitary housing.⁵ The program is generally administered by state or local governmental entities called public housing agencies (hereafter PHAs), and HUD provides housing assistance funds to PHAs.⁶ Assistance under the program may be either “project-based” or “tenant-based.”⁷ Under both types of assistance, the tenant contributes a prescribed portion of family income toward the rent due.⁸ The PHA pays the balance of the rent to the owner.⁹

1.2.1 Project-based assistance

In this first type of assistance, rental assistance is paid for families who live in specific housing developments or units, and the assistance is attached to a specific housing unit.¹⁰ Project-based assistance is available for both existing housing units and newly constructed or rehabilitated housing units.¹¹ With this type of assistance, a PHA enters into a housing assistance payment contract (hereafter HAP contract) with a property owner for units in existing housing or in newly constructed or rehabilitated housing,¹² and the property owner then receives assistance payments from the PHA for leasing units to eligible families.¹³ For project-based assistance, the PHA may select families who are participants in the PHA’s

⁴ §§ 1946.2(e)(9) & 1947.12(d)(1).

⁵ 24 C.F.R. § 982.1(a)(1).

⁶ 24 C.F.R. § 982.1(a)(1).

⁷ 24 C.F.R. § 982.1(b)(1).

⁸ 42 U.S.C. § 1437f(o)(2); see also 42 U.S.C. § 1437a(a)(1).

⁹ See 42 U.S.C. § 1437f(c); 24 C.F.R. § 983.5(a)(4).

¹⁰ 42 U.S.C. § 1437f(f)(6); 24 C.F.R. §§ 982.1(b)(1), 983.5(a)(1).

¹¹ 24 C.F.R. § 983.5(a)(2).

¹² 24 C.F.R. § 983.5(a)(2).

¹³ 42 U.S.C. § 1437f(c); 24 C.F.R. § 983.5(a)(4).

tenant-based voucher program and families who have applied for admission to the voucher program.¹⁴

1.2.2 Tenant-based assistance

The second type of assistance, tenant-based assistance, is attached to the tenant. To receive tenant-based assistance, the family selects a suitable unit.¹⁵ After approving the tenancy, the PHA enters into a HAP contract with the owner to make rental subsidy payments to the owner to subsidize occupancy by the family.¹⁶ The term of the HAP contract with the owner is the same as the term of the lease and covers a single unit and a specific assisted family.¹⁷ To be income eligible, the applicant must be a “low-income” family,¹⁸ which refers to a family whose income does not exceed 80 percent of the median income for the geographic area.¹⁹

2. Analysis

We now turn to the language of sections 1946.2(e)(9) and 1947.12(d)(1) to determine whether a rental unit participating in the HCV program qualifies for those exemptions. In construing a statute, a court begins by examining the statute’s words because they generally provide the most reliable indicator of legislative intent.²⁰ If the statutory language is clear and unambiguous, a court’s inquiry into the interpretation of the statute ends; in that case, the plain meaning of the statute is controlling, and it is unnecessary to resort to extrinsic sources in order to determine the Legislature’s intent.²¹

Sections 1946.2(e)(9) and 1947.12(d)(1) exempt from their provisions (1) housing restricted by deed, regulatory restriction contained in an agreement with a governmental agency, or other recorded document as affordable housing for persons and families of very low, low, or moderate income, as defined in Health and Safety Code section 50093; or, as relevant here, (2) housing subject to an agreement that provides housing subsidies for affordable housing for persons and families of very low, low, or moderate income, as defined in Health and Safety Code section 50093 or comparable federal statutes. In the HCV program, as discussed above, HUD pays rental subsidies so eligible families can afford decent, safe, and sanitary housing.²² For both types of assistance, the PHA enters into a HAP

¹⁴ 24 C.F.R. § 983.251(a)(1).

¹⁵ 24 C.F.R. § 982.1(b)(2).

¹⁶ 24 C.F.R. § 982.1(b)(2).

¹⁷ 24 C.F.R. § 982.451(a)(2).

¹⁸ 42 U.S.C. § 1437a(a)(1); 24 C.F.R. § 982.201(b)(1).

¹⁹ 42 U.S.C. § 1437a(b)(2).

²⁰ *Lopez v. Sony Electronics, Inc.* (2018) 5 Cal.5th 627, 634; hereafter *Lopez*.

²¹ *Lopez, supra*, 5 Cal.5th at p. 634.

²² 24 C.F.R. § 982.1(a)(1).

contract with the owner of the dwelling unit to make rental subsidy payments to the owner for leasing the unit to eligible low-income families, in order to subsidize occupancy by the family.²³ Because a rental unit participating in either the project-based voucher program or tenant-based voucher program is housing subject to a HAP contract entered into between a PHA and the owner of the rental unit to provide a rental subsidy payment to the owner in order to subsidize occupancy by eligible low-income families so those families can afford housing, it is our view that, under the plain meaning of sections 1946.2(e)(9) and 1947.12(d)(1), a rental unit participating in the HCV program would be “housing subject to an agreement that provides housing subsidies for affordable housing.” Thus, such a rental unit would be exempt from the “just cause” eviction requirement under section 1946.2 and the rental cap under section 1947.12.

3. Conclusion

Accordingly, it is our opinion that a rental unit participating in the HCV program qualifies for the exemptions under sections 1946.2(e)(9) and 1947.12(d)(1).

Very truly yours,

Diane F. Boyer-Vine
Legislative Counsel



By
Rebecca M. Bitzer
Deputy Legislative Counsel

RMB:kam

²³ 24 C.F.R. §§ 982.1(b)(2) & 983.5(a)(2), (4); see also 24 C.F.R. §§ 982.305(a), 982.451, 983.52 & 983.202.



AB 1482 (Chiu) – Tenant Protection Act of 2019

The Tenant Protection Act of 2019 was signed by Governor Newsom on October 8th, 2019 and takes effect on January 1, 2020. The law limits how much rents can be increased and the allowable reasons for evicting tenants in covered units:

Rent Cap

- Rent increases limited to **annual change in regional CPI + 5%** in any 12-month period, not to exceed 10%.
- Applies retroactively to rent increases starting on **March 15, 2019** (increases over cap roll back on 1/1/20).
- In effect until **2030**.

To obtain the annual change in CPI, visit:
<https://www.dir.ca.gov/OPRL/CAPriceIndex.htm>

→ Click to download the “Consumer Price Index calculator (1989 - 2019)”

“Just Cause” Eviction Requirements

- Effective after 12 months of tenancy, protecting renters from an eviction for no reason.
- Provides for **one month’s rent relocation payment** or rent waiver in the case of a no-fault just cause eviction, such as owner move-in or capital improvements.
- **Allowable At-Fault Reasons for Eviction:** Nonpayment of Rent, Breach of Lease, Committing Nuisance or Waste, Failure to Renew Similar Lease, Criminal Activity on Premises or Directed at Landlord/Agent, Unauthorized Subleasing, Refusing Lawful Entry, Using Premises for Unlawful Purpose, Failure of Resident Mgr. to Vacate After Employment, Failure to Vacate After Giving Notice or Agreement to Vacate

- **Allowable No-Fault Reasons for Eviction** (Requires one month’s rent as relocation assistance): Owner/Family Move-In, Government Order to Vacate, Withdrawal of Property from Rental Market (Ellis), Intent to Demolish or Substantially Remodel

Covered Units

- Covers all multifamily housing and apartments in California.
- Covers single family homes and condos owned by corporations, including Real Estate Investment Trusts and LLCs controlled by corporations. Single family homes and condos owned by individuals and family trusts are exempt so long as notice is given to tenants.
- 15-year new construction exemption.
- Other limited, specific exemptions, such as college dorms and owner-occupied duplexes.
- Exception to Just Cause protections in limited cases of a new roommate moving in within the first two years of tenancy.

Local Ordinances

- Preserves local jurisdictions’ ability to adopt new rent control that conforms to existing Costa-Hawkins law.
- Preserves local jurisdictions’ ability to enforce and modify existing Just Cause protections, and allows jurisdictions to enact new Just Cause protections going forward if they are more protective than AB 1482.

Assembly Bill No. 1482

CHAPTER 597

An act to add and repeal Sections 1946.2, 1947.12, and 1947.13 of the Civil Code, relating to tenancy.

[Approved by Governor October 8, 2019. Filed with Secretary
of State October 8, 2019.]

LEGISLATIVE COUNSEL'S DIGEST

AB 1482, Chiu. Tenant Protection Act of 2019: tenancy: rent caps.

Existing law specifies that a hiring of residential real property, for a term not specified by the parties, is deemed to be renewed at the end of the term implied by law unless one of the parties gives written notice to the other of that party's intention to terminate. Existing law requires an owner of a residential dwelling to give notice at least 60 days prior to the proposed date of termination, or at least 30 days prior to the proposed date of termination if any tenant or resident has resided in the dwelling for less than one year, as specified. Existing law requires any notice given by an owner to be given in a prescribed manner, to contain certain information, and to be formatted, as specified.

This bill would, with certain exceptions, prohibit an owner, as defined, of residential real property from terminating a tenancy without just cause, as defined, which the bill would require to be stated in the written notice to terminate tenancy when the tenant has continuously and lawfully occupied the residential real property for 12 months, except as provided. The bill would require, for certain just cause terminations that are curable, that the owner give a notice of violation and an opportunity to cure the violation prior to issuing the notice of termination. The bill, if the violation is not cured within the time period set forth in the notice, would authorize a 3-day notice to quit without an opportunity to cure to be served to terminate the tenancy. The bill would require, for no-fault just cause terminations, as specified, that the owner, at the owner's option, either assist certain tenants to relocate, regardless of the tenant's income, by providing a direct payment of one month's rent to the tenant, as specified, or waive in writing the payment of rent for the final month of the tenancy, prior to the rent becoming due. The bill would require the actual amount of relocation assistance or rent waiver provided to a tenant that fails to vacate after the expiration of the notice to terminate the tenancy to be recoverable as damages in an action to recover possession. The bill would provide that if the owner does not provide relocation assistance, the notice of termination is void. The bill would except certain properties and circumstances from the application of its provisions. The bill would require an owner of residential property to provide prescribed notice to a tenant of the tenant's rights under these

provisions. The bill would not apply to residential real property subject to a local ordinance requiring just cause for termination adopted on or before September 1, 2019, or to residential real property subject to a local ordinance requiring just cause for termination adopted or amended after September 1, 2019, that is more protective than these provisions, as defined. The bill would void any waiver of the rights under these provisions. The bill would repeal these provisions as of January 1, 2030.

Existing law governs the hiring of residential dwelling units and requires a landlord to provide specified notice to tenants prior to an increase in rent. Existing law, the Costa-Hawkins Rental Housing Act, prescribes statewide limits on the application of local rent control with regard to certain properties. That act, among other things, authorizes an owner of residential real property to establish the initial and all subsequent rental rates for a dwelling or unit that meets specified criteria, subject to certain limitations.

This bill would, until January 1, 2030, prohibit an owner of residential real property from, over the course of any 12-month period, increasing the gross rental rate for a dwelling or unit more than 5% plus the percentage change in the cost of living, as defined, or 10%, whichever is lower, of the lowest gross rental rate charged for the immediately preceding 12 months, subject to specified conditions. The bill would prohibit an owner of a unit of residential real property from increasing the gross rental rate for the unit in more than 2 increments over a 12-month period, after the tenant remains in occupancy of the unit over a 12-month period. The bill would exempt certain properties from these provisions. The bill would require the Legislative Analyst's Office to submit a report, on or before January 1, 2030, to the Legislature regarding the effectiveness of these provisions. The bill would provide that these provisions apply to all rent increases occurring on or after March 15, 2019. The bill would provide that in the event that an owner increased the rent by more than the amount specified above between March 15, 2019, and January 1, 2020, the applicable rent on January 1, 2020, shall be the rent as of March 15, 2019, plus the maximum permissible increase, and the owner shall not be liable to the tenant for any corresponding rent overpayment. The bill would authorize an owner who increased the rent by less than the amount specified above between March 15, 2019, and January 1, 2020, to increase the rent twice within 12 months of March 15, 2019, but not by more than the amount specified above. The bill would void any waiver of the rights under these provisions.

The Planning and Zoning Law requires the owner of an assisted housing development in which there will be an expiration of rental restrictions to, among other things, provide notice of the proposed change to each affected tenant household residing in the assisted housing development subject to specified procedures and requirements, and to also provide specified entities notice and an opportunity to submit an offer to purchase the development prior to the expiration of the rental restrictions.

This bill would authorize an owner of an assisted housing development, who demonstrates, under penalty of perjury, compliance with the provisions described above with regard to the expiration of rental restrictions, to

establish the initial unassisted rental rate for units without regard to the cap on rent increases discussed above, but would require the owner to comply with the above cap on rent increases for subsequent rent increases in the development. The bill would authorize an owner of a deed-restricted affordable housing unit or an affordable housing unit subject to a regulatory restriction contained in an agreement with a government agency limiting rental rates that is not within an assisted housing development to establish the initial rental rate for the unit upon the expiration of the restriction, but would require the owner to comply with the above cap on rent increases for subsequent rent increases for the unit. The bill would repeal these provisions on January 1, 2030. The bill would void any waiver of the rights under these provisions. By requiring an owner of an assisted housing development to demonstrate compliance with specified provisions under penalty of perjury, this bill would expand the existing crime of perjury and thus would impose a state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

The people of the State of California do enact as follows:

SECTION 1. This act shall be known, and may be cited, as the Tenant Protection Act of 2019.

SEC. 2. Section 1946.2 is added to the Civil Code, to read:

1946.2. (a) Notwithstanding any other law, after a tenant has continuously and lawfully occupied a residential real property for 12 months, the owner of the residential real property shall not terminate the tenancy without just cause, which shall be stated in the written notice to terminate tenancy. If any additional adult tenants are added to the lease before an existing tenant has continuously and lawfully occupied the residential real property for 24 months, then this subdivision shall only apply if either of the following are satisfied:

(1) All of the tenants have continuously and lawfully occupied the residential real property for 12 months or more.

(2) One or more tenants have continuously and lawfully occupied the residential real property for 24 months or more.

(b) For purposes of this section, "just cause" includes either of the following:

(1) At-fault just cause, which is any of the following:

(A) Default in the payment of rent.

(B) A breach of a material term of the lease, as described in paragraph (3) of Section 1161 of the Code of Civil Procedure, including, but not limited to, violation of a provision of the lease after being issued a written notice to correct the violation.

(C) Maintaining, committing, or permitting the maintenance or commission of a nuisance as described in paragraph (4) of Section 1161 of the Code of Civil Procedure.

(D) Committing waste as described in paragraph (4) of Section 1161 of the Code of Civil Procedure.

(E) The tenant had a written lease that terminated on or after January 1, 2020, and after a written request or demand from the owner, the tenant has refused to execute a written extension or renewal of the lease for an additional term of similar duration with similar provisions, provided that those terms do not violate this section or any other provision of law.

(F) Criminal activity by the tenant on the residential real property, including any common areas, or any criminal activity or criminal threat, as defined in subdivision (a) of Section 422 of the Penal Code, on or off the residential real property, that is directed at any owner or agent of the owner of the residential real property.

(G) Assigning or subletting the premises in violation of the tenant's lease, as described in paragraph (4) of Section 1161 of the Code of Civil Procedure.

(H) The tenant's refusal to allow the owner to enter the residential real property as authorized by Sections 1101.5 and 1954 of this code, and Sections 13113.7 and 17926.1 of the Health and Safety Code.

(I) Using the premises for an unlawful purpose as described in paragraph (4) of Section 1161 of the Code of Civil Procedure.

(J) The employee, agent, or licensee's failure to vacate after their termination as an employee, agent, or a licensee as described in paragraph (1) of Section 1161 of the Code of Civil Procedure.

(K) When the tenant fails to deliver possession of the residential real property after providing the owner written notice as provided in Section 1946 of the tenant's intention to terminate the hiring of the real property, or makes a written offer to surrender that is accepted in writing by the landlord, but fails to deliver possession at the time specified in that written notice as described in paragraph (5) of Section 1161 of the Code of Civil Procedure.

(2) No-fault just cause, which includes any of the following:

(A) (i) Intent to occupy the residential real property by the owner or their spouse, domestic partner, children, grandchildren, parents, or grandparents.

(ii) For leases entered into on or after July 1, 2020, clause (i) shall apply only if the tenant agrees, in writing, to the termination, or if a provision of the lease allows the owner to terminate the lease if the owner, or their spouse, domestic partner, children, grandchildren, parents, or grandparents, unilaterally decides to occupy the residential real property. Addition of a provision allowing the owner to terminate the lease as described in this clause to a new or renewed rental agreement or fixed-term lease constitutes a similar provision for the purposes of subparagraph (E) of paragraph (1).

(B) Withdrawal of the residential real property from the rental market.

(C) (i) The owner complying with any of the following:

(I) An order issued by a government agency or court relating to habitability that necessitates vacating the residential real property.

(II) An order issued by a government agency or court to vacate the residential real property.

(III) A local ordinance that necessitates vacating the residential real property.

(ii) If it is determined by any government agency or court that the tenant is at fault for the condition or conditions triggering the order or need to vacate under clause (i), the tenant shall not be entitled to relocation assistance as outlined in paragraph (3) of subdivision (d).

(D) (i) Intent to demolish or to substantially remodel the residential real property.

(ii) For purposes of this subparagraph, “substantially remodel” means the replacement or substantial modification of any structural, electrical, plumbing, or mechanical system that requires a permit from a governmental agency, or the abatement of hazardous materials, including lead-based paint, mold, or asbestos, in accordance with applicable federal, state, and local laws, that cannot be reasonably accomplished in a safe manner with the tenant in place and that requires the tenant to vacate the residential real property for at least 30 days. Cosmetic improvements alone, including painting, decorating, and minor repairs, or other work that can be performed safely without having the residential real property vacated, do not qualify as substantial rehabilitation.

(c) Before an owner of residential real property issues a notice to terminate a tenancy for just cause that is a curable lease violation, the owner shall first give notice of the violation to the tenant with an opportunity to cure the violation pursuant to paragraph (3) of Section 1161 of the Code of Civil Procedure. If the violation is not cured within the time period set forth in the notice, a three-day notice to quit without an opportunity to cure may thereafter be served to terminate the tenancy.

(d) (1) For a tenancy for which just cause is required to terminate the tenancy under subdivision (a), if an owner of residential real property issues a termination notice based on a no-fault just cause described in paragraph (2) of subdivision (b), the owner shall, regardless of the tenant’s income, at the owner’s option, do one of the following:

(A) Assist the tenant to relocate by providing a direct payment to the tenant as described in paragraph (3).

(B) Waive in writing the payment of rent for the final month of the tenancy, prior to the rent becoming due.

(2) If an owner issues a notice to terminate a tenancy for no-fault just cause, the owner shall notify the tenant of the tenant’s right to relocation assistance or rent waiver pursuant to this section. If the owner elects to waive the rent for the final month of the tenancy as provided in subparagraph (B) of paragraph (1), the notice shall state the amount of rent waived and that no rent is due for the final month of the tenancy.

(3) (A) The amount of relocation assistance or rent waiver shall be equal to one month of the tenant’s rent that was in effect when the owner issued

the notice to terminate the tenancy. Any relocation assistance shall be provided within 15 calendar days of service of the notice.

(B) If a tenant fails to vacate after the expiration of the notice to terminate the tenancy, the actual amount of any relocation assistance or rent waiver provided pursuant to this subdivision shall be recoverable as damages in an action to recover possession.

(C) The relocation assistance or rent waiver required by this subdivision shall be credited against any other relocation assistance required by any other law.

(4) An owner's failure to strictly comply with this subdivision shall render the notice of termination void.

(e) This section shall not apply to the following types of residential real properties or residential circumstances:

(1) Transient and tourist hotel occupancy as defined in subdivision (b) of Section 1940.

(2) Housing accommodations in a nonprofit hospital, religious facility, extended care facility, licensed residential care facility for the elderly, as defined in Section 1569.2 of the Health and Safety Code, or an adult residential facility, as defined in Chapter 6 of Division 6 of Title 22 of the Manual of Policies and Procedures published by the State Department of Social Services.

(3) Dormitories owned and operated by an institution of higher education or a kindergarten and grades 1 to 12, inclusive, school.

(4) Housing accommodations in which the tenant shares bathroom or kitchen facilities with the owner who maintains their principal residence at the residential real property.

(5) Single-family owner-occupied residences, including a residence in which the owner-occupant rents or leases no more than two units or bedrooms, including, but not limited to, an accessory dwelling unit or a junior accessory dwelling unit.

(6) A duplex in which the owner occupied one of the units as the owner's principal place of residence at the beginning of the tenancy, so long as the owner continues in occupancy.

(7) Housing that has been issued a certificate of occupancy within the previous 15 years.

(8) Residential real property that is alienable separate from the title to any other dwelling unit, provided that both of the following apply:

(A) The owner is not any of the following:

(i) A real estate investment trust, as defined in Section 856 of the Internal Revenue Code.

(ii) A corporation.

(iii) A limited liability company in which at least one member is a corporation.

(B) (i) The tenants have been provided written notice that the residential property is exempt from this section using the following statement:

“This property is not subject to the rent limits imposed by Section 1947.12 of the Civil Code and is not subject to the just cause requirements of Section 1946.2 of the Civil Code. This property meets the requirements of Sections 1947.12 (d)(5) and 1946.2 (e)(8) of the Civil Code and the owner is not any of the following: (1) a real estate investment trust, as defined by Section 856 of the Internal Revenue Code; (2) a corporation; or (3) a limited liability company in which at least one member is a corporation.”

(ii) For a tenancy existing before July 1, 2020, the notice required under clause (i) may, but is not required to, be provided in the rental agreement.

(iii) For any tenancy commenced or renewed on or after July 1, 2020, the notice required under clause (i) must be provided in the rental agreement.

(iv) Addition of a provision containing the notice required under clause (i) to any new or renewed rental agreement or fixed-term lease constitutes a similar provision for the purposes of subparagraph (E) of paragraph (1) of subdivision (b).

(9) Housing restricted by deed, regulatory restriction contained in an agreement with a government agency, or other recorded document as affordable housing for persons and families of very low, low, or moderate income, as defined in Section 50093 of the Health and Safety Code, or subject to an agreement that provides housing subsidies for affordable housing for persons and families of very low, low, or moderate income, as defined in Section 50093 of the Health and Safety Code or comparable federal statutes.

(f) An owner of residential real property subject to this section shall provide notice to the tenant as follows:

(1) For any tenancy commenced or renewed on or after July 1, 2020, as an addendum to the lease or rental agreement, or as a written notice signed by the tenant, with a copy provided to the tenant.

(2) For a tenancy existing prior to July 1, 2020, by written notice to the tenant no later than August 1, 2020, or as an addendum to the lease or rental agreement.

(3) The notification or lease provision shall be in no less than 12-point type, and shall include the following:

“California law limits the amount your rent can be increased. See Section 1947.12 of the Civil Code for more information. California law also provides that after all of the tenants have continuously and lawfully occupied the property for 12 months or more or at least one of the tenants has continuously and lawfully occupied the property for 24 months or more, a landlord must provide a statement of cause in any notice to terminate a tenancy. See Section 1946.2 of the Civil Code for more information.”

The provision of the notice shall be subject to Section 1632.

(g) (1) This section does not apply to the following residential real property:

(A) Residential real property subject to a local ordinance requiring just cause for termination of a residential tenancy adopted on or before September 1, 2019, in which case the local ordinance shall apply.

(B) Residential real property subject to a local ordinance requiring just cause for termination of a residential tenancy adopted or amended after September 1, 2019, that is more protective than this section, in which case the local ordinance shall apply. For purposes of this subparagraph, an ordinance is “more protective” if it meets all of the following criteria:

(i) The just cause for termination of a residential tenancy under the local ordinance is consistent with this section.

(ii) The ordinance further limits the reasons for termination of a residential tenancy, provides for higher relocation assistance amounts, or provides additional tenant protections that are not prohibited by any other provision of law.

(iii) The local government has made a binding finding within their local ordinance that the ordinance is more protective than the provisions of this section.

(2) A residential real property shall not be subject to both a local ordinance requiring just cause for termination of a residential tenancy and this section.

(3) A local ordinance adopted after September 1, 2019, that is less protective than this section shall not be enforced unless this section is repealed.

(h) Any waiver of the rights under this section shall be void as contrary to public policy.

(i) For the purposes of this section, the following definitions shall apply:

(1) “Owner” and “residential real property” have the same meaning as those terms are defined in Section 1954.51.

(2) “Tenancy” means the lawful occupation of residential real property and includes a lease or sublease.

(j) This section shall remain in effect only until January 1, 2030, and as of that date is repealed.

SEC. 3. Section 1947.12 is added to the Civil Code, to read:

1947.12. (a) (1) Subject to subdivision (b), an owner of residential real property shall not, over the course of any 12-month period, increase the gross rental rate for a dwelling or a unit more than 5 percent plus the percentage change in the cost of living, or 10 percent, whichever is lower, of the lowest gross rental rate charged for that dwelling or unit at any time during the 12 months prior to the effective date of the increase. In determining the lowest gross rental amount pursuant to this section, any rent discounts, incentives, concessions, or credits offered by the owner of such unit of residential real property and accepted by the tenant shall be excluded. The gross per-month rental rate and any owner-offered discounts, incentives, concessions, or credits shall be separately listed and identified in the lease or rental agreement or any amendments to an existing lease or rental agreement.

(2) If the same tenant remains in occupancy of a unit of residential real property over any 12-month period, the gross rental rate for the unit of residential real property shall not be increased in more than two increments over that 12-month period, subject to the other restrictions of this subdivision governing gross rental rate increase.

(b) For a new tenancy in which no tenant from the prior tenancy remains in lawful possession of the residential real property, the owner may establish the initial rental rate not subject to subdivision (a). Subdivision (a) is only applicable to subsequent increases after that initial rental rate has been established.

(c) A tenant of residential real property subject to this section shall not enter into a sublease that results in a total rent for the premises that exceeds the allowable rental rate authorized by subdivision (a). Nothing in this subdivision authorizes a tenant to sublet or assign the tenant's interest where otherwise prohibited.

(d) This section shall not apply to the following residential real properties:

(1) Housing restricted by deed, regulatory restriction contained in an agreement with a government agency, or other recorded document as affordable housing for persons and families of very low, low, or moderate income, as defined in Section 50093 of the Health and Safety Code, or subject to an agreement that provides housing subsidies for affordable housing for persons and families of very low, low, or moderate income, as defined in Section 50093 of the Health and Safety Code or comparable federal statutes.

(2) Dormitories constructed and maintained in connection with any higher education institution within the state for use and occupancy by students in attendance at the institution.

(3) Housing subject to rent or price control through a public entity's valid exercise of its police power consistent with Chapter 2.7 (commencing with Section 1954.50) that restricts annual increases in the rental rate to an amount less than that provided in subdivision (a).

(4) Housing that has been issued a certificate of occupancy within the previous 15 years.

(5) Residential real property that is alienable separate from the title to any other dwelling unit, provided that both of the following apply:

(A) The owner is not any of the following:

(i) A real estate investment trust, as defined in Section 856 of the Internal Revenue Code.

(ii) A corporation.

(iii) A limited liability company in which at least one member is a corporation.

(B) (i) The tenants have been provided written notice that the residential real property is exempt from this section using the following statement:

“This property is not subject to the rent limits imposed by Section 1947.12 of the Civil Code and is not subject to the just cause requirements of Section 1946.2 of the Civil Code. This property meets the requirements of Sections

1947.12 (c)(5) and 1946.2 (e)(7) of the Civil Code and the owner is not any of the following: (1) a real estate investment trust, as defined by Section 856 of the Internal Revenue Code; (2) a corporation; or (3) a limited liability company in which at least one member is a corporation.”

(ii) For a tenancy existing before July 1, 2020, the notice required under clause (i) may, but is not required to, be provided in the rental agreement.

(iii) For a tenancy commenced or renewed on or after July 1, 2020, the notice required under clause (i) must be provided in the rental agreement.

(iv) Addition of a provision containing the notice required under clause (i) to any new or renewed rental agreement or fixed-term lease constitutes a similar provision for the purposes of subparagraph (E) of paragraph (1) of subdivision (b) of Section 1946.2.

(6) A duplex in which the owner occupied one of the units as the owner’s principal place of residence at the beginning of the tenancy, so long as the owner continues in occupancy.

(e) An owner shall provide notice of any increase in the rental rate, pursuant to subdivision (a), to each tenant in accordance with Section 827.

(f) (1) On or before January 1, 2030, the Legislative Analyst’s Office shall report to the Legislature regarding the effectiveness of this section and Section 1947.13. The report shall include, but not be limited to, the impact of the rental rate cap pursuant to subdivision (a) on the housing market within the state.

(2) The report required by paragraph (1) shall be submitted in compliance with Section 9795 of the Government Code.

(g) For the purposes of this section, the following definitions shall apply:

(1) “Owner” and “residential real property” shall have the same meaning as those terms are defined in Section 1954.51.

(2) “Percentage change in the cost of living” means the percentage change from April 1 of the prior year to April 1 of the current year in the regional Consumer Price Index for the region where the residential real property is located, as published by the United States Bureau of Labor Statistics. If a regional index is not available, the California Consumer Price Index for All Urban Consumers for all items, as determined by the Department of Industrial Relations, shall apply.

(3) “Tenancy” means the lawful occupation of residential real property and includes a lease or sublease.

(h) (1) This section shall apply to all rent increases subject to subdivision (a) occurring on or after March 15, 2019. This section shall become operative January 1, 2020.

(2) In the event that an owner has increased the rent by more than the amount permissible under subdivision (a) between March 15, 2019, and January 1, 2020, both of the following shall apply:

(A) The applicable rent on January 1, 2020, shall be the rent as of March 15, 2019, plus the maximum permissible increase under subdivision (a).

(B) An owner shall not be liable to the tenant for any corresponding rent overpayment.

(3) An owner of residential real property subject to subdivision (a) who increased the rental rate on that residential real property on or after March 15, 2019, but prior to January 1, 2020, by an amount less than the rental rate increase permitted by subdivision (a) shall be allowed to increase the rental rate twice, as provided in paragraph (2) of subdivision (a), within 12 months of March 15, 2019, but in no event shall that rental rate increase exceed the maximum rental rate increase permitted by subdivision (a).

(i) Any waiver of the rights under this section shall be void as contrary to public policy.

(j) This section shall remain in effect until January 1, 2030, and as of that date is repealed.

(k) (1) The Legislature finds and declares that the unique circumstances of the current housing crisis require a statewide response to address rent gouging by establishing statewide limitations on gross rental rate increases.

(2) It is the intent of the Legislature that this section should apply only for the limited time needed to address the current statewide housing crisis, as described in paragraph (1). This section is not intended to expand or limit the authority of local governments to establish local policies regulating rents consistent with Chapter 2.7 (commencing with Section 1954.50), nor is it a statement regarding the appropriate, allowable rental rate increase when a local government adopts a policy regulating rent that is otherwise consistent with Chapter 2.7 (commencing with Section 1954.50).

(3) Nothing in this section authorizes a local government to establish limitations on any rental rate increases not otherwise permissible under Chapter 2.7 (commencing with Section 1954.50), or affects the existing authority of a local government to adopt or maintain rent controls or price controls consistent with that chapter.

SEC. 4. Section 1947.13 is added to the Civil Code, to read:

1947.13. (a) Notwithstanding Section 1947.12, upon the expiration of rental restrictions, the following shall apply:

(1) The owner of an assisted housing development who demonstrates, under penalty of perjury, compliance with all applicable provisions of Sections 65863.10, 65863.11, and 65863.13 of the Government Code and any other applicable law or regulation intended to promote the preservation of assisted housing, may establish the initial unassisted rental rate for units in the applicable housing development. Any subsequent rent increase in the development shall be subject to Section 1947.12.

(2) The owner of a deed-restricted affordable housing unit or an affordable housing unit subject to a regulatory restriction contained in an agreement with a government agency limiting rental rates that is not within an assisted housing development may establish the initial rental rate for the unit upon the expiration of the restriction. Any subsequent rent increase for the unit shall be subject to Section 1947.12.

(b) For purposes of this section:

(1) "Assisted housing development" has the same meaning as defined in paragraph (3) of subdivision (a) of Section 65863.10 of the Government Code.

(2) "Expiration of rental restrictions" has the same meaning as defined in paragraph (5) of subdivision (a) of Section 65863.10 of the Government Code.

(c) This section shall remain in effect until January 1, 2030, and as of that date is repealed.

(d) Any waiver of the rights under this section shall be void as contrary to public policy.

SEC. 5. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.

W. C. L. P.

Section 8 Housing Choice Voucher Program tenancies are not exempted from the protections of AB 1482.

The plain language of the law indicates that a landlord's participation in the Housing Choice Voucher (HCV) program does not exempt units for which HCV funds are received from the protections of AB 1482.

AB 1482 exempts certain types of affordable housing from its protections regarding rent gouging and evictions for cause. The law describes the exempted housing in provisions 1946.2(e)(9) and 1947.12(d)(1) as:

Housing restricted by deed, regulatory restriction contained in an agreement with a government agency, or other recorded document as affordable housing for persons and families of very low, low, or moderate income, as defined in Section 50093 of the Health and Safety Code, or subject to an agreement that provides housing subsidies for affordable housing for persons and families of very low, low, or moderate income, as defined in Section 50093 of the Health and Safety Code or comparable federal statutes.

The first type of housing referenced in this provision refers to affordable housing that is restricted by a deed, regulatory agreement contained in an agreement with a government agency, or other recorded documents. The most common types of affordable housing subject to a recorded document include the low-income housing tax credit program, which requires a recorded regulatory agreement memorializing affordability restrictions, and public housing, which requires deeds with restrictive language. This definition does not fit the Section 8 Housing Choice Voucher (HCV) program, as the HCV program does not require the recording of any type of deed or regulatory document.

The second part of the provision refers to housing “*subject to an agreement that provides housing subsidies for affordable housing for persons and families of very low, low, or moderate income, as defined in Section 50093 of the Health and Safety Code or comparable federal statutes.*” This language, particularly the words “housing subsidies for affordable housing,” more closely mirrors the structure of the Project-Based Section 8 (“PBS8”) and Project-Based Voucher (“PBV”) programs. These programs involve agreements which provide funds to housing providers to rent specific apartments and other housing units at affordable rates, but do not require deed restrictions or other recorded documents. The affordability restrictions in PBS8 and PBV buildings are tied to specific units, allowing any tenants that reside in those units to pay rent set at 30% of their income, so long as those tenants meet program requirements and remain in the unit.

The HCV program involves an agreement, known as the Housing Assistance Payment contract, between the housing provider and the public housing authority (PHA). However, the Housing Assistance Payment (“HAP”) contract is distinct from the type of “agreement that provides housing subsidies for affordable housing” which may exempt a

given rental unit from the protections of AB 1482. The HAP contract governs the landlord's participation in the HCV program and provides that the PHA will pay the difference between the tenant's portion of the rent and the total "rent to owner" for the unit.

While it is true that the HAP Contract required for a landlord to receive HCV funds is an "agreement" between the Public Housing Authority (PHA) and the landlord, that agreement is not an agreement that provides for a subsidy to the landlord for "affordable housing." Unlike with the PBS8 and PBV programs, a landlord entering into a HAP agreement under the HCV program is not agreeing to provide below market rate rents and receive a subsidy in exchange for doing so. Rather, the landlord is agreeing to rent the unit to the HCV recipient at a market rent determined by the landlord—the same rent that would be charged to a tenant without a HCV. The HAP contract obligates the landlord to receive a payment from the PHA on behalf of the tenant to pay a portion of the unsubsidized market rent. Thus, the agreement is not an agreement providing for "affordable housing," since the rent charged by the landlord is not affordable to the HCV holder.

Moreover, the HAP contract does not involve a subsidy. In essence, it involves an agreement to receive the full market rental payment from two sources, one portion from the tenant and one portion from the PHA. This is not a "subsidy" as that term is commonly used or understood. The commonly understood meaning of that term is a government payment to a private party to compensate that party for offering something at a price below market.¹ However, that is not what occurs under the HCV program. A landlord who receives HCV payments is not agreeing to provide the unit at a below market price in exchange for a subsidy from the government, but rather charges market rent for that unit, which is paid in full by the tenant and PHA. Indeed, the HAP contract itself supports this interpretation. Under the HAP contract, the total rent charged by the owner must be comparable to area market rents, and must also be in line with "rents charged by the owner for rental of comparable unassisted units in the premises." Therefore, the HAP contract does not render the unit itself more affordable than other units in the area or other units rented by the owner, and is distinct from a traditional "subsidy for affordable housing" in this regard.

Moreover, HCV assistance is tenant-based and does not attach to a specific unit of housing. Instead, the assistance attaches to a tenant and the vouchers allow tenants to afford market rate rents by combining their rent portion with the portion paid by the Housing Authority. In contrast to the PBV/PBS8 programs, when a tenant receiving HCV assistance leaves, the the assistance does not remain with the unit and the following tenant is responsible for ensuring payment of the full market rent. Therefore, the exemption in AB 1482 for units subject to "an agreement that provides subsidies for affordable housing" does not include unsubsidized units where a tenant uses their HCV assistance to pay the rent.

¹ See e.g. Macmillian Dictionary: "an amount of money that the government or another organization pays to help to reduce the cost of a product or service."

Interpreting AB 1482's language in the context of related statutes and regulations also demonstrates that the exemption provision is not referring to the HCV program.

An examination of the language used in the HCV program's implementing regulations also demonstrates that the exemption provision does not refer to the HCV program. First, in contrast to the language in 1482, the HCV regulations consistently refer to the assistance provided as "tenant-based" See 24 C.F.R. § 982 et. seq. Furthermore, the HCV statutes and regulations refer to the payments made to landlords as "rent," not the "subsidies" referred to in AB 1482. This is because HCV landlords are receiving rent in exchange for market rate, not affordable, housing. 24 C.F.R. § 982.

Additionally, the language used to describe the HCV program in other California statutes and regulations bears no relation to the language utilized in 1482. This comparison is important, as the courts have recognized that it is proper to consider related statutory or regulatory framework when interpreting the language and meaning of a statute:

"A statute is not to be read in isolation... it must be construed with related statutes and considered in the context of the statutory framework as a whole. *Altaville Drug Store, Inc. v. Employment Development Department*, 44 Cal.3d 231, 236, (1988); *Hicks v. E.T. Legg & Associates*, 89 Cal.App.4th 496 (2001). As statutes "in pari material," meaning "of the same matter" or "on the same matter" they must be interpreted together. *Donovan v. Poway Unified School Dist.*, 167 Cal.App.4th 567 (2008).

SB 329 recently amended provisions of California's Fair Employment and Housing Act to prohibit discrimination against tenants because they are utilizing Section 8 Housing Choice Vouchers. Cal. Govt. Code §§ 12955, 12927. The amendments to the law describe the HCV program as "federal housing assistance vouchers issued under Section 8 of the United States Housing Act of 1937 (42 U.S.C. Sec. 1437f)." In other laws, the legislature describes the HCF program explicitly as "housing choice vouchers" (25 CCR § 8305 (b)(3)) or a "federal government program that provides for rent limitations or rental assistance to a qualified tenant" CCP § 1161.4(f).

If the California legislature intended to refer to the HCV program in AB 1482's exemption provisions, it would have described the program utilizing terms such as "tenant-based assistance," "federal housing assistance vouchers," "housing choice vouchers," or similar language. The absence of such language, especially in the context of the federal and state statutory and regulatory framework, clearly illustrates that this provision is not intended by the legislature to refer to a landlord's acceptance of HCV funds.

AB 1482's legislative history also indicates that the law does not exempt the HCV program.

Finally, the legislative history of AB 1482 indicates that the law was not intended to exempt the HCV program. The courts have recognized that a "legislative staff analysis

may be relevant to ascertaining legislative intent when the analysis is consistent with a reasonable interpretation of the enactment. “ *Pacific Bell v. California State & Consumer Services Agency*, 225 Cal.App.3d 107 (1990); *In re Rottanak K.*, 37 Cal.App.4th 260, 267 (1995).

None of the legislative analyses of AB 1482 make any mention of the HCV program or indicate in any way an intent to exempt the program from the law. (See 5/10/19 Assembly Floor Analysis; 7/8/19 Senate Judiciary Analysis; 9/9/19 Senate Floor Analysis; 9/10/19 Assembly Floor Analysis). In 2018, 301,100 households were using housing choice vouchers in the state of California. (See Center on Budget and Policy Priorities, California Federal Rental Assistance Fact Sheets, <https://www.cbpp.org/research/housing/federal-rental-assistance-fact-sheets#CA>). In light of the sheer size and breadth of this program, it is unlikely that an intent to exempt the program from the protections of AB 1482 would go unmentioned in the legislative analysis. Therefore, the legislative intent clearly indicates that AB 1482 does not exempt the HCV program from its protections.



Contra
Costa
County

To: Contra Costa County Housing Authority Board of Commissioners

From: Joseph Villarreal, Housing Authority

Date: March 10, 2020

Subject: HUD'S PROPOSED MIXED-STATUS RULE

RECOMMENDATIONS

CONSIDER accepting a report concerning HUD's proposed mixed-status rule.

BACKGROUND

As you are aware, on February 24, 2020, the U.S. Department of Homeland Security (DHS) implemented the [Inadmissibility on Public Charge Grounds final rule](#). Under the final rule, when considering citizenship applications, DHS will now look more closely at factors such as an applicant's age, health, family status, assets, resources, and financial status, education and skills in order to determine whether the applicant is likely at any time to become a public charge. DHS will also consider the use of a variety of public benefit programs, including assistance under the public housing and Section 8 (voucher and project-based) programs.

While this is a significant change and will have an impact on many programs and applicants for U.S. citizenship, it does not appear that it will have a significant effect on HACC'Cs current and future clients. This is because housing authorities have limited assistance to persons with eligible immigration status for a few decades now. However, a pending U.S. Department of Housing and Urban Development (HUD) rule change, related, but separate from DHS' Public Charge rule, will have a far more significant impact on many of our clients.

Action of Board On: **03/10/2020** APPROVED AS RECOMMENDED OTHER

Clerks Notes:

VOTE OF COMMISSIONERS

I hereby certify that this is a true and correct copy of an action taken and entered on the minutes of the Board of Supervisors on the date shown.

ATTESTED: March 10, 2020

Joseph Villarreal, Executive Director

Contact: 925-957-8028

By: , Deputy

cc:

BACKGROUND (CONT'D)

On May 10, 2019, HUD proposed changes to their regulations implementing Section 214 of the Housing and Community Development Act of 1980, as amended (The Act). As it stands now, The Act prohibits the Secretary of HUD from making financial assistance available to persons other than U. S. citizens or certain categories of eligible noncitizens in HUD's public housing program and in certain specified assisted housing programs as well. Those eligible for assistance under the Act are: (1) U.S. citizens and nationals; (2) lawful permanent residents; (3) VAWA self-petitioners; (4) asylees and refugees; (5) parolees; (6) persons granted withholding of removal/deportation; (7) victims of trafficking; (8) individuals residing in the U.S. under compacts of free association with Marshall Islands, Micronesia & Palau; and (9) immigrants admitted for lawful temporary residence under the Immigration Reform & Control Act of 1986.

While The Act currently prohibits the Secretary of HUD from making financial assistance available to persons that meet one of the criteria above, it does not prohibit prorated assistance for eligible household individuals who are part of mixed-status families (families that have at least one eligible household member, as well as one or more ineligible household members). The current Practice for mixed-status families is as follows:

- People who are ineligible do NOT receive assistance;
- At least one U.S. citizen or eligible immigrant must live in the household and may receive prorated assistance from a HUD program; and
- Individuals in the household must submit or meet one of the following documentation requirements:
 - declaration that they are a U.S. citizen or noncitizen with eligible status;
 - eligible noncitizens must provide an original copy of a document designated by DHS as acceptable evidence; or
 - a household member can "Not Contend" eligibility (i.e., they do not request consideration for assistance).

The proposed change would force the removal/eviction from our programs of any mixed status family and will significantly increase the verification documentation required. Specifically, HUD is seeking to:

- Prohibit prorated assistance to mixed-status families, even if some of its members are otherwise eligible to apply and participate in the program under The Act;
- Require all noncitizen family members' immigration statuses to be verified in USCIS's Systematic Alien Verification for Entitlements ("SAVE") Program, regardless of whether each family member is applying for benefits;
- Require the housing unit's leaseholder (i.e., the head of household) to be verified as eligible through the SAVE Program, regardless of whether he/she is applying for benefits; and
- Institute additional documentation requirements for all applicants, including U.S. citizens and seniors.

Nationally, based on HUD's analysis, there are 25,000 households (over 100,000 people) that will be

affected by the proposed rule change. In California, the number is 9,250 households. California, Texas and New York account for a little over 75% of the families who will be impacted. At the micro level, HACCC has 27 families that will be affected if the rule changes (11 in public housing, 16 in the voucher programs) and 396 more that could be affected (29 in public housing, 367 in the voucher programs) depending on the final rule's eligibility definitions and the household composition of each family.

Staff will discuss this issue further with the Board at our meeting.

Attached to this Board Order are HUD's Proposed Rule and a list of the HUD programs covered under The Act.

FISCAL IMPACT

None. Information item only.

CONSEQUENCE OF NEGATIVE ACTION

None. Information item only.

ATTACHMENTS

Housing Covered by S214

HUD 2019-0044-0001

**MEMO: HOUSING COVERED BY SECTION 214
OF THE HOUSING AND COMMUNITY DEVELOPMENT ACT**

- I. Section 214 Applies to the Following Programs:**
- a. Public Housing** (42 U.S.C. 1437d; 24 C.F.R. pt. 5 and pts. 900-972; 24 C.F.R. pt. 966; 24 C.F.R. pt. 960): Administered by Public and Indian Housing. Public housing is owned and operated by a public housing agency.
 - b. Section 8 Housing Choice Vouchers** (42 U.S.C. 1437f; 24 C.F.R. pt. 982; 24 C.F.R. pt. 5): Administered by Public and Indian Housing. Section 8 Housing Choice vouchers are issued by a local public housing agency to low income households so they can rent apartments or homes from private landlords. The subsidy is portable; it can travel with the tenant.
 - c. Section 8 Project-Based Housing:** Administered by Multifamily Housing. Used by developers who rely on long-term Section 8 rent subsidy contracts to build or rehabilitate apartment buildings and then rent the units to lower-income households. The subsidy is not portable; it is attached to the unit. Project-Based Section 8 includes the following subcategories:
 - i. **Section 8 New Construction**
 - ii. **Section 8 Moderate Rehabilitation**
 - iii. **Section 8 Substantial Rehabilitation**
 - iv. **State Housing Finance Agency Section 8**
 - v. **Section 202 and Section 811 Projects with Section 8 Assistance**
 - vi. **Section 8 Loan Management Set-Aside**
 - vii. **Section 8 Property Disposition Set-Aside**
 - viii. **Section 8 Community Investment Demonstration Program**
 - ix. **Section 8 Moderate Rehabilitation Single Residency Occupancy (SRO) Program**
 - d. Section 236 and Rent Supplement Housing** (12 U.S.C.A. §§ 1701s, 1715z-1): These are older housing programs from the 1960s under which developers built apartment buildings for low- to moderate- income tenants with HUD insured mortgages and subsidies. Some tenants in these buildings pay market rent, while others pay below-market rents. Tenants paying below-market rent, and tenants living in units with either Rent Assistance Payment or Section 8 project-based subsidies are covered by Section 214.
 - e. Section 235 Homeownership Housing** (12 U.S.C. § 1715z; 24 C.F.R. pt. 235): Allows lower income persons to purchase their homes using a HUD insured loan with a mortgage interest subsidy. The immigrant restrictions apply only to those applicants with contracts executed on or after June 19, 1995, or to contracts refinanced or revised on or after that date for a reason other than adjusting the mortgage interest rate.
 - f. Housing Development Grants (low-income units only)** (42 U.S.C. § 1437o): HoDAG provided funds for new construction and substantial rehabilitation of affordable rental housing between 1983 and 1990. Low-income units financed with funds from the HoDAG program are covered by Section 214 but not market rate units
 - g. Section 23 Leased Housing Assistance Program** (formerly codified at 12 U.S.C. § 1421b): This program has been replaced by the Project-based Section

8 program, and most units developed under the Section 23 program have been converted to Section 8

II. Section 214 Does NOT Apply to the Following Programs:¹

- a. **Indian Housing** (24 C.F.R. § 5.504(b))
- b. **Community Development Block Grants** (42 U.S.C. §§ 5301-5320; 24 C.F.R. pt. 570): HUD provides block grants to cities, counties, and states, which can be used for housing rehabilitation and development.
- c. **HOME** (42 U.S.C. §§ 12722-12725; 24 C.F.R. pt. 92): HUD provides block grants to participating jurisdictions that can be used for development, rehabilitation, and acquisition of housing and for tenant-based assistance.
- d. **HOPWA** (42 U.S.C. §§ 12901-12912; 24 C.F.R. pt. 574 and § 574.310(e)): Block grants that can be used for development and rehabilitation of housing for persons with AIDS and HIV positive status
- e. **Section 202 Projects Without Project-Based Section 8 Assistance** (12 U.S.C. 1701q; 24 C.F.R. pt. 891): HUD provides direct loans and grants to developers for housing for the elderly. Some of these buildings or units may also be rented to people with disabilities.
- f. **Section 811 Projects Without Project-Based Section 8 Assistance** (42 U.S.C. § 8013; 24 C.F.R. pt. 891): HUD provides direct loans and grants to developers for housing for people with disabilities.
- g. **Section 221(d)(3) or Section 221(d)(5)** (12 U.S.C. §§ 1715(d)(3), 1715(d)(5); 24 C.F.R. pt. 221): HUD insures private loans made to developers to build multifamily housing with restricted rents.
- h. **McKinney Act Shelter and Transitional Housing Programs** (except for the Section 8 Moderate Rehabilitation Single Residency Occupancy (SRO) Program) (42 U.S.C. §§ 11,361-11,408a): HUD provides block grants to local governments and direct grants to developers to fund homeless shelters and transitional housing programs. The McKinney Act programs include:
 - i. **Shelter Plus Care** (42 U.S.C. §§ 11403-11407b; 24 C.F.R. pt. 582): A rental assistance program for people who are homeless and disabled. Rental assistance is linked to supportive services funded through other programs that tenants may be required to use.
 - ii. **Supportive Housing** (42 U.S.C. §§ 11381-11389; 24 C.F.R. pt. 583): The Supportive Housing Program provides funds for housing and/or supportive services. Eligible applicants for funding include states, local governmental units, public housing authorities, private nonprofits and community mental health centers.
- i. **Rental Rehabilitation** (42 U.S.C. § 1437o): HUD provides funds to local governments to fund local loans and grants to rehabilitate private housing, in exchange for rent restrictions.
- j. **HOPE 2** (42 U.S.C. §§ 12,871-12,880): This program allows eligible families to acquire an ownership interest in properties that are owned, held, insured or financed by HUD and other public agencies.

¹ **NOTE:** If housing funded under these programs *also* has Project-Based Section 8 or funds from another covered program, the units assisted by these programs *are* covered by Section 214.

Proposed Rules

Federal Register

Vol. 84, No. 91

Friday, May 10, 2019

This section of the FEDERAL REGISTER contains notices to the public of the proposed issuance of rules and regulations. The purpose of these notices is to give interested persons an opportunity to participate in the rule making prior to the adoption of the final rules.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

24 CFR Part 5

[Docket No. FR-6124-P-01]

RIN 2501-AD89

Housing and Community Development Act of 1980: Verification of Eligible Status

AGENCY: Office of the Secretary, HUD.

ACTION: Proposed rule.

SUMMARY: This proposed rule would make two changes to HUD's regulations implementing section 214 of the Housing and Community Development Act of 1980, as amended (Section 214). Section 214 prohibits the Secretary of HUD from making financial assistance available to persons other than United States citizens or certain categories of eligible noncitizens in HUD's public and specified assisted housing programs. The proposed rule would require the verification of the eligible immigration status of all recipients of assistance under a covered program who are under the age of 62. As a result, the proposed rule would make prorated assistance a temporary condition pending verification of eligible status, as opposed to under the current regulation where it could continue indefinitely. The proposed rule would also specify that individuals who are not in eligible immigration status may not serve as the leaseholder, even as part of a mixed family whose assistance is prorated based on the percentage of members with eligible status. HUD believes the amendments will bring its regulations into greater alignment with the wording and purpose of Section 214.

DATES: *Comment Due Date:* July 9, 2019.

ADDRESSES: Interested persons are invited to submit comments to the Office of the General Counsel, Rules Docket Clerk, Department of Housing and Urban Development, 451 Seventh Street SW, Room 10276, Washington, DC 20410-0001. Communications should refer to the above docket number

and title and should contain the information specified in the "Request for Comments" section. There are two methods for submitting public comments.

1. Submission of Comments by Mail. Comments may be submitted by mail to the Regulations Division, Office of General Counsel, Department of Housing and Urban Development, 451 7th Street SW, Room 10276, Washington, DC 20410-0500. Due to security measures at all Federal agencies, however, submission of comments by mail often results in delayed delivery. To ensure timely receipt of comments, HUD recommends that comments by mail be submitted at least 2 weeks in advance of the public comment deadline.

2. Electronic Submission of Comments. Interested persons may submit comments electronically through the Federal eRulemaking Portal at <http://www.regulations.gov>. HUD strongly encourages commenters to submit comments electronically. Electronic submission of comments allows the commenter maximum time to prepare and submit a comment, ensures timely receipt by HUD, and enables HUD to make comments immediately available to the public. Comments submitted electronically through the <http://www.regulations.gov> website can be viewed by other commenters and interested members of the public. Commenters should follow instructions provided on that site to submit comments electronically.

Note: To receive consideration as public comments, comments must be submitted through one of the two methods specified above. Again, all submissions must refer to the docket number and title of the notice.

No Facsimiled Comments. Facsimiled (faxed) comments are not acceptable.

Public Inspection of Comments. All comments and communications submitted to HUD will be available for public inspection and copying between 8 a.m. and 5 p.m. weekdays at the above address. Due to security measures at the HUD Headquarters building, an advance appointment to review the public comments must be scheduled by calling the Regulations Division at (202) 708-3055 (this is not a toll-free number). Copies of all comments submitted are available for inspection and downloading at <http://www.regulations.gov>.

FOR FURTHER INFORMATION CONTACT: John Gibbs, Senior Advisor, Office of the Secretary, Department of Housing and Urban Development, 451 7th Street, SW, Room 10282, Washington, DC 20410; telephone number (202) 402-4445 (this is not a toll-free number). Individuals with hearing or speech impediments may access this number via TTY by calling the Federal Relay, during working hours, at 1 (800) 877-8339 (this is a toll-free number).

SUPPLEMENTARY INFORMATION:

I. Section 214 of the Housing and Community Development Act of 1980

Section 214 of the Housing and Community Development Act of 1980, as amended (42 U.S.C. 1436a) (Section 214) prohibits HUD from making certain financial assistance available to persons other than United States citizens or specified categories of eligible noncitizens. The Section 214 requirements apply to financial assistance provided under the following HUD programs (collectively referred to as Section 214 covered programs):

1. Section 235 of the National Housing Act (12 U.S.C. 1715z) (the Section 235 Program);
2. Section 236 of the National Housing Act (12 U.S.C. 1715z-1) (tenants paying below market rent only) (the Section 236 Program);
3. Section 101 of the Housing and Urban Development Act of 1965 (12 U.S.C. 1701s) (the Rent Supplement Program); and

4. The United States Housing Act of 1937 (42 U.S.C. 1437 *et seq.*) which covers: HUD's Public Housing programs, the Section 8 Housing Assistance programs, and the Housing Development Grant programs (with respect to low-income units only).¹

Section 214 states that the "Secretary [of HUD] may not provide . . . assistance for the benefit of . . . [an] individual before documentation [of eligible immigration status] is presented and verified."² This is consistent with the statute's stated goal of ensuring that HUD's limited financial resources be used to aid families lawfully present in the United States, encompassing U.S. citizens and nationals, as well as

¹ 42 U.S.C. 1436a(b). Additional limitations on noncitizen eligibility are also found in the Personal Responsibility and Work Opportunity Act of 1996, 8 U.S.C. 1611(b)(1)(E).

² 42 U.S.C. 1436a(d)(2).

noncitizens with eligible immigration status as set forth in HUD regulations.³ However, Section 214 also contains several provisions to mitigate the potential impacts on the elderly and families. The Housing and Community Development Act of 1987⁴ (1987 HCD Act) amended Section 214 to exempt individuals 62 years of age or older from the immigration status verification requirements.⁵ The 1987 HCD Act also amended Section 214 to authorize “preservation assistance” to prevent the separation of families already receiving assistance on “the date of enactment of the” 1987 HCD Act (*i.e.*, February 5, 1988). Specifically, Section 214 authorizes the continuation of assistance to such a family if “necessary to avoid the division of the family” and the head of household or spouse has eligible immigration status.⁶ Assistance to such families, however, “may be provided only on a prorated basis, under which the amount of financial assistance is based on the percentage of the total number of [eligible] members.”⁷ Section 214 also authorized the temporary deferral of termination of assistance for families receiving assistance on February 5, 1988, but who were ineligible for continued assistance on a prorated basis “to permit the orderly transition of the individual and any family members involved to other affordable housing.”⁸

II. HUD’s Regulations Implementing Section 214

HUD’s original regulations implementing Section 214 were promulgated by final rule published on March 20, 1995, with an effective date of June 19, 1995.⁹ The 1995 final rule promulgated virtually identical noncitizens’ regulations for the various HUD programs covered by Section 214. On March 27, 1996,¹⁰ HUD published a final rule eliminating the repetitiveness of these duplicative regulations by consolidating the noncitizens requirements in a new subpart E to 24 CFR part 5 (captioned “Restrictions on Assistance to Noncitizens”), where they continue to be codified at present.

The preamble to the March 20, 1995, final rule stated that, for purposes of eligibility for preservation assistance, HUD considered the effective date of the final rule as the pivotal date rather than the date of enactment of the statute. As

noted, the amendments to Section 214 made by the 1987 HCD Act condition a family’s eligibility for preservation assistance on the family’s receipt of assistance on the date of the statute’s enactment. HUD explained in the preamble to the 1995 final rule that it had determined the provisions of Section 214 too “complex to be determined self-implementing as of the date of enactment of the 1987 HCD Act (February 5, 1988).” Thus, HUD’s regulations use the effective date of the March 20, 1995, final rule (June 19, 1995) as the relevant date for determining eligibility for preservation assistance.

HUD’s current regulations require that each family member applying for assistance under a Section 214 covered program either: (1) Submit a declaration declaring that he or she is a U.S. citizen, as defined in 24 CFR 5.504(b), or a noncitizen with eligible immigration status¹¹; or (2) elect not to contend eligible immigration status and, therefore, not submit documentation for verification.¹² Family members who declare themselves eligible must provide the original of a document designated by the Department of Homeland Security (DHS) as acceptable evidence of immigration status¹³ and consent to transmittal of a copy of the document and the information contained on the document to DHS to verify whether the individual has eligible immigration status.¹⁴ Verification of the immigration status of the individual is provided through Systematic Alien Verification for Entitlements (SAVE), which is administered by DHS.¹⁵ SAVE verifies the immigration status information of noncitizens.

The regulations require that financial assistance made available to a “mixed family” be prorated, based on the number of individuals in the family for whom eligibility has been affirmatively established.¹⁶ As noted, Section 214 provides for proration in the context of preservation assistance to mixed families grandfathered by the 1987 HCD Act. However, the amendments made by the 1987 HCD Act limited prorated continued assistance to families with a head of household or spouse in eligible immigration status. In contrast, HUD’s current regulations do not require that the head of household or spouse have

eligible immigration status in order for a mixed family to qualify for such assistance.

III. This Proposed Rule

This proposed rule would make two changes to the noncitizens regulations in 24 CFR part 5, subpart E. Several factors have prompted HUD to reconsider its noncitizens regulations. On April 10, 2018, President Trump issued Executive Order 13828, titled “*Reducing Poverty in America by Promoting Opportunity and Economic Mobility*.”¹⁷ Among other provisions, section 2(e) of the Executive order provides that agencies should “adopt policies to ensure that only eligible persons receive benefits and enforce all relevant laws providing that aliens who are not otherwise qualified and eligible may not receive benefits.” Further, consistent with the Administration’s regulatory reform efforts, HUD has undertaken a comprehensive review of its regulations to reduce unnecessary regulatory burdens, enhance the effectiveness of those regulations that are necessary, and promote principles underlying the rule of law, including ensuring the conformity of regulations with statutory mandates. HUD believes the proposed regulatory amendments are consistent with the principles of Executive Order 13828 and regulatory reform.¹⁸ The policy changes will bring HUD’s regulations into greater alignment with the requirements of Section 214 and make the administrative process for verification uniform. The proposed amendments are discussed below:

1. *Verification of eligible immigration status.* The first proposed amendment would require that the eligible immigration status of all recipients of assistance under a Section 214 covered

¹⁷ The Executive order was subsequently published in the *Federal Register* on April 13, 2018 (83 FR 15942), and is available at: <https://www.gpo.gov/fdsys/pkg/FR-2018-04-13/pdf/2018-07874.pdf>.

¹⁸ This proposed rule was also prompted by the March 6, 2017, Presidential Memorandum directing “[t]he heads of all relevant executive departments and agencies “[to] issue new rules, regulations, or guidance (collectively, rules), as appropriate, to enforce laws relating to such grounds of inadmissibility and subsequent compliance.” Although the Presidential Memorandum is focused on the admissibility of aliens into the United States rather than programs of assistance, the proposed regulatory changes are consistent with the directives of the memorandum. See *Implementing Immediate Heightened Screening and Vetting of Applications for Visas and Other Immigration Benefits, Ensuring Enforcement of All Laws for Entry Into the United States, and Increasing Transparency Among Departments and Agencies of the Federal Government and for the American People*, 82 FR 16279 (April 3, 2017), available at <https://www.gpo.gov/fdsys/pkg/FR-2017-04-03/pdf/2017-06702.pdf>.

³ 42 U.S.C. 1436a(a).

⁴ Public Law 100–242, enacted February 5, 1988.

⁵ 42 U.S.C. 1436a(d)(2).

⁶ 42 U.S.C. 1436a(c)(1)(A).

⁷ *Id.*

⁸ 42 U.S.C. 1436a(c)(1)(B)(i).

⁹ 60 FR 14816.

¹⁰ 61 FR 13614.

¹¹ § 5.508(c).

¹² § 5.508(e).

¹³ § 5.510.

¹⁴ § 5.508(d)(2).

¹⁵ In actuality, the regulations refer to the Immigration and Naturalization Service (INS), a predecessor agency to DHS.

¹⁶ § 5.516(a)(1)(iii).

program who are under the age of 62 be verified through SAVE.

As noted, the regulations presently excuse individuals from submitting documentation if they do not contend to having eligible immigration status. This results in no actual determination of immigration status being made. The language of Section 214, however, contemplates that HUD assistance under a covered program will generally be contingent on verification of eligible immigration status. While Congress recognized that exceptions to this general verification requirement might be warranted in some cases, this statutory exception is narrowly tailored to individuals 62 years of age or older participating in Section 214 covered programs. In contrast, the “do not contend” provision of the regulation is more broadly applicable to all program participants. The proposed change will better conform HUD’s regulations to the statutory language of Section 214.

Under the proposed amendment to the rule, a current participant in a Section 214 covered program (with the exception of Section 235 assistance payments) who has not previously submitted evidence of eligible immigration status, will be required to do so at the first regular reexamination after the effective date of HUD’s final rule for this rulemaking. This typically occurs on an annual basis. For financial assistance in the form of Section 235 assistance payments, the mortgagor would be required to submit the required evidence in accordance with requirements imposed under the Section 235 Program. The proposed amendment to the rule would not change the timing of verification for new applicants to a Section 214 covered program.

2. *Leaseholder eligibility.* The second proposed regulatory amendment would specify that individuals who are not verified in an eligible immigration status may not serve as the head of household or spouse (*i.e.*, the holder of the lease). As with the prior change, HUD believes this amendment better reflects the statutory requirements of Section 214. In addition, it will better assure that the person who is legally obligated under the lease or other tenancy agreement has been through a uniform identity verification process that would better facilitate locating such person and bringing any necessary administrative or legal actions.

Under the current regulations, the “do not contend” provision facilitates the indefinite use by a mixed family of prorated assistance. Further, it is possible under the current regulations for the holder of the lease to be

ineligible under the Section 214 covered program for which the mixed family is receiving assistance. Upon reconsideration of its implementing regulations for Section 214, HUD believes that Section 214 requires that no financial assistance be provided to, or on behalf of, an individual if his or her eligible status has not been verified, except for such time that it takes to verify eligible status. In this respect, Section 214 generally provides that “with respect to a family, the term “eligibility” means the eligibility of each family member.” HUD believes that an individual without verified eligible status living in a mixed household receiving long-term prorated assistance is benefiting from HUD financial assistance in a way that is prohibited by Section 214. At the time of enactment of Section 214, verification was a manual, paper-driven process that could take days or even weeks to complete. Prorated assistance struck a balance with timely permitting assistance but providing an incentive to cooperate in timely completion. Today, verification through SAVE is almost instantaneous in most instances. Thus, prorated assistance should rarely be applicable and then of short duration. The “do not contend” provision is inconsistent with the statutory requirements insofar as it permits prorated assistance of unlimited duration.

Further, HUD no longer agrees that a leaseholder, the individual who is contractually bound to the landlord and who holds conditional ownership of the unit for the lease term, can be exempted from having verified eligible immigration status at the outset of the tenancy and assistance. HUD believes that requiring the verified eligible immigration status of the head of household or spouse is more in keeping with the intent of Section 214 to limit eligibility to individuals with eligible immigration status, subject to limited exceptions, and consistent with HUD’s existing treatment of leaseholders in its assisted housing programs.

3. *Technical nonsubstantive changes.* In addition to the two substantive amendments discussed above, HUD has taken the opportunity afforded by the proposed rule to make a few technical, nonsubstantive changes to the regulations to further conform to Section 214 statutory requirements. These amendments update terminology and correct formatting. For example, the proposed rule would replace outdated references to the Immigration and Naturalization Service (INS) to refer to DHS.

IV. Findings and Certifications

Regulatory Review—Executive Orders 12866 and 13563

Under Executive Order 12866 (Regulatory Planning and Review), a determination must be made whether a regulatory action is significant and, therefore, subject to review by the Office of Management and Budget (OMB) in accordance with the requirements of the order. Executive Order 13563 (Improving Regulations and Regulatory Review) directs executive agencies to analyze regulations that are “outmoded, ineffective, insufficient, or excessively burdensome, and to modify, streamline, expand, or repeal them in accordance with what has been learned.” Executive Order 13563 also directs that, where relevant, feasible, and consistent with regulatory objectives, and to the extent permitted by law, agencies are to identify and consider regulatory approaches that reduce burdens and maintain flexibility and freedom of choice for the public.

This rule was determined to be a “significant regulatory action” as defined in section 3(f) of the order (although not an economically significant regulatory action under the order). HUD has prepared a cost benefit analysis that addresses the costs and benefits of the proposed rule. The cost analysis is part of the docket file for this rule.

The docket file is available for public inspection in the Regulations Division, Office of the General Counsel, Room 10276, 451 7th Street SW, Washington, DC 20410–0500. Due to security measures at the HUD Headquarters building, please schedule an appointment to review the docket file by calling the Regulations Division at (202) 402–3055 (this is not a toll-free number). Individuals with speech or hearing impairments may access this number via TTY by calling the Federal Relay at 1(800) 877–8339 (this is a toll-free number).

Environmental Impact

The proposed rule does not direct, provide for assistance or loan and mortgage insurance for, or otherwise govern or regulate, real property acquisition, disposition, leasing, rehabilitation, alteration, demolition, or new construction or establish, revise or provide for standards for construction or construction materials, manufactured housing, or occupancy. Accordingly, under 24 CFR 50.19(c)(1), this proposed rule is categorically excluded from environmental review under the National Environmental Policy Act of 1969 (42 U.S.C. 4321).

Regulatory Flexibility Act

The Regulatory Flexibility Act (5 U.S.C. 601 et seq.) generally requires an agency to conduct a regulatory flexibility analysis of any rule subject to notice and comment rulemaking requirements, unless the agency certifies that the rule will not have a significant economic impact on a substantial number of small entities. The proposed regulatory amendments to HUD's noncitizen requirements will have only a minimal impact on small housing project owners, small mortgagees, and small housing agencies. The amendments would not require the creation of new procedures or impose significant additional costs on responsible entities. Rather, the requirements of the proposed rule could be satisfied using existing procedures. For example, the proposed rule would require that the eligible immigration status of all noncitizens be verified through SAVE. This requirement can be fulfilled by utilizing the existing verification procedures. Likewise, although the proposed rule would revise eligibility for prorated assistance, current methods would be used to calculate the prorated assistance provided to an eligible family.

Notwithstanding HUD's determination that this rule will not have a significant effect on a substantial number of small entities, HUD specifically invites comments regarding any less burdensome alternatives to this rule that will meet HUD's objectives as described in this preamble.

Executive Order 13132, Federalism

Executive Order 13132 (entitled "Federalism") prohibits an agency from publishing any rule that has federalism implications if the rule either imposes substantial direct compliance costs on State and local governments, and is not required by statute, or preempts State law, unless the agency meets the consultation and funding requirements of section 6 of the Executive order. This proposed rule does not have federalism implications and does not impose substantial direct compliance costs on State and local governments nor preempt state law within the meaning of the Executive order.

Unfunded Mandates Reform Act

The Unfunded Mandates Reform Act of 1995 (2 U.S.C. 1531-1538) (UMRA) establishes requirements for Federal agencies to assess the effects of their regulatory actions on State, local, and tribal governments and on the private sector. This proposed rule does not impose a Federal mandate on any State,

local, or tribal government, or on the private sector, within the meaning of UMRA.

List of Subjects in 24 CFR Part 5

Administrative practice and procedure, Aged, Claims, Crime, Government contracts, Grant programs-housing and community development, Individuals with disabilities, Intergovernmental relations, Loan programs-housing and community development, Low and moderate income housing, Mortgage insurance, Penalties, Pets, Public housing, Rent subsidies, Reporting and recordkeeping requirements, Social security, Unemployment compensation, Wages.

Accordingly, for the reasons stated in the preamble, HUD proposes to amend 24 CFR part 5, subpart E as follows:

PART 5—GENERAL HUD PROGRAM REQUIREMENTS; WAIVERS

1. The authority citation for 24 CFR part 5 continues to read as follows:

Authority: 12 U.S.C. 1701x; 42 U.S.C. 1437a, 1437c, 1437d, 1437f, 1437n, 3535(d); Sec. 327, Pub. L. 109-115, 119 Stat. 2936; Sec. 607, Pub. L. 109-162, 119 Stat. 3051 (42 U.S.C. 14043e et seq.); E.O. 13279, 67 FR 77141, 3 CFR, 2002 Comp., p. 258; and E.O. 13559, 75 FR 71319, 3 CFR, 2010 Comp., p. 273.

Subpart E—Restrictions on Assistance to Noncitizens

2. The authority citation for subpart E continues to read as follows:

Authority: 42 U.S.C. 1436a and 3535(d).

3. Amend paragraph (b) of § 5.504 by adding the definition of "DHS" in alphabetical order and removing the definitions of "INS" and "Mixed family" to read as follows:

§ 5.504 Definitions.

* * * * *

(b) * * *

DHS means the Department of Homeland Security.

* * * * *

4. Revise § 5.506(b) to read as follows:

§ 5.506 General provisions.

* * * * *

(b) Family eligibility for assistance. (1) A family shall not be eligible for assistance unless every member of the family residing in the unit is determined to have eligible status, as described in paragraph (a) of this section, or unless the family meets the conditions set forth in either paragraph (b)(2) or (3) of this section.

(2) Despite the ineligibility of one or more family members, a family that was

receiving assistance under a Section 214 covered program on June 19, 1995, may be eligible for continued assistance, as provided in §§ 5.516 and 5.518. If the family does not qualify for continued assistance, it may nonetheless be eligible for temporary deferral of termination of assistance as provided in §§ 5.516 and 5.518.

(3) A family whose head of household or spouse has eligible immigration status is eligible for prorated assistance under § 5.520, pending final determinations on the eligibility of other family members.

* * * * *

5. Revise § 5.508 to read as follows:

§ 5.508 Submission of evidence of citizenship or eligible immigration status.

(a) General. Eligibility for assistance or continued assistance under a Section 214 covered program is contingent upon a family's submission, to the responsible entity, of the documents described in paragraphs (b), (c), and (d) of this section, as applicable, for each family member.

(b) Evidence of citizenship or eligible immigration status. Each family member, regardless of age, must submit the following evidence to the responsible entity.

(1) For U.S. citizens as defined in § 5.504(b), the evidence consists of appropriate documentation, such as:

- (i) A U.S. birth certificate;
(ii) A naturalization certificate;
(iii) A Consular Report of Birth Abroad (FS-240);
(iv) A valid unexpired U.S. passport;
(v) A certificate of citizenship; or
(vi) Other appropriate documentation, as specified in HUD guidance.

(2) For noncitizens who are 62 years of age or older and were receiving assistance under a Section 214 covered program on September 30, 1996, or who will be 62 years of age or older or applying for assistance on or after that date, the evidence consists of a proof of age document, as may be specified by HUD, and one of the following:

- (i) A Form I-551, Permanent Resident Card;
(ii) Form I-94, Arrival/Departure Record;
(iii) A foreign passport with I-551 stamp;
(iv) A notice of approval of status or action from DHS; or
(v) Other appropriate documentation specified by HUD.

(3) For all other noncitizens, the evidence consists of:

- (i) A signed declaration of eligible immigration status (see paragraph (c) of this section);
(ii) One of the DHS documents referred to in § 5.510; and

(iii) A signed verification consent form (see paragraph (d) of this section).

(c) *Declaration.* (1) Each family member, regardless of age, must submit to the responsible entity a written declaration, signed under penalty of perjury, by which the family member declares he or she is a U.S. citizen as defined in § 5.504(b) or a noncitizen with eligible immigration status set forth in § 5.506(a)(2).

(i) For each adult, the declaration must be signed by the adult.

(ii) For each child, as defined in § 5.504(b), the declaration must be signed by an adult residing in the assisted dwelling unit who is responsible for the child.

(2) The written declaration may be incorporated as part of the application for housing assistance or may constitute a separate document.

(d) *Verification consent form*—(1) *Who signs.* Each family member, regardless of age, (except certain noncitizens who are 62 years of age or older as described in paragraph (b)(2) of this section) must sign a verification consent form as follows:

(i) For each adult, the form must be signed by the adult.

(ii) For each child, the form must be signed by an adult residing in the assisted dwelling unit who is responsible for the child.

(2) *Notice of release of evidence by responsible entity.* The verification consent form shall provide that evidence of eligible immigration status may be released by the responsible entity, without responsibility for the further use or transmission of the evidence by the entity receiving it, to:

(i) HUD, as required by HUD; and

(ii) DHS to verify the immigration status of the individual.

(3) *Notice of release of evidence by HUD.* The verification consent form shall also notify the individual of the possible release of evidence of eligible immigration status by HUD. Evidence of eligible immigration status shall only be released to DHS for purposes of verifying the individual has eligible immigration status for financial assistance and not for any other purpose. HUD is not responsible for the further use or transmission of the evidence or other information by DHS.

(e) *Notification of requirements of Section 214*—(1) *When notice is to be issued.* Notification of the requirement to submit evidence that the individual is a U.S. citizen, as defined in § 5.504(b), or that individual has eligible immigration status, as required by this section, shall be given by the responsible entity as follows:

(i) *Applicant's notice.* The notification shall be given to each applicant at the time of application for assistance.

(ii) *Notice to tenants.* The notification shall be given to each tenant who has not submitted evidence of eligible status as of [insert effective date of final rule] at the time of, and together with, the responsible entity's notice of regular reexamination of income.

(iii) *Timing of mortgagor's notice.* A mortgagor receiving Section 235 assistance must be provided the notification and any additional requirements imposed under the Section 235 Program.

(2) *Form and content of notice.* The notice shall:

(i) State that financial assistance is contingent upon the submission and verification, as appropriate, of evidence that the individual is a U.S. citizen, as defined in § 5.504(b), or has eligible immigration status;

(ii) Describe the type of evidence that must be submitted, and state the time period in which that evidence must be submitted (see paragraph (f) of this section concerning when evidence must be submitted);

(iii) State that assistance will be denied or terminated, as appropriate, upon a final determination of ineligibility after all appeals, if any, have been exhausted or, if appeals are not pursued, at a time to be specified in accordance with HUD requirements;

(iv) State that assistance may be prorated, pursuant to § 5.520, to a family whose head of household or spouse has eligible immigration status, pending final determinations for other family members; and

(v) Inform tenant's how to obtain assistance under the preservation of families provisions of §§ 5.516 and 5.518.

(f) *When evidence of eligible status is required to be submitted.* The responsible entity shall require evidence of eligible status to be submitted at the times specified in this paragraph (f), subject to any extension granted in accordance with paragraph (g) of this section.

(1) *Applicants.* For applicants, responsible entities must ensure that evidence of eligible status is submitted not later than the date the responsible entity anticipates or has knowledge that verification of other aspects of eligibility for assistance will occur (see § 5.512(a)).

(2) *Tenants.* A tenant who has not submitted evidence of eligible status as of [insert effective date of final rule] is required to submit such evidence as follows:

(i) For financial assistance under a Section 214 covered program, with the

exception of Section 235 assistance payments, the required evidence shall be submitted at the first regular reexamination after [insert effective date of final rule], in accordance with program requirements.

(ii) For financial assistance in the form of Section 235 assistance payments, the mortgagor shall submit the required evidence in accordance with requirements imposed under the Section 235 Program.

(3) *New occupants of assisted units.* For any new occupant of an assisted unit (e.g., a new family member comes to reside in the assisted unit), the required evidence shall be submitted at the first interim or regular reexamination following the person's occupancy.

(4) *Changing participation in a HUD program.* Whenever a family applies for admission to a Section 214 covered program, evidence of eligible status is required to be submitted in accordance with the requirements of this subpart unless the family already has submitted the evidence to the responsible entity for a Section 214 covered program.

(5) *One-time evidence requirement for continuous occupancy.* For each family member, the family is required to submit evidence of eligible status only one time during continuously assisted occupancy under any Section 214 covered program.

(g) *Extensions of time to submit evidence of eligible status*—(1) *When extension must be granted.* The responsible entity shall extend the time, provided in paragraph (f) of this section, to submit evidence of eligible immigration status if the family member:

(i) Submits the required declaration described in paragraph (c) of this section certifying that any person for whom required evidence has not been submitted is a noncitizen with eligible immigration status; and

(ii) Certifies that the evidence needed to support a claim of eligible immigration status is temporarily unavailable, additional time is needed to obtain and submit the evidence, and prompt and diligent efforts will be undertaken to obtain the evidence.

(2) *Thirty-day extension period.* Any extension of time, if granted, shall not exceed 30 days. The additional time provided should be sufficient to allow the individual the time to obtain the evidence needed. The responsible entity's determination of the length of the extension needed shall be based on the circumstances of the individual case.

(3) *Grant or denial of extension to be in writing.* The responsible entity's

decision to grant or deny an extension shall be issued to the family by written notice. If the extension is granted, the notice shall specify the extension period granted (which shall not exceed 30 days). If the extension is denied, the notice shall explain the reasons for denial of the extension.

(h) *Failure to submit evidence or to establish eligible status.* If the family fails to submit required evidence of eligible status within the time period specified in the notice, or any extension granted in accordance with paragraph (g) of this section, or if the evidence is timely submitted but fails to establish eligible immigration status, the responsible entity shall proceed to deny, or terminate, assistance or provide continued assistance or temporary deferral of termination of assistance, as appropriate, in accordance with the provisions of §§ 5.514, 5.516, and 5.518.

§ 5.510 [Amended]

- 6. In § 5.510(b), remove the reference to “INS” and add in its place “DHS”.
- 7. Revise § 5.512 to read as follows:

§ 5.512 Verification of eligible immigration status.

(a) *General.* Except as described in § 5.514, no individual or family applying for assistance may receive such assistance prior to the verification of the eligibility of at least the head of household or spouse. Verification of eligibility consistent with § 5.514 occurs when the individual or family members have submitted documentation to the responsible entity in accordance with § 5.508.

(b) *Initial verification—(1) Verification system.* Verification of the immigration status of the person is conducted by the responsible entity through Systematic Alien Verification for Entitlements (SAVE), a DHS-administered system for the verification of immigration status. Initial verification in SAVE confirms immigration status using biographic information (first name, last name, and date of birth) and immigration numeric identifiers.

(2) *Failure of initial verification to confirm eligible immigration status.* If SAVE is not initially able to confirm immigration status, then additional verification must be performed.

(c) *Additional verification.* If the initial verification does not confirm eligible immigration status, or if initial verification confirms immigration status that is ineligible for assistance under a Section 214 covered program, the responsible entity must request additional verification within 10 days of receiving the results of the initial verification. Additional verification is

initiated when the responsible entity submits an s additional request to SAVE with optional additional information and/or a copy of the original document that the noncitizen had presented as acceptable evidence of their immigration status to SAVE.

(d) *Failure to confirm eligible immigration status.* If initial or additional verification does not confirm eligible immigration status, the responsible entity shall issue to the family the notice described in § 5.514(d), which describes the process for seeking record correction with DHS if he or she believes the verification response was due to inaccurate DHS records.

(e) *Exemption from liability for DHS verification.* The responsible entity shall not be liable for any action, delay, or failure of DHS in conducting initial or additional verification.

- 8. Amend § 5.514 as follows:
 - a. Revise paragraphs (b)(1), (c), and (d); and
 - b. In paragraphs (e), (f), and (h), remove the reference to “INS” everywhere it appears and add in its place “DHS”.

The revisions read as follows:

§ 5.514 Delay, denial, reduction or termination of assistance.

* * * * *
(b) *Restrictions on delay, denial, reduction or termination of assistance—(1) Restrictions on reduction, denial or termination of assistance for applicants and tenants.* Assistance to an applicant or tenant shall not be delayed, denied, reduced, or terminated, on the basis of ineligible immigration status of a family member, if:

- (i) The SAVE verification of any immigration documents that were timely submitted has not been completed;
- (ii) The family member for whom required evidence has not been submitted has moved from the assisted dwelling unit;
- (iii) The family member who is determined not to be in an eligible immigration status following the SAVE verification has moved from the assisted dwelling unit;
- (iv) Assistance is continued in accordance with §§ 5.516 and 5.518; or
- (v) Deferral of termination of assistance is granted in accordance with §§ 5.516 and 5.518.

* * * * *
(c) *Events causing denial or termination of assistance—(1) General.* Assistance to an applicant shall be denied, and a tenant’s assistance shall be terminated, in accordance with the procedures of this section, upon the

occurrence of any of the following events:

(i) Evidence that the individual is a U.S. citizen as defined in § 5.504(b) (*i.e.*, the declaration), or has eligible immigration status, is not submitted by the date specified in § 5.508(f) or by the expiration of any extension granted in accordance with § 5.508(g); or

(ii) Evidence that the individual is a U.S. citizen as defined in § 5.504(b), or has eligible immigration status, is timely submitted, but the SAVE verification does not verify eligible immigration status of a family member.

(2) *Termination of assisted occupancy.* For termination of assisted occupancy, see paragraph (i) of this section.

(d) *Notice of denial or termination of assistance.* The notice of denial or termination of assistance shall advise the family:

(1) That financial assistance will be denied or terminated, and provide a brief explanation of the reasons for the proposed denial or termination of assistance;

(2) In the case of a tenant, the criteria and procedures for obtaining relief under the provisions for preservation of families in §§ 5.516 and 5.518; and

(3) That any family member may seek a record correction with DHS if they believe that SAVE was unable to verify their status due to incorrect immigration records.

* * * * *

- 9. Revise § 5.516 to read as follows:

§ 5.516 Availability of preservation assistance to tenant families.

(a) *Assistance available for tenant families—(1) General.* Preservation assistance may be available to tenant families, in accordance with this section and following the conclusion of a records correction request. There are two types of preservation assistance:

- (i) Continued assistance (see § 5.518(a)); and
- (ii) Temporary deferral of termination of assistance (see § 5.518(a)).

(2) *Availability of assistance—(i) For Housing covered programs.* One of the two types of assistance described in paragraph (a)(1) of this section may be available to tenant families assisted under a National Housing Act or 1965 HUD Act covered program, depending upon the family’s eligibility for such assistance. Continued assistance must be provided to a tenant family that meets the conditions for eligibility for continued assistance.

(ii) *For Section 8 or Public Housing covered programs.* One of the two types of assistance described in paragraph (a)(1) of this section may be available to

tenant families assisted under a Section 8 or Public Housing covered program.

(b) *Assistance available to other families in occupancy.* Temporary deferral of termination of assistance may be available to families receiving assistance under a Section 214 covered program on June 19, 1995, and who have no members with eligible immigration status, as set forth in paragraphs (b)(1) and (2) of this section.

(1) *For Housing covered programs.* Temporary deferral of termination of assistance is available to families assisted under a Housing covered program.

(2) *For Section 8 or Public Housing covered programs.* The responsible entity may make temporary deferral of termination of assistance to families assisted under a Section 8 or Public Housing covered program.

(c) *Section 8 covered programs: Discretion afforded to provide certain family preservation assistance—(1) Project owners.* With respect to assistance under a Section 8 Act covered program administered by a project owner, HUD has the discretion to determine under what circumstances families are to be provided one of the two statutory forms of assistance for preservation of the family (continued assistance or temporary deferral of assistance). HUD is exercising its discretion by specifying the standards in this section under which a project owner must provide one of these two types of assistance to a family.

(2) *PHAs.* The PHA, rather than HUD, has the discretion to determine the circumstances under which a family will be offered one of the two statutory forms of assistance (continued assistance or temporary deferral of termination of assistance). The PHA must establish its own policy and criteria to follow in making its decision. In establishing the criteria for granting continued assistance or temporary deferral of termination of assistance, the PHA must incorporate the statutory criteria, which are set forth in § 5.518(a) and (b).

■ 10. Amend § 5.518 as follows:

■ a. Revise the section heading and paragraphs (a), (b)(1), (b)(2) introductory text, and (b)(3); and

■ b. Remove paragraph (c) and redesignate paragraph (d) as new paragraph (c).

The revisions read as follows:

§ 5.518 Types of preservation assistance available to tenant families.

(a) *Continued assistance.* A tenant family may receive continued housing assistance if all the following conditions are met (a tenant family assisted under

a Housing covered program must be provided continued assistance if the family meets the following conditions):

(1) The family was receiving assistance under a Section 214 covered program on June 19, 1995;

(2) The family's head of household or spouse has eligible immigration status as described in § 5.506; and

(3) The family does not include any person who does not have eligible immigration status other than the head of household, any spouse of the head of household, any parents of the head of household, any parents of the spouse, or any children of the head of household or spouse.

(b) *Temporary deferral of termination of assistance—(1) Eligibility for this type of assistance.* If a tenant family does not qualify for continued assistance, the family may be eligible for temporary deferral of termination of assistance, if necessary, to permit the family additional time for the orderly transition of those family members with ineligible status, and any other family members involved, to other affordable housing. Other affordable housing is used in the context of transition of an ineligible family from a rent level that reflects HUD assistance to a rent level that is unassisted; the term refers to housing that is not substandard, that is of appropriate size for the family, and that can be rented for an amount not exceeding the amount that the family pays for rent, including utilities, plus 25 percent.

(2) *Housing covered programs: Conditions for granting temporary deferral of termination of assistance.* The responsible entity shall grant a temporary deferral of termination of assistance to a family if the family is assisted under a Housing covered program and one of the following conditions is met:

* * * * *

(3) *Time limit on deferral period.* If temporary deferral of termination of assistance is granted, the deferral period shall be for an initial period not to exceed six months. The initial period may be renewed for additional periods of six months, but the aggregate deferral period for deferrals shall not exceed a period of eighteen months. These time periods do not apply to a family that includes an individual admitted as a refugee under section 207 of the Immigration and Nationality Act or an individual granted asylum under section 208 of that Act.

* * * * *

■ 11. Revise § 5.520(a) to read as follows:

§ 5.520 Proration of assistance.

(a) *Applicability.* This section applies to a family whose head of household or spouse has eligible immigration status, pending final determinations for other family members.

* * * * *

■ 12. Revise § 5.522 to read as follows:

§ 5.522 Prohibition of assistance to noncitizen students.

The provisions of §§ 5.516 and 5.518 permitting continued assistance or temporary deferral of termination of assistance for certain families do not apply to any person who is determined to be a noncitizen student as in section 214(c)(2)(A) (42 U.S.C. 1436a(c)(2)(A)).

Dated: May 3, 2019.

Benjamin S. Carson, Sr.,
Secretary.

[FR Doc. 2019-09566 Filed 5-9-19; 8:45 am]

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DEPARTMENT OF INTERIOR

Office of Surface Mining Reclamation and Enforcement

30 CFR Part 917

[KY-260-FOR; Docket ID: OSM-2018-0008, S1D1S SS08011000 SX064A000 190S180110, S2D2S SS08011000 SX064A000 19XS501520]

Kentucky Regulatory Program

AGENCY: Office of Surface Mining Reclamation and Enforcement (OSMRE), Interior.

ACTION: Proposed rule; public comment period and opportunity for public hearing on proposed amendment.

SUMMARY: We, the Office of Surface Mining Reclamation and Enforcement (OSMRE), are announcing receipt of a proposed amendment to the Kentucky regulatory program, (herein referred to as 'the Kentucky program'), under the Surface Mining Control and Reclamation Act of 1977 (SMCRA or the Act). Through this proposed amendment, Kentucky seeks to revise its program to include statutory changes that involve civil penalty escrow accounts, civil penalty fund distributions, self-bonding, and major permit revisions related to underground mining.

This document gives the times and locations that the Kentucky program and this proposed amendment to that program are available for your inspection, the comment period during which you may submit written comments on the amendment, and the

To: Contra Costa County Housing Authority Board of Commissioners
 From: Joseph Villarreal, Housing Authority
 Date: March 10, 2020



Contra
 Costa
 County

Subject: INVESTMENT REPORT FOR THE QUARTER ENDING DECEMBER 31, 2019

RECOMMENDATIONS

RECEIVE the Housing Authority of the County of Contra Costa's investment report for the quarter ending December 31st, 2019.

BACKGROUND

California Government Code (CGC) Section 53646 requires the Housing Authority of the County of Contra Costa (HACCC) to present the Board of Commissioners with a quarterly investment report that provides a complete description of HACCC's portfolio. The report is required to show the issuers, type of investments, maturity dates, par values (equal to market value here) and the current market values of each component of the portfolio, including funds managed by third party contractors. It must also include the source of the portfolio valuation (in HACCC's case it is the issuer). Finally, the report must provide certifications that (1) all investment actions executed since the last report have been made in full compliance with the Investment Policy and; (2) HACCC will meet its expenditure obligations for the next six months. (CGC 53646(b)).

The state-mandated report has been amended to indicate the amount of interest earned and how the interest was allocated. The amended report is attached.

In summary, HACCC had \$27,845.85 in interest earnings for the quarter ending December 31st, 2019. That interest was earned within discrete programs and most of the interest earned is available only for use within the program which earned the interest. Further, interest earnings may be restricted to specific purposes

Action of Board On: **03/10/2020** APPROVED AS RECOMMENDED OTHER

Clerks Notes:

VOTE OF COMMISSIONERS

I hereby certify that this is a true and correct copy of an action taken and entered on the minutes of the Board of Supervisors on the date shown.

ATTESTED: March 10, 2020

Joseph Villarreal, Executive Director

Contact: 9259578028

By: , Deputy

cc:

within a given program.

The Housing Choice Voucher Program reserve as of 12/31/2013 held in cash and investments was transitioned to HUD held program reserve account.

Non-restricted interest earnings within both the voucher and public housing programs must be used solely within those programs, but such interest earnings can be used for a wider range of purposes within the individual programs. The interest earned in the State and Local fund can be used for any purpose within HACCC's scope of operations.

The interest earned for the quarter ending December 31st, 2019 is shown below. A more detailed report is attached.

BACKGROUND (CONT'D)

Public Housing	Housing Choice Voucher Fund	Central Office	State & Local
Unrestricted Interest Earned	Restricted Interest Earned	Unrestricted Interest Earned	Unrestricted Interest Earned
\$12,289.82		\$7,397.26	\$5,092.66
			\$3,066.11

FISCAL IMPACT None. For reporting purposes only. CONSEQUENCE OF NEGATIVE ACTION Should the Board of Commissioners elect not to accept the investment report it would result in an audit finding of non-compliance and could ultimately affect future funding from the U.S. Department of Housing and Urban Development (HUD). ATTACHMENTS Investment Report q12.31.19

HOUSING AUTHORITY OF CONTRA COSTA COUNTY

INVESTMENT REPORT : PORTFOLIO HOLDINGS BY TYPE

For Period Ending: 12/31/2019

Issuer	Investment Type	Amount Invested	Yield	Investment Date	Maturity Date	Estimated Value@ Maturity Date
Cantella & Company						
Prime Fund Capital Reserves (Cash)	Money Market	35,038.70	0.77%	ongoing	ongoing	35,038.70
Farmer Mac	Govt Agency	100,000.00	1.92%	3/17/16	1/07/21	109,242.30
Discover Bank	Certificate of Deposit	105,000.00	2.25%	1/11/17	1/11/22	116,818.97
Federal Farm Credit Bank	Govt Agency	105,000.00	2.03%	2/10/17	2/03/22	115,622.46
Everbank	Certificate of Deposit	247,000.00	2.150%	4/28/17	4/28/22	273,567.05
Capital One , NA	Certificate of Deposit	100,000.00	2.300%	5/10/17	5/10/22	111,506.30
Capital One , NA	Certificate of Deposit	110,000.00	2.300%	5/10/17	5/10/22	122,656.93
Goldman Sachs	Certificate of Deposit	149,000.00	2.400%	6/07/17	6/07/22	166,889.80
Medallion Bank Utah	Certificate of Deposit	105,000.00	2.150%	6/30/17	7/05/22	116,324.61
J P Morgan Chase	Certificate of Deposit	110,000.00	2.200%	6/30/17	6/30/22	122,106.63
Capital One Bank, USA	Certificate of Deposit	220,000.00	2.250%	9/20/17	9/20/22	244,763.56
Barclays Bank Delaware	Certificate of Deposit	247,000.00	2.250%	9/27/17	9/27/22	274,802.73
Stearns Bank	Certificate of Deposit	100,000.00	2.150%	12/01/17	12/01/22	110,755.89
Discover Bank	Certificate of Deposit	140,000.00	2.550%	12/28/17	12/28/22	157,859.78
Morgan Stanley Bank	Certificate of Deposit	150,000.00	2.650%	1/11/18	1/11/23	169,885.89
Sally Mae Bank	Certificate of Deposit	173,000.00	2.650%	2/08/18	2/08/23	195,935.06
Citi Bank NA	Certificate of Deposit	100,000.00	3.100%	5/04/18	5/04/23	115,508.49
Goldman Sacs	Certificate of Deposit	100,000.00	3.300%	7/25/18	7/25/23	116,509.04
Commenty Capital Bank	Certificate of Deposit	120,000.00	3.250%	8/13/18	8/14/23	139,521.37
HSBC Bank USA	Certificate of Deposit	100,000.00	3.400%	9/28/18	9/28/23	117,009.32
Citi Bank NA	Certificate of Deposit	145,000.00	3.000%	2/15/19	2/15/24	166,761.92
State Bank of India	Certificate of Deposit	130,000.00	3.150%	2/27/19	2/27/24	150,486.22
Morgan Stanley Private Bank	Certificate of Deposit	160,000.00	2.200%	7/25/19	7/25/24	177,619.29
Wells Fargo Bank	Certificate of Deposit	105,000.00	2.150%	9/12/19	9/12/24	116,299.87
Wells Fargo Bank	Certificate of Deposit	125,000.00	2.150%	9/12/19	9/12/24	138,452.23
GRAND TOTALS		3,281,038.70				3,681,944.40

L.A.I.F. (Acct # 25-07-003)	Liquid Account	106,006.42	2.29%	ongoing	ongoing	106,006.42
De Anza Gardens, LP	Loan	1,000,000.00	3.00%			1,000,000.00
GRAND TOTALS		4,387,045.12				4,787,950.82

HOUSING AUTHORITY OF CONTRA COSTA COUNTY

INVESTMENT REPORT BY FUND

For Period Ending 12/31/2019

Issuer	Amount Invested	Amount Invested by Fund:				
		Public Housing	Management	Central Office	Housing Choice Voucher	Rental Rehabilitation
Cantella & Company						
Prime Fund Capital Reserves (Cash)	35,038.70	23,253.07	4,828.34	6,957.29		
Farmer Mac	100,000.00	100,000.00				
Discover Bank	105,000.00			105,000.00		
Federal Farm Credit Bank	105,000.00	105,000.00				
Everbank	247,000.00	247,000.00				
Capital One , NA	100,000.00	100,000.00				
Capital One , NA	110,000.00			110,000.00		
Goldman Sachs	149,000.00	149,000.00				
Medallion Bank Utah	105,000.00	105,000.00				
J P Morgan Chase	110,000.00			110,000.00		
Capital One Bank, USA	220,000.00	220,000.00				
Barclays Bank Delaware	247,000.00	247,000.00				
Stearns Bank	100,000.00	100,000.00				
Discover Bank	140,000.00	140,000.00				
Morgan Stanley Bank	150,000.00	150,000.00				
Sally Mae Bank	173,000.00		173,000.00			
Citi Bank NA	100,000.00		100,000.00			
Goldman Sacs	100,000.00			100,000.00		
Commenty Capital Bank	120,000.00			120,000.00		
HSBC Bank USA	100,000.00			100,000.00		
Citi Bank NA	145,000.00	145,000.00				
State Bank of India	130,000.00	130,000.00				
Morgan Stanley Private Bank	160,000.00	160,000.00				
Wells Fargo Bank	105,000.00		105,000.00			
Wells Fargo Bank	125,000.00			125,000.00		
GRAND TOTALS	3,281,038.70	2,121,253.07	382,828.34	776,957.29	-	-
L.A.I.F. (Acct # 25-07-003)	106,006.42	-	-	-		106,006.42
De Anza Gardens, LP	1,000,000.00				1,000,000.00	
GRAND TOTALS	4,387,045.12	2,121,253.07	382,828.34	776,957.29	1,000,000.00	106,006.42

HOUSING AUTHORITY OF CONTRA COSTA COUNTY

Report per CGC 53646 CURRENT MARKET VALUE

For Period Ending 12/31/2019

Issuer	Investment Type	Maturity Date	Amount Invested	Current Market Value (at 12/31/19)	Yield
Cantella & Company					
Prime Fund Capital Reserves (Cash)	Money Market	ongoing	35,038.70	35,038.70	0.77%
Farmer Mac	Govt Agency	1/07/2021	100,000.00	100,328.00	1.92%
Discover Bank	Certificate of Deposit	1/11/2022	105,000.00	106,117.20	2.25%
Federal Farm Credit Bank	Govt Agency	2/03/2022	105,000.00	105,936.60	2.03%
Everbank	Certificate of Deposit	4/28/2022	247,000.00	249,252.64	2.15%
Capital One , NA	Certificate of Deposit	5/10/2022	100,000.00	101,262.00	2.30%
Capital One , NA	Certificate of Deposit	5/10/2022	110,000.00	111,388.20	2.30%
Goldman Sachs	Certificate of Deposit	6/07/2022	149,000.00	151,263.31	2.40%
Medallion Bank Utah	Certificate of Deposit	7/05/2022	105,000.00	105,979.65	2.15%
J P Morgan Chase	Certificate of Deposit	6/30/2022	110,000.00	110,145.20	2.20%
Capital One Bank, USA	Certificate of Deposit	9/20/2022	220,000.00	222,646.60	2.25%
Barclays Bank Delaware	Certificate of Deposit	9/27/2022	247,000.00	249,978.82	2.25%
Stearns Bank	Certificate of Deposit	12/01/2022	100,000.00	100,945.00	2.15%
Discover Bank	Certificate of Deposit	12/28/2022	140,000.00	142,945.00	2.55%
Morgan Stanley Bank	Certificate of Deposit	1/11/2023	150,000.00	153,621.00	2.65%
Sally Mae Bank	Certificate of Deposit	2/08/2023	173,000.00	177,274.83	2.65%
Citi Bank NA	Certificate of Deposit	5/04/2023	100,000.00	104,100.00	3.10%
Goldman Sacs	Certificate of Deposit	7/25/2023	100,000.00	105,043.00	3.30%
Commenty Capital Bank	Certificate of Deposit	8/14/2023	120,000.00	125,948.40	3.25%
HSBC Bank USA	Certificate of Deposit	9/28/2023	100,000.00	101,221.00	3.40%
Citi Bank NA	Certificate of Deposit	2/15/2024	145,000.00	151,578.65	3.00%
State Bank of India	Certificate of Deposit	2/27/2024	130,000.00	130,273.00	3.15%
Morgan Stanley Private Bank	Certificate of Deposit	7/25/2024	160,000.00	162,078.40	2.20%
Wells Fargo Bank	Certificate of Deposit	9/12/2024	105,000.00	105,121.80	2.15%
Wells Fargo Bank	Certificate of Deposit	9/12/2024	125,000.00	125,145.00	2.15%
			3,281,038.70	3,334,632.00	
L.A.I.F. (Acct # 25-07-003)	Liquid Account	ongoing	106,006.42	106,006.42	2.29%
De Anza Gardens, LP	Loan		1,000,000.00	1,000,000.00	3.00%
GRAND TOTALS			4,387,045.12	4,440,638.42	

HOUSING AUTHORITY OF CONTRA COSTA COUNTY

Investment Interest Earnings Report

For Period Ending 12/31/2019

150189	Amount Invested	Interest Earned this Qtr	Interest Earned this Quarter by Fund				
			Public Housing	Management	Central	Rental Rehab	Housing Voucher
			Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted
Cantella & Company							
Prime Fund Capital Reserves (Cash)	35,038.70	66.53	44.15	9.17	13.21	-	-
Farmer Mac	100,000.00	473.42	473.42	-	-	-	-
Discover Bank	105,000.00	582.53	-	-	582.53	-	-
Federal Farm Credit Bank	105,000.00	525.58	525.58	-	-	-	-
Everbank	247,000.00	1,309.44	1,309.44	-	-	-	-
Capital One , NA	100,000.00	567.12	567.12	-	-	-	-
Capital One , NA	110,000.00	623.84	-	-	623.84	-	-
Goldman Sachs	149,000.00	881.75	881.75	-	-	-	-
Medallion Bank Utah	105,000.00	556.64	556.64	-	-	-	-
J P Morgan Chase	110,000.00	596.71	-	-	596.71	-	-
Capital One Bank, USA	220,000.00	1,220.55	1,220.55	-	-	-	-
Barclays Bank Delaware	247,000.00	1,370.34	1,370.34	-	-	-	-
Stearns Bank	100,000.00	530.14	530.14	-	-	-	-
Discover Bank	140,000.00	880.27	880.27	-	-	-	-
Morgan Stanley Bank	150,000.00	980.14	980.14	-	-	-	-
Sally Mae Bank	173,000.00	1,130.42	-	1,130.42	-	-	-
Citi Bank NA	100,000.00	764.38	-	764.38	-	-	-
Goldman Sacs	100,000.00	813.70	-	-	813.70	-	-
Commenty Capital Bank	120,000.00	961.64	-	-	961.64	-	-
HSBC Bank USA	100,000.00	838.36	-	-	838.36	-	-
Citi Bank NA	145,000.00	1,072.60	1,072.60	-	-	-	-
State Bank of India	130,000.00	1,009.73	1,009.73	-	-	-	-
Morgan Stanley Private Bank	160,000.00	867.95	867.95	-	-	-	-
Wells Fargo Bank	105,000.00	556.64	-	556.64	-	-	-
Wells Fargo Bank	125,000.00	662.67	-	-	662.67	-	-
-	3,281,038.70	19,843.09	12,289.82	2,460.61	5,092.66	-	-
L.A.I.F. (Acct # 25-07-003)	106,006.42					605.50	
De Anza Gardens, LP	1,000,000.00	7,397.26					7,397.26
GRAND TOTALS	4,387,045.12	27,845.85	12,289.82	2,460.61	5,092.66	605.50	7,397.26

To: Contra Costa County Housing Authority Board of Commissioners
 From: Joseph Villarreal, Housing Authority
 Date: March 10, 2020



Contra
 Costa
 County

Subject: FY 2019-2020 3rd QUARTER BUDGET REPORT

RECOMMENDATIONS

ACCEPT the 3rd Quarter (Unaudited) Budget Report for the period ending 12/31/19.

BACKGROUND

This report is intended to provide the Board of Commissioners with an overview of the financial operating position of the Housing Authority of the County of Contra Costa (HACCC) for the 3rd quarter period ending 12/31/19. 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 12/31/19 is shown in the chart below. Activity in the Section 8 Voucher and Housing Certificate programs had the most significant impact on HACCC's budget.

The variance in revenue and expenditures at the Agency Level is a summary of all variances reported at the program levels. The program revenue variance summary is as follows:

Revenue Variance Summary

Action of Board On: **03/10/2020** APPROVED AS RECOMMENDED OTHER

Clerks Notes:

VOTE OF COMMISSIONERS

I hereby certify that this is a true and correct copy of an action taken and entered on the minutes of the Board of Supervisors on the date shown.

ATTESTED: March 10, 2020

Joseph Villarreal, Executive Director

Contact: 925-957-8028

By: , Deputy

cc:

Public Housing favorable variance \$ 1,334,759
State and Local favorable variance 272,667
Housing Certificate favorable variance 240,471
Housing Choice Vouchers unfavorable variance

BACKGROUND (CONTD)

-1,356,764

Agency Favorable Variance \$ 491,133

Expenditure Variance Summary

Housing Choice Vouchers favorable variance \$ 2,795,226

State and Local unfavorable variance -1,428,174

Public Housing unfavorable variance - 510,213

Housing Certificate favorable variance - 265,962

Agency Favorable Variance \$ 590,877

HACC Agency Summary	Annual Budget	3rd Quarter Actual 12/31/19	Remaining FY Estimate	Annual Total	Variance
Revenue	\$ 182,245,424	\$ 137,175,201	\$ 45,561,356	\$ 182,736,557	\$ 491,133
Expenditures	\$ 181,632,849	\$ 135,633,760	\$ 45,408,212	\$ 181,041,972	\$ 590,877
	\$ 612,575	\$ 1,541,441	\$ 153,144	\$ 1,694,585	

The net change to overall reserves was an increase of \$1,541,441. The summary of Agency Reserves by Program and type is as follows:

Analysis of Agency Reserves	Beginning Balance 4/1/19 (Audited)	3rd Quarter ending 12/31/19 (Unaudited)	Reserve Balance period ending 12/31/19 (Unaudited)
Total Reserves	\$ 32,479,897	\$ 1,541,441	\$ 34,021,338
<u>Net Invested in Capital Assets</u>			
Housing Choice Vouchers	\$ 353,583	\$ 1,001,986	\$ 1,355,569
Public Housing & Cap. Funds	\$ 6,419,660	\$ 875,523	\$ 7,295,183
State & Local Programs	\$ 13,474,466	\$ (687,526)	\$ 12,786,940
Housing Certificates Programs	-0-	-0-	-0-
Total Capital Assets	\$ 20,247,709	\$ 1,189,983	\$ 21,437,692
<u>Restricted Reserves</u>			
Housing Choice Vouchers	\$ -0-	\$ -0-	\$ -0-
Public Housing & Cap. Funds	\$ -0-	\$ -0-	\$ -0-
State & Local Programs	\$ -0-	\$ 73,046	\$ 73,046
Housing Certificates Programs	\$ -0-	\$ -0-	\$ -0-
Total Restricted Reserves	\$ -0-	\$ 73,046	\$ 73,046
<u>Unrestricted Reserves</u>			
Housing Choice Vouchers	\$ 4,466,902	\$ 411,779	\$ 4,878,681

Public Housing & Cap. Funds	\$ 2,284,261	\$ 25,468	\$ 2,309,729
State & Local Programs	\$ 5,481,025	\$ (133,586)	\$ 5,347,439*
Housing Certificates Programs	\$ -0-	\$ (25,249)	\$ (25,429)
Total Unrestricted Reserves	\$ 12,232,188	\$ 278,412	\$ 12,510,600

*Reserve levels do not include unfunded pension & OPEB liability of roughly \$16.3 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 Housing Assistance Payments (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 9,428 families. However, due to funding constraints utilization is currently at 7,306.

Summary of Difference Between Budgeted and Annual Estimate:

Revenue – The -\$1,356,764 revenue difference is a direct result of HUD's renewal funding formula not keeping up with significant increases in HAP due to rising increases in rental costs. HACCC was awarded an additional \$6,090,252 in HAP funding from HUD in order to ensure that all current families on the voucher program remain housed. Staff expects HUD to consider an additional round of shortfall funding prior to the end of the current fiscal year since staff's calculations indicate that an additional \$792,130 in shortfall funding is needed to keep all existing families housed. The calculations of the amount needed to fully fund our shortfall are complicated by the recent transfer of Richmond's voucher program to HACCC.

Expenditures- As above, HACCC's anticipated HAP costs were hard to project at the beginning of the fiscal year due to the pending (at the time) transfer of Richmond's voucher program to HACCC. The \$2,795,226 decrease in anticipated expenditures is primarily comprised of a \$1,356,764 saving from reduced HAP expenses (versus projected) and a \$1,001,986 reduction in capitalized costs.

Housing Choice Vouchers	Annual Budget	3rd Quarter Actual 12/31/19 (Unaudited)	Remaining FY Estimate	Annual Total	Variance
Revenue	\$ 158,543,589	\$ 117,550,928	\$ 39,635,897	\$ 157,186,825	\$ (1,356,764)
Expenditures	\$ 158,576,519	\$ 116,137,163	\$ 39,644,130	\$ 155,781,293	\$ 2,795,226
	\$ (32,930)	\$ 1,413,765	\$ (8,233)	\$ 1,405,533	

Analysis of Program Reserves:

	Beginning Balance 4/1/19 Audited	3rd Quarter 12/31/19 (Unaudited)	Reserve Balance period ending 12/31/19 (Unaudited)
Net Invested in Capital Assets	\$ 353,583	\$ 1,001,986	\$ 1,355,569
Restricted Reserves	\$ -0-	\$ -0-	\$ -0-
Unrestricted Reserves	\$ 4,466,902	\$ 411,779	\$ 4,878,681
Total Reserves	\$ 4,820,485	\$ 1,413,765	\$ 6,234,250

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 \$1,334,759 revenue difference is mostly due to an increase in tenant rental income as occupancy has been increased at many sites. Additionally, more operating subsidy was received from HUD than was budgeted.

Expenditures - The \$510,213 expenditure difference was a result of increased utility costs along with greater than expected police and security costs.

Public Housing Operating and Capital Fund	Annual Budget	3rd Quarter Actual 12/31/19 (Unaudited)	Remaining FY Estimate	Annual Total	Variance
Revenue	\$ 10,800,979	\$ 9,435,493	\$ 2,700,245	\$ 12,135,738	\$ 1,334,759
Expenditures	\$ 10,699,051	\$ 8,534,502	\$ 2,674,763	\$ 11,209,264	\$ (510,213)
	\$ 101,928	\$ 900,991	\$ 25,482	\$ 926,474	

Analysis of Program Reserves:

Public Housing & Capital Fund	Beginning Balance 4/1/19 (Unaudited)	3rd Quarter 12/31/19 (Unaudited)	Reserve Balance period ending 12/31/19 (Unaudited)
Net Invested in Capital Assets	\$ 6,419,660	\$ 875,523	\$ 7,295,183
Restricted Reserves	\$ -0-	\$ -0-	\$ -0-
Unrestricted Reserves	\$ <u>2,284,261</u>	\$ <u>25,468</u>	\$ <u>2,309,729</u>
Total Reserves	\$ 8,703,921	\$ 900,991	\$ 9,604,912

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). 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 programs.

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

Revenue –The \$272,667 revenue difference is related to assets used to fund capitalized projects in the Tax Credit Properties.

Expenditures - The \$1,428,174 expenditure difference is largely related to increased operating costs. Maintenance increases at the tax credit properties accounted for roughly \$1,280,000 of this increase. The remaining difference in expenses are related to greater operating costs in the Central Office Cost Center due to rising staffing levels tied to the Housing Choice Voucher portability program, and increases in insurance and legal costs.

State & Local Programs	Annual Budget	3rd Quarter Actual 12/31/19 (Unaudited)	Remaining FY Estimate	Annual Total	Variance
Revenue	\$ 6,641,169	\$ 5,253,544	\$ 1,660,292	\$ 6,913,836	\$ 272,667
Expenditures	\$ 6,097,914	\$ 6,001,610	\$ 1,524,479	\$ 7,526,089	\$ (1,428,174)
	\$ 543,254	\$ (748,066)	\$ 135,814	\$ (612,253)	

Analysis of Reserves:

State & Local Programs	Beginning Balance 4/1/19 Audited	3rd Quarter 12/31/19 (Unaudited)	Reserve Balance Period ending 12/31/19 (Unaudited)
Net Invested in Capital Assets	\$ 13,474,466	\$ (687,526)	\$ 12,786,940
Restricted Reserves	\$ -0-	\$ 73,046	\$ 73,046
Unrestricted Reserves	\$ 5,481,025*	\$ (133,586)	\$ 5,347,439*
Total Reserves	\$ 18,955,491*	\$ (748,066)	\$ 18,207,425*

*** does not include the unfunded pension & opeb liability of roughly \$16.3 million.**

Housing Certificate Programs

Program Summary - HACCC administers a Housing Certificate Program tied to the Continuum of Care Program (formerly known as Shelter Plus Care). The Continuum of 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 327 clients under this program.

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

Revenue & Expenditure -The \$240,471 revenue difference and the \$265,962 expenditure difference are both the result of increased HAP funding being provided to HACCC.

Housing Certificate Programs	Annual Budget	3rd Quarter Actual 12/31/19 (Unaudited)	Remaining FY Estimate	Annual Total	Variance
Revenue	\$ 6,259,687	\$ 4,935,236	\$ 1,564,922	\$ 6,500,158	\$ 240,471
Expenditures	\$ 6,259,364	\$ 4,960,485	\$ 1,564,841	\$ 6,525,326	\$ (265,962)
	\$ 323	\$ (25,249)	\$ 81	\$ (25,168)	

Analysis of Reserves:

Housing Certificate Programs	Beginning Balance 4/1/19 Audited	3rd Quarter 12/31/19 (Unaudited)	Reserve Balance period ending 12/30/19 (Unaudited)
Restricted Reserves	\$ -0-	\$ -0-	\$ -0-
Unrestricted Reserves	\$ <u>-0-</u>	\$ <u>(25,249)</u>	\$ <u>(25,249)</u>
Total Reserves	\$ -0-	\$ <u>(25,249)</u>	\$ <u>(25,249)</u>

FISCAL IMPACT

None. Information item only.

CONSEQUENCE OF NEGATIVE ACTION

None. Informational item only.

To: Contra Costa County Housing Authority Board of Commissioners
 From: Joseph Villarreal, Housing Authority
 Date: March 10, 2020



Contra
 Costa
 County

Subject: COLLECTION LOSS WRITE-OFF FOR THE QUARTER ENDING DECEMBER 31, 2019

RECOMMENDATIONS

ADOPT Resolution No.5228 to approve collection loss write-offs in the public housing program in the amount of \$ 97,148.32 for the quarter ending December 31, 2019.

BACKGROUND

The Housing Authority takes action to write off accounts that have been determined to be non-collectible.

For this quarter ending December 31, 2019, a breakdown of the recommended write-offs, by housing development, is provided in the following table:

Action of Board On: **03/10/2020** APPROVED AS RECOMMENDED OTHER

Clerks Notes:

VOTE OF COMMISSIONERS

I hereby certify that this is a true and correct copy of an action taken and entered on the minutes of the Board of Supervisors on the date shown.

ATTESTED: March 10, 2020

Joseph Villarreal, Executive Director

Contact: 925-957-8028

By: , Deputy

cc:

BACKGROUND (CONTD)

CA011-001	Alhambra Terrace Martinez	\$0
CA011-003	Bridgemont Antioch	\$1,523.54
CA011-004	Los Nogales Brentwood	\$0
CA011 005	El Pueblo Pittsburg	\$22,249.76
CA011-006	Las Deltas N. Richmond	\$0
CA11-008	Los Arboles Oakley	\$0
CA011-009A	Las Deltas N. Richmond	\$0
CA011-009B	Las Deltas N. Richmond	\$0
CA011-010	Bayo Vista Rodeo	\$69,220.36
CA011-011	Hacienda Martinez	\$0
CA011-012	Casa de Manana Oakley	\$0
CA011-013	Casa de Serena Bay Point	\$0
CA011-015	Elder Winds Antioch	\$3,854.66
CA011-4501	Vista del Camino San Pablo	\$0
CA011-4502	Kidd Manor	\$0
TOTAL		\$97,148.32

A total of 30 accounts are being recommended for write-off, representing an average of \$3,238.28 per account.

The following table illustrates the collection losses per quarter for the past four quarters.

Conventional Program

THIS QUARTER	
12/31/2019	\$97,148.32
03/31/2018	\$50,381.06

Prior to the submission of an account for write-offs, the staff makes every effort to collect money owed to HACCC. Once the account is written off, staff uploads debt amount to HUD's Debts Owed System, to further Housing Authority's efforts to collect monies owed. Past participants that owe Housing Agencies may be denied admission to public housing or housing choice voucher programs in the future unless the debt is repaid.

FISCAL IMPACT

Uncollectable amounts impact the budget by reducing the total rental income. The Housing Authority of the County of Contra Costa (HACCC) regularly writes off those accounts that have been determined to be uncollectable. Once an account is written off, it can be turned over to a collection agency. For the period ending December 31, 2019, the collection loss write-off total is \$97,148.32

CONSEQUENCE OF NEGATIVE ACTION

Should the Board of Commissioners elect not to adopt Resolution No.5228 these accounts would inflate the total accounts receivable for HACCC and present and inaccurate financial position.

ATTACHMENTS

Write Off Chart Memo

Resolution 5228 Write Offs ending 12/31/19

M E M O R A N D U M

TO: Joseph Villarreal, Executive Director

FROM: Elizabeth Campbell, Director of Managed Housing Programs

SUBJECT: Vacated Collection Loss Write-Offs

DATE: DECEMBER 31, 2019

I have reviewed the request for Vacated Collection Loss Write-Off Accounts submitted by the Housing Managers and recommend that the following amounts be written off/submitted as non-collectible:

PROJECT	RENT	LEGAL	MAINTENANCE	TOTAL	TENANT ACCOUNTS
Alhambra Terr. Martinez CAL 11-1	\$0.00	-0-	\$0.00	\$0.00	0
Bridgemont, Antioch CAL 11-3	-0-	-0-	\$1,523.54	\$1,523.54	1
Los Nogales, Brentwood CAL 11-4	-0-	-0-	-0-	\$0	0
El Pueblo, Pittsburg CAL 11-5	\$7,456.89	-0-	\$15,092.87	\$22,549.76	11
Las Deltas, N. Richmond CAL 11-6	-0-	-0-	-0-	-0-	0
Los Arboles, Oakley CAL 11-8	-0-	-0-	-0-	-0-	0
Las Deltas, N. Richmond CAL 11-9A	-0-	-0-	-0-	-0-	0
Las Deltas, N. Richmond CAL 11-9B	-0-	-0-	-0-	-0-	0
Bayo Vista, Rodeo CAL 11-10	\$62,285.82	-0-	\$6,934.54	\$69,220.36	14
Hacienda, Martinez CAL 11-11	-0-	-0-	-0-	-0-	0
Casa de Manana, Oakley CAL 11-12	-0-	-0-	-0-	-0-	0
Casa de Serena Bay Point CAL 11-13	-0-	-0-	-0-	-0-	0
Elder Winds, Antioch CAL 11-15	\$169.66	-0-	\$3,685.00	\$3,854.66	4
Vista del Camino San Pablo 4501	-0-	-0-	-0-	-0-	0
Kidd Manor, San Pablo 4502	-0-	-0-	-0-	-0-	0
TOTALS:	\$69,912.37	-0-	\$27,235.95	\$97,148.32	30

THE BOARD OF COMMISSIONERS
HOUSING AUTHORITY OF THE COUNTY OF CONTRA COSTA

RESOLUTION NO. 5228

RESOLUTION APPROVING COLLECTION LOSS WRITE-OFF IN THE AMOUNT OF \$97,148.32 FOR THE
PERIOD ENDING DECEMBER 31, 2019

WHEREAS, a certain vacated tenant accounts have been determined to be uncollectable by management; and

WHEREAS, these tenant accounts may have been, or may be, turned over to a collection agency for continued collection efforts;

NOW, THEREFORE, BE IT RESOLVED, by the Board of Commissioners of the Housing Authority of the County of Contra Costa that the following amounts be written off for collection loss for period ending December 31, 2019

	Conventional Program
Dwelling Rent	\$69,912.37
Legal Charges	\$0
Maintenance & Other Charges	\$27,235.95
TOTAL	\$97,148.32

PASSED AND ADOPTED ON _____ by the following vote of the Commissioners.

To: Contra Costa County Housing Authority Board of Commissioners
 From: Joseph Villarreal, Housing Authority
 Date: March 10, 2020



Contra
 Costa
 County

Subject: ENTERPRISE - HACCC LEASE & FLEET AGREEMENT

RECOMMENDATIONS

APPROVE and AUTHORIZE the Executive Director, or his designee, to execute an agreement with Enterprise FM Trust (Enterprise) to lease vehicles for the Housing Authority of the County of Contra Costa (HACCC) and execute an agreement with Enterprise Fleet Management, Inc. (EFM) to provide scheduled maintenance for the leased vehicles in an amount not to exceed \$350,000 through March 31, 2025.

BACKGROUND

HACCC currently owns and maintains a fleet of 43 passenger, light duty and heavy duty vehicles used by various staff to conduct housing authority business. Of HACCC's current fleet, 94% is 15 years old or more, and many of these vehicles are beyond their intended useful life. Additionally, some of the older vehicles may not meet current standards related to emissions and air quality. Moreover, a number of the vehicles have been vandalized and/or had their catalytic converters removed, while others have had their battery packs die. The cost of replacing the catalytic converters and battery packs is upwards of \$6500 per vehicle. Both maintenance and fuel costs also continue to increase for the older vehicles as their age increases. Overall, HACCC's fleet is less safe to operate, expensive to manage and repair, and emits greater pollution than newer vehicles. Additionally, due to staffing reductions, HACCC has no one to provide adequate fleet management and oversight.

Action of Board On: **03/10/2020** APPROVED AS RECOMMENDED OTHER

Clerks Notes:

VOTE OF COMMISSIONERS

I hereby certify that this is a true and correct copy of an action taken and entered on the minutes of the Board of Supervisors on the date shown.

ATTESTED: March 10, 2020

Joseph Villarreal, Executive Director

Contact: 925-957-8028

By: , Deputy

cc:

BACKGROUND (CONTD)

HACCC has historically handled vehicle replacement by allocating relatively small portions of one-time funding to purchase a few vehicles at a time. However, due to funding cuts that have occurred over time and staffing reductions, this method no longer makes sense for HACCC. In an effort to address these concerns staff met with Enterprise, which owns and operates the world's largest fleet of vehicles. Under their Governmental Fleet Management Program, HACCC may contract with Enterprise to lease vehicles that include fleet management and support, as well as maintenance services, insurance, etc. HACCC priced a number of vehicle types and opted to proceed with the Toyota Corolla LE for use in the Housing Choice Voucher program and Chevrolet Silverados for our Public Housing maintenance staff.

Staff is proposing that the Board approve a Master Lease Agreement with Enterprise for the immediate replacement of five (5) passenger vehicles and four (4) trucks fitted with tool boxes and heavy duty lift gates and that EFM perform fleet management activities including procurement, disposal and maintenance of these HACCC vehicles. Advantages of using the program include:

- Allowing HACCC to begin an organized replacement of its aging fleet;
- Maximizing cash flow opportunities by making 100% down payments on the leases to minimize the cost over the 60-month term of the lease and creating ongoing monthly payments for scheduled maintenance of the fleet;
- Utilizing the expertise of an Enterprise fleet manager to make recommendations to HACCC regarding available options and ensures HACCC receives the best rebates and bids by utilizing State procurement contracts coupled with experience as the worlds' largest fleet operator;
- Increasing employee safety, efficiency and satisfaction by enabling quicker replacement of outdated and unsafe vehicles. The vehicles will be procured and equipped according to staff needs, then delivered in a turn-key fashion.
- Reducing CO2 emissions from aged vehicles by procurement of new, environmentally friendly equipment
- Reducing the amount of HACCC staff time spent on procurement, disposal, equipping and maintaining the agency's fleet.

Lease cycles for these vehicles will be sixty (60) months. Utilizing this program will provide a consistent, preventive maintenance cycle and substantially reduce repair expenses and potential vehicle downtime. The proposed lease for all vehicles will be an "Open Ended Equity" Lease which at the end of the lease cycle, HACCC will have the option to either continue using the vehicle or exchange the equity in the vehicle for a new replacement vehicle in a renewed lease (likely at a lower cost due to equity transfer). Enterprise will also provide a full maintenance program through their subsidiary, EFM, for all leased vehicles which includes 24-hour roadside assistance (does not cover tires and brakes). The fleet maintenance program can all be outsourced using local and/or preferred vendors to ensure quick access and turnaround for vehicle maintenance. HACCC will work with Enterprise to include local auto service providers in Enterprise's eligible provider network.

The initial vehicles scheduled to be replaced are ones that are no longer operational or that have been stolen. In the coming year, HACCC will need to replace more fleet vehicles, but staff is opting to stagger the leasing of the vehicles in order to minimize

the immediate budget impact. HACCC will come back to the Board to receive approval to lease additional vehicles as funding becomes available.

HACCC anticipates that the total cost of the contract to replace the seven vehicles specified above will not exceed \$350,000 through March 31, 2025. At that time, HACCC will seek to return the vehicles for newer models for another five-year period and return to the Board for approval of a new contract.

FISCAL IMPACT

The Housing Authority's total cost for this service will not exceed \$350,000 through March 31, 2025. Funding for this contract is included in HACCC's current budget using funds provided by the U.S. Department of Housing and Urban Development.

CONSEQUENCE OF NEGATIVE ACTION

Should the Board of Commissioners elect not to award the contract to Enterprise FM Trust and Enterprise Fleet Management, Inc., HACCC will need to re-procure the leasing of vehicles with another vendor. This process would restart the process and likely result in more expensive options than procuring these vehicles at current prices.

ATTACHMENTS

Board Order Vehicle Leases

Sedan Stock Quote Sheet

Truck Quote Sheet

HOUSING AUTHORITY OF THE COUNTY OF CONTRA COSTA

TO: BOARD OF COMMISSIONERS

FROM: JOSEPH VILLARREAL, EXECUTIVE DIRECTOR

DATE: MARCH 10, 2020

SUBJECT: APPROVE AND AUTHORIZE THE EXECUTIVE DIRECTOR, OR HIS DESIGNEE, TO EXECUTE AN AGREEMENT WITH ENTERPRISE FM TRUST TO LEASE VEHICLES FOR THE HOUSING AUTHORITY OF THE COUNTY OF CONTRA COSTA AND EXECUTE AN AGREEMENT WITH ENTERPRISE FLEET MANAGEMENT, INC. TO PROVIDE SCHEDULED MAINTENANCE FOR THE LEASED VEHICLES IN AN AMOUNT NOT TO EXCEED \$350,000.

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

I. RECOMMENDED ACTION:

APPROVE and AUTHORIZE the Executive Director, or his designee, to execute an agreement with Enterprise FM Trust (Enterprise) to lease vehicles for the Housing Authority of the County of Contra Costa (HACCC) and execute an agreement with Enterprise Fleet Management, Inc. (EFM) to provide scheduled maintenance for the leased vehicles in an amount not to exceed \$350,000 through March 31, 2025.

II. FINANCIAL IMPACT:

The Housing Authority's total cost for this service will not exceed \$350,000 through March 31, 2025. Funding for this contract is included in HACCC's current budget using funds provided by the U.S. Department of Housing and Urban Development.

III. REASONS FOR RECOMMENDATIONS/BACKGROUND:

HACCC currently owns and maintains a fleet of 43 passenger, light duty and heavy duty vehicles used by various staff to conduct housing authority business. Of HACCC's current fleet, 94% is 15 years old or more, and many of these vehicles are beyond their intended useful life. Additionally, some of the older vehicles may not meet current standards related to emissions and air quality. Moreover, a number of the vehicles have been vandalized and/or had their catalytic converters removed, while others have had their battery packs die. The cost of replacing the catalytic converters and battery packs is upwards of \$6500 per vehicle. Both maintenance and fuel costs also continue to increase for the older vehicles as their age increases. Overall, HACCC's fleet is less safe to operate, expensive to manage and repair, and emits greater pollution than newer vehicles. Additionally, due to staffing reductions, HACCC has no one to provide adequate fleet management and oversight.

HACCC has historically handled vehicle replacement by allocating relatively small portions of one-time funding to purchase a few vehicles at a time. However, due to funding cuts that have occurred over time and staffing reductions, this method no longer makes sense for HACCC. In an effort to address these concerns staff met with Enterprise, which owns and operates the world's largest fleet of vehicles. Under their Governmental Fleet Management Program, HACCC may contract with Enterprise to lease vehicles that include fleet management and support, as well as maintenance services, insurance, etc. HACCC priced a number of vehicle types and opted to proceed with the Toyota Corolla LE for use in the Housing Choice Voucher program and Chevrolet Silverados for our Public Housing maintenance staff.

Staff is proposing that the Board approve a Master Lease Agreement with Enterprise for the immediate replacement of five (5) passenger vehicles and four (4) trucks fitted with tool boxes and heavy duty lift gates and that EFM perform fleet management activities including procurement, disposal and maintenance of these HACCC vehicles. Advantages of using the program include:

- Allowing HACCC to begin an organized replacement of its aging fleet;
- Maximizing cash flow opportunities by making 100% down payments on the leases to minimize the cost over the 60-month term of the lease and creating ongoing monthly payments for scheduled maintenance of the fleet;
- Utilizing the expertise of an Enterprise fleet manager to make recommendations to HACCC regarding available options and ensures HACCC receives the best rebates and bids by utilizing State procurement contracts coupled with experience as the worlds' largest fleet operator;
- Increasing employee safety, efficiency and satisfaction by enabling quicker replacement of outdated and unsafe vehicles. The vehicles will be procured and equipped according to staff needs, then delivered in a turn-key fashion.
- Reducing CO2 emissions from aged vehicles by procurement of new, environmentally friendly equipment

- Reducing the amount of HACCC staff time spent on procurement, disposal, equipping and maintaining the agency's fleet.

Lease cycles for these vehicles will be sixty (60) months. Utilizing this program will provide a consistent, preventive maintenance cycle and substantially reduce repair expenses and potential vehicle downtime. The proposed lease for all vehicles will be an "Open Ended Equity" Lease which at the end of the lease cycle, HACCC will have the option to either continue using the vehicle or exchange the equity in the vehicle for a new replacement vehicle in a renewed lease (likely at a lower cost due to equity transfer). Enterprise will also provide a full maintenance program through their subsidiary, EFM, for all leased vehicles which includes 24-hour roadside assistance (does not cover tires and brakes). The fleet maintenance program can all be outsourced using local and/or preferred vendors to ensure quick access and turnaround for vehicle maintenance. HACCC will work with Enterprise to include local auto service providers in Enterprise's eligible provider network.

The initial vehicles scheduled to be replaced are ones that are no longer operational or that have been stolen. In the coming year, HACCC will need to replace more fleet vehicles, but staff is opting to stagger the leasing of the vehicles in order to minimize the immediate budget impact. HACCC will come back to the Board to receive approval to lease additional vehicles as funding becomes available.

HACCC anticipates that the total cost of the contract to replace the seven vehicles specified above will not exceed \$350,000 through March 31, 2025. At that time, HACCC will seek to return the vehicles for newer models for another five-year period and return to the Board for approval of a new contract.

IV. CONSEQUENCES OF NEGATIVE ACTION:

Should the Board of Commissioners elect not to award the contract to Enterprise FM Trust and Enterprise Fleet Management, Inc., HACCC will need to re-procure the leasing of vehicles with another vendor. This process would restart the process and likely result in more expensive options than procuring these vehicles at current prices.

New Vehicle from Dealer Stock: Cash Upfront, \$1 remaining book balance				
	2020 Toyota Corolla LE 4dr Sedan			
	\$18,902.40 Delivered Price ⁶		\$19,223.40 Delivered Price ⁶	
	<i>Due at Delivery</i>	<i>Monthly Costs</i>	<i>Due at Delivery</i>	<i>Monthly Costs</i>
Cash Upfront for Vehicle (inc. tax) ¹	\$20,649.78		\$21,000.47	
Management Fee ²		\$30.61		\$31.09
Full Maintenance Program ³		\$30.73		\$30.73
Geotab Telematics ⁴	\$54.00	\$24.00	\$54.00	\$24.00
Sales Tax		\$2.83		\$2.88
Reduced Book Value ⁵	\$0.40		\$0.40	
Due at Vehicle Delivery	\$20,703.78		\$21,054.47	
Monthly Payment to EFM for Services		\$88.17		\$88.70
<i>Quantity</i>	<i>4</i>	<i>4</i>	<i>1</i>	<i>1</i>
Total by Quantity	\$82,815.12	\$352.68	\$21,054.47	\$88.70
Total Due at Delivery	\$103,869.59			
Total Monthly Operating Costs		\$441.38		

NOTES

* Leases built for a 60 month term and 7,500 annual miles.

¹ Includes total vehicle cost minus \$1.00.

² Management fee covers all services provided by Enterprise Fleet Management including, but not limited to: dedicated account team for fleet planning and administrative activities, online fleet management tool and mobile application, and proprietary tools for vehicle selection and fleet analysis.

³ Full Maintenance Program includes preventative maintenance and unscheduled repairs, it does not include wear items such as brakes and tires. Contract mileage is set at 40,000 total miles. Overmileage will be billed at \$0.04 per mile or it can be decided to stop the program when vehicle hits 40,000 miles.

⁴ GeoTab monthly rate is based on the 'Pro Fleet Plan' pricing for the Sprint plan.

⁵ Reduced book value is the remaining balance at lease term. At lease term, that value can be paid in full, extend lease payments until paid off or sell the vehicle and deduct the RBV from sale proceeds.

⁶ Delivered price of the vehicle is based on current units found in dealer stock PLUS markup and additional options. Subject to change due to availability of units.

All pricing is subject to credit approval and final government bid assistance from manufacturer at time of vehicle order.

Additional "soft cost" benefits to partnership with Enterprise Fleet Management:

Improved safety of HACCC employee drivers	Reduced employee downtime for vehicle maintenance, repairs and breakdowns
Consolidated vehicle reporting available anytime through EFM website	Improved employee morale and image
Sustainable and consistent fleet plan	Reduced carbon footprint for vehicle usage
Fixed and controlled fleet costs for more accurate budgeting	Dedicated, local account team for program support, consultation and planning
Takes HACCC out of the vehicle business to allow more focus on important work for the agency	

New Vehicle: Cash Upfront, \$1 remaining book balance				
	2020 Chevrolet Silverado 1500 Work Truck 4x2 Regular Cab 8 ft. box 139.6 in. WB		2020 Chevrolet Silverado 3500HD Chassis Work Truck 4x2 Regular Cab 146.3 in. WB DRW	
	<i>Pricing includes aftermarket installation of 1500 lb. lift gate, 1 saddle box and 2 side boxes. Reference CVI Quote 1544250.</i>		<i>Pricing includes dump body with 1600 lb. lift gate. Reference Royal Quote 0406589.</i>	
	\$30,894 Delivered Price ⁶		\$48,295 Delivered Price ⁷	
	<i>Due at Delivery</i>	<i>Monthly Costs</i>	<i>Due at Delivery</i>	<i>Monthly Costs</i>
Cash Upfront for Vehicle (inc. tax) ¹	\$33,750.60		\$52,761.30	
Management Fee (inc. tax) ²		\$32.78		\$52.76
Full Maintenance Program (inc. tax) ³		\$38.23		\$42.60
Geotab Telematics (inc. tax) ⁴	\$62.27	\$26.22	\$62.27	\$26.22
Reduced Book Value ⁵	\$1.00		\$1.00	
Due at Vehicle Delivery	\$33,812.87		\$52,823.57	
Monthly Payment to EFM for Services		\$97.23		\$121.58

NOTES

* Leases built for a 60 month term and 7,500 annual miles.

¹ Includes total vehicle cost minus \$1.00.

² Management fee covers all services provided by Enterprise Fleet Management including, but not limited to: dedicated account team for fleet planning and administrative activities, online fleet management tool and mobile application, and proprietary tools for vehicle selection and fleet analysis.

³ Full Maintenance Program includes preventative maintenance and unscheduled repairs, it does not include wear items such as brakes and tires. Contract mileage is set at 40,000 total miles. Overmileage will be billed at \$0.04 per mile or it can be decided to stop the program when vehicle hits 40,000 miles.

⁴ GeoTab monthly rate is based on the 'Pro Fleet Plan' pricing for the Sprint plan.

⁵ Reduced book value is the remaining balance at lease term. At lease term, that value can be paid in full, extend lease payments until paid off or sell the vehicle and deduct the RBV from sale proceeds.

⁶ Delivered price of vehicle based on MY2020 factory ordered pricing PLUS estimated markup and additional options for unit out of dealer stock, includes aftermarket equipment.

⁷ Delivered price of vehicle based on MY2020 factory ordered pricing and includes aftermarket equipment.

All pricing is subject to credit approval and final government bid assistance from manufacturer at time of vehicle order.

Additional "soft cost" benefits to partnership with Enterprise Fleet Management:

Improved safety of HACCC employee drivers	Reduced employee downtime for vehicle maintenance, repairs and breakdowns
Consolidated vehicle reporting available anytime through EFM website	Improved employee morale and image
Sustainable and consistent fleet plan	Reduced carbon footprint for vehicle usage
Fixed and controlled fleet costs for more accurate budgeting	Dedicated, local account team for program support, consultation and planning
Takes HACCC out of the vehicle business to allow more focus on important work for the agency	

To: Contra Costa County Housing Authority Board of Commissioners
 From: Joseph Villarreal, Housing Authority
 Date: March 10, 2020



Contra
 Costa
 County

Subject: FINANCIAL AND PROGRAM AUDIT FOR FISCAL YEAR ENDING MARCH 31, 2019

RECOMMENDATIONS

ACCEPT the financial and program compliance audit report for the period April 1, 2018, through March 31, 2019, prepared by Harn & Dolan CPA's, Walnut Creek, California.

BACKGROUND

The U. S. Department of Housing & Urban Development (HUD) requires every housing authority to have an annual independent audit conducted of its financial statements and business activities as well as of compliance with program requirements for the public housing, Housing Choice Voucher and Shelter-Plus Care programs. HACCC contracted with Harn & Dolan to prepare the audit report for the fiscal year ending March 31, 2019.

Harn & Dolan's audit identified no findings and no material weaknesses in either the financial or program compliance portions of the audit. The complete audit is attached.

FISCAL IMPACT

None. Information item. Funding was provided for the audit contract in the Housing Authority of the County of Contra Costa's (HACCC) Fiscal Year 2019/2020 Consolidated Operating Budget.

Action of Board On: **03/10/2020** APPROVED AS RECOMMENDED OTHER

Clerks Notes:

VOTE OF COMMISSIONERS

I hereby certify that this is a true and correct copy of an action taken and entered on the minutes of the Board of Supervisors on the date shown.

ATTESTED: March 10, 2020

Joseph Villarreal, Executive Director

Contact: 925-957-8028

By: , Deputy

cc:

CONSEQUENCE OF NEGATIVE ACTION

Should the Board of Commissioners elect not to accept the financial audit report as performed by the certified public accountancy firm of Harn & Dolan, it would become necessary to expend additional funds to either redo the financial audit report or contract with another certified public accountancy firm to conduct an audit of HACCC's finances and programs.

ATTACHMENTS

Harn & Dolan Audit Report

Harn & Dolan Management Communication Report

**HOUSING AUTHORITY
OF THE COUNTY OF CONTRA COSTA
(A Component Unit of the County of Contra Costa)
BASIC FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2019
(Including Auditors' Report Thereon)**

HOUSING AUTHORITY OF THE COUNTY OF CONTRA COSTA
BASIC FINANCIAL STATEMENTS
MARCH 31, 2019

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Harn & Dolan

Certified Public Accountants

2423 Stirrup Court

Walnut Creek, California 94596-6526

(925) 280-1693 Fax (925) 938-4829

INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Housing Authority of the
County of Contra Costa
Martinez, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Housing Authority of the County of Contra Costa, component unit of the County of Contra Costa, California (the Authority), as of and for the year ended March 31, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents. We did not audit the financial statements of the aggregate discretely presented component units reported in the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of HACCC Casa Del Rio, Inc, a California Nonprofit Public Benefit Corporation and CDR Senior Housing Associates, a California Limited Partnership, which represent 13.3%, -52.7% and 0.4%, respectively, of the primary government's assets, net position, and revenue. We did not audit the financial statements of DeAnza Housing Corporation, a California Nonprofit Public Benefit Corporation and DeAnza Gardens L.P. a California Limited Partnership, which are combined and reported as discretely presented component units titled Component Units in the fund financial statements. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component units and blended component units - Casa Del Rio Housing is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's

internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the Authority, as of March 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 11, and the supplementary information required for the pension and other postemployment benefit plans on pages 63-66 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Housing Authority of the County of Contra Costa, California's basic financial statements. The schedule of relevant statistics is presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The accompanying Financial Data Schedules (CA011) are presented for purposes of additional analysis as required by *Uniform Financial Reporting Standards* issued by the U.S. Department of Housing and Urban Development and are not a required part of the basic financial statements. Finally, the accompanying Schedule of Completed Capital Fund Program Projects is presented for the purpose of additional analysis as required by the U.S. Department of Housing and Urban Development and is not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards, Financial Data Schedules, and Schedule of Completed Capital Fund Program Projects are the responsibility of management and were derived from and relate

directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The schedule of relevant statistics has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2019, on our consideration of the Housing Authority of the County of Contra Costa, California's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



November 25, 2019

**HOUSING AUTHORITY OF THE COUNTY OF CONTRA COSTA
MANAGEMENT DISCUSSION AND ANALYSIS
MARCH 31, 2019**

The management of the Housing Authority of the County of Contra Costa (the Authority) would like to provide the readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended March 31, 2019.

The Management Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments issued in June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

- Net position decreased by \$361,912 (or 10.05%) during 2019 (see Table 1). This decrease was a result of a decrease in operations of \$308,160, a decrease in OPEB of \$62,871, and positive increase in pension of \$9,119.
- Unrestricted net position decreased by \$384,450 (or 13.02%) during 2019 (see Table 1). This decrease was a result of a decrease in operations of \$330,698, a decrease of \$62,871 in OPEB, and positive increase of \$9,119 in pension.
- Total revenue increased by \$14.5 million (or 11.2%) as a result of current year activities (see Table 3).
- Total expenditures increased \$15.7 million (or 12.2%) as a result of current year activities (see Table 3).

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as introduction to the Authority's basic financial statements. The Authority's basic financial statements are comprised of three parts as follows: (1) **Fund Financial Statements**, (2) **Notes to the Basic Financial Statements**, and (3) **Supplementary Information**.

FUND FINANCIAL STATEMENTS

The Fund Financial Statements presentation is similar to the traditional government financial statements. The statements are the Statement of Net Position, the Statement of Revenue, Expenses, and Changes in Fund Net Position, and the Statement of Cash Flows. The focus is now on Major Funds, rather than fund types. The Authority's funds consist exclusively of Enterprise Funds. Enterprise funds utilize the full accrual basis of accounting. The Enterprise method of accounting is similar to accounting utilized by the private sector accounting.

Many of the funds administered by the Authority are provided by the Department of Housing and Urban Development. Others are segregated to enhance accountability and control. GASB's 34 and 37 require individual enterprise funds to be reported as major funds if total assets, liabilities, revenue, or expenses of that individual fund exceed 10% or corresponding element total of the Authority as a whole. In the past, the Authority reported four major funds and an aggregate column for non-major funds. Beginning April 1, 2006, the Authority reported all of its activities in one major fund titled "Housing". The Authority's mission is to provide affordable housing within the County of Contra Costa, regardless of grant or program. Therefore, we believe that reporting all activity in one fund is consistent with this mission and simpler for the readers of the Authority's report.

**HOUSING AUTHORITY OF THE COUNTY OF CONTRA COSTA
MANAGEMENT DISCUSSION AND ANALYSIS
MARCH 31, 2019**

(Continued)

The Authority's activity includes:

Public Housing – Under the Public Housing Program, (also titled as ‘Low Rent-Aided Housing’) the Authority rents units that it owns to very low & low-income households. The Public Housing Program is operated under an Annual Contributions Contract (ACC) with HUD. The ACC provides Operating Subsidy and Capital improvement Grant funding to enable the PHA to provide the housing at a rent that is based upon 30% of household income or at a flat rate below market rate.

Public Housing Capital Fund Grant - HUD provides grants for the modernization of the Public Housing Program units. The modernization is accounted for by each grant, which is merged as a part of the Public Housing Program totals.

Housing Choice Voucher Program – Under the Housing Choice Voucher Program, (hereunder titled as ‘Voucher’ Program) the Authority administers the program under an Annual Contributions Contract (ACC) with HUD. The ACC provides funding to the Authority to provide tenant based rental assistance to program participants. The rental assistance payment is structured so as the rental payment that the participant is obligated to pay is 30% to 40% of household income. This is a major federal program.

Lower Income Housing Assistance Continuum of Care Program - is a U.S. Department of Housing and Urban Development funded rehabilitation program that promotes community-wide commitment to the goal of ending homelessness. The program is designed to provide rental assistance and supportive services to homeless and disabled individuals and their families. It is cooperatively administered by the County Health Services Department and the Housing Authority of Contra Costa County, and has the capacity to serve roughly 200 households. Participants receive rental assistance and supportive services funded by the U.S. Department of Housing and Urban Development.

Casa Del Rio, Associates - Casa Del Rio, Senior Housing Associates (CDR) was formed as a limited partnership on April 12, 1994, for the purpose of developing, owning and operating an 82-unit affordable housing rental complex (the project) located in Antioch, California. The Project qualifies for low-income housing tax credits under Section 42 of the Internal Revenue Service Code. Such projects are regulated under terms of a Regulatory Agreement, including rent charges, operating methods and other matters. This limited partnership is considered to be a blended component unit of the Authority. The most recent audits were for the fiscal year ended December 31, 2018. These reports can be obtained from the Authority using the information on page 11.

Casa Del Rio, Incorporated - The general partner of the Casa Del Rio Partnership is HACCC Casa Del Rio, Inc., a California public benefit corporation. The officers and Board members of HACCC Casa Del Rio, Inc. are employees of the Authority, which was the developer of the Project, and is consider a blended component unit of the Housing Authority. These component units receive separate audit reports performed on a calendar year basis. The most recent audits were for the fiscal year ended December 31, 2018. These reports can be obtained from the Authority using the information on page 11.

Casa Del Rio Apartments, LLC - This limited liability corporation was formed to replace the limited partner “Boston Capital” of the Casa Del Rio Partnership. The officers and Board members of HACCC Casa Del Rio, Inc will direct the LLC.

**HOUSING AUTHORITY OF THE COUNTY OF CONTRA COSTA
MANAGEMENT DISCUSSION AND ANALYSIS
MARCH 31, 2019**

(Continued)

CDBG Rental Rehabilitation Program (RRP) - Under the RRP, the Authority executes annual funding contract with various governmental entities to fund the operations of a program that assists rental property owners with rehabilitation of housing units to help assure a supply of affordable rental apartments and homes for its Section 8/Voucher users and other low-income households. Technical assistance in determining repairs is provided by Authority staff and below-market-rate loans are made to cover part of rehabilitation costs. Program administrative costs are shared by the funding providers and the Authority.

Rental Rehabilitation Program (RRP) - Under the RRP, the Authority operates a program that assists rental property owners with rehabilitation of housing units to help assure a supply of affordable rental apartments and homes for its Section 8/Voucher users and other low-income households. Technical assistance in determining repairs is provided by Authority staff and below-market-rate loans are made to cover part of rehabilitation costs. Funds from this program are to supplement the CDBG RRP for loans or administration.

Management Fund & County Programs – This program is often referred to as the “State and Local Fund”. The fund represents non-HUD resources developed from a variety of activities, including developer fees, management fees, program cost reimbursement, and other local and non local activities. This fund administers the pension and benefit programs for the agency.

Central Office Cost Center - The COCC fund earns revenue from fees and services provided to various federal programs. The funds earned are considered federal funds and go to cover the overhead and support services provided to the various federal programs. HUD is currently preparing rule changes that will restrict these funds to use in Federal programs only.

Discretely Presented Component Unit:

DeAnza Gardens L.P. (DeAnza)– DeAnza was formed as a limited partnership on December 10, 2001 for the purpose of acquisition, ownership, maintenance, and operation of 180 multi-family affordable rental housing complex located in Contra Costa County.

The project was built on land owned by and leased from the Housing Authority of the County of Contra Costa (the Authority). Under the terms of the lease, title to the improvements reverts to the lesser at the end of the 75-year lease. The Project qualifies for low-income housing tax credits under Section 42 of the Internal Revenue Service Code. Such projects are regulated under terms of a Regulatory Agreement, including rent charges, operating methods and other matters.

DeAnza Corporation, Inc. The general partner of DeAnza Gardens L.P. is DeAnza Corporation Inc., a California public benefit corporation. The officers and Board members of the corporation are separate and apart from the Housing Authority. The only Board member position in the corporation that represents the Housing Authority is the Executive Director, who serves as one of the five board positions of the corporation. The Housing Authority has been designated as the managing general partner.

The DeAnza entities, under HUD REAC’s direction, are to be considered by the Authority as other organizations for which the nature and significance of their relationship with the Authority are such that exclusion would cause the Authority’s financial statements to be misleading or incomplete. As such, the Authority considers these two

**HOUSING AUTHORITY OF THE COUNTY OF CONTRA COSTA
MANAGEMENT DISCUSSION AND ANALYSIS
MARCH 31, 2019**

(Continued)

entities to be discretely presented component units. These component units receive separate audit reports performed on a calendar year basis. The most recent audits were for the calendar year ended December 31, 2018. These reports can be obtained from the Authority using the information on page 11.

Also included in the Basic Financial statements are:

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the fund financial statements.

Supplementary Information. Certain information is required to be included in this report by various federal agencies. This information is included after the notes to the financial statements under the title supplementary information.

**TABLE 1
STATEMENT OF NET POSITION**

The following table reflects the condensed Statement of Net Position, for the primary government, compared to prior year. The Authority is engaged only in Business-Type Activities.

	<u>March 31, 2019</u>	<u>March 31, 2018</u>	<u>Increase (Decrease)</u>	<u>%</u>
Current assets	\$ 8,903,140	\$ 8,881,830	21,310	0.24%
Restricted assets	2,029,553	2,011,894	17,659	0.88%
Capital assets, net of depreciation	11,667,474	11,708,383	(40,909)	0.35%
Other noncurrent assets	<u>3,670,149</u>	<u>3,687,525</u>	<u>(17,376)</u>	0.47%
Total assets	<u>26,270,316</u>	<u>26,289,632</u>	<u>(19,316)</u>	0.07%
Deferred outflows of resources	<u>3,448,731</u>	<u>1,009,562</u>	<u>2,439,169</u>	241.61%
Current liabilities	2,681,043	2,300,619	380,424	16.54%
Payable from restricted assets	660,987	550,659	110,328	20.04%
Long term liabilities	<u>23,138,935</u>	<u>19,049,400</u>	<u>4,089,535</u>	21.47%
Total liabilities	<u>26,480,965</u>	<u>21,900,678</u>	<u>4,580,287</u>	20.91%
Deferred inflows of resources	<u>-</u>	<u>1,798,520</u>	<u>(1,798,520)</u>	
Net position:				
Net investment in capital assets	5,169,833	5,053,531	116,302	2.30%
Restricted	1,405,578	1,499,344	(93,766)	6.25%
Unrestricted - operations	9,499,086	9,829,784	(330,698)	3.36%
Unrestricted - pension	(7,503,579)	(7,512,698)	9,119	0.12%
Unrestricted - OPEB	<u>(5,332,836)</u>	<u>(5,269,965)</u>	<u>(62,871)</u>	1.19%
Total net position	<u>\$ 3,238,082</u>	<u>\$ 3,599,996</u>	<u>\$ (361,914)</u>	10.05%

Major Factors Affecting the Statement of Net Position

The major factor affecting net position was the result of increased operating costs.

**HOUSING AUTHORITY OF THE COUNTY OF CONTRA COSTA
MANAGEMENT DISCUSSION AND ANALYSIS
MARCH 31, 2019**

(Continued)

Table 2 below presents details on the change in Unrestricted Net Position.

**TABLE 2
CHANGE OF UNRESTRICTED NET POSITION BY PROGRAM**

	Beginning Balance <u>04/01/2018</u>	Change of Unrestricted Position this Report Period	Ending Balance <u>03/31/2019</u>
Housing Choice Voucher Program:			
Unrestricted: Operations	\$ 4,601,634	\$ 177,942	\$ 4,779,576
Pension	-	(2,950,878)	(2,950,878)
OPEB	-	(2,097,206)	(2,097,206)
	<u>4,601,634</u>	<u>(4,870,142)</u>	<u>(268,508)</u>
Public Housing (including Capital Fund):			
Unrestricted: Operations	2,273,092	(383,968)	1,889,124
Pension	-	(2,643,868)	(2,643,868)
OPEB	-	(1,879,012)	(1,879,012)
	<u>2,273,092</u>	<u>(4,906,848)</u>	<u>(2,633,756)</u>
Central Office Cost Center:			
Unrestricted: Operations	790,991	(147,719)	643,272
Pension	-	(1,887,412)	(1,887,412)
OPEB	-	(1,341,394)	(1,341,394)
	<u>790,991</u>	<u>(3,376,525)</u>	<u>(2,585,534)</u>
Casa Del Rio (blended component unit):			
Unrestricted: Operations	(197,686)	(101,105)	(421,275)
Pension	-	-	-
OPEB	-	-	-
	<u>(197,686)</u>	<u>(101,105)</u>	<u>(421,275)</u>
Mainstream Voucher Program:			
Unrestricted: Operations	-	6,410	6,410
Pension/OPEB	-	-	-
	<u>-</u>	<u>6,410</u>	<u>6,410</u>
Rental Rehabilitation Loan Program:			
Unrestricted: Operations	574	(574)	-
Pension/OPEB	-	-	-
	<u>574</u>	<u>(574)</u>	<u>-</u>
Other State and Local:			
Unrestricted: Operations	2,483,663	118,316	2,601,979
Pension	(7,512,698)	7,491,277	(21,421)
OPEB	(5,269,965)	5,254,741	(15,224)
	<u>(10,299,000)</u>	<u>12,864,334</u>	<u>2,565,334</u>
Authority-wide:			
Unrestricted: Operations	9,829,784	(330,698)	9,499,086
Pension	(7,512,698)	9,119	(7,503,579)
OPEB	(5,269,965)	(62,871)	(5,332,836)
Authority totals	<u>\$ (2,952,879)</u>	<u>\$ (384,450)</u>	<u>\$ (3,337,329)</u>

**HOUSING AUTHORITY OF THE COUNTY OF CONTRA COSTA
MANAGEMENT DISCUSSION AND ANALYSIS
MARCH 31, 2019**

(Continued)

**TABLE 3
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

The following schedule compares the revenues and expenses for the current and previous fiscal year. The Authority is engaged only in Business-Type Activities.

	Actual <u>March 31, 2019</u>	Budget <u>March 31, 2019</u>	Actual <u>March 31, 2018</u>	Budget <u>March 31, 2018</u>
Operating revenue:				
Rental and other	\$ 12,698,852	\$ 12,216,213	\$ 6,927,317	\$ 6,560,488
Non-operating revenue:				
Federal grants and subsidies	129,793,175	126,585,706	121,501,702	101,618,382
Capital contributions	1,626,525	1,266,773	1,278,700	1,812,174
Sale (disposal) of real property	-	-	(4,020)	-
Other revenue	<u>243,358</u>	<u>95,018</u>	<u>121,997</u>	<u>592,840</u>
Total revenues	<u>144,361,910</u>	<u>140,163,710</u>	<u>129,825,696</u>	<u>110,583,884</u>
Operating expenses:				
Administration	9,967,493	9,497,241	8,918,271	9,548,608
Tenant services	983,495	1,516,399	1,048,519	795,689
Utilities	2,434,000	2,272,621	2,148,376	2,111,057
Maintenance	5,318,561	3,889,794	4,502,491	3,841,069
General	1,521,020	1,662,602	1,382,897	1,539,200
Housing assistance payments	122,508,657	119,426,207	109,045,988	87,428,415
Depreciation	1,799,987	1,799,986	1,736,653	1,735,434
Non-operating expenses:				
Debt-service interest	190,838	190,838	203,125	203,125
Capital Expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenses	<u>144,724,051</u>	<u>140,255,688</u>	<u>128,986,320</u>	<u>107,202,597</u>
Changes in net position	(362,141)	(91,978)	839,376	3,381,287
Net position, beginning of the year	3,599,996	3,599,996	5,587,326	5,587,326
Prior period adjustment	<u>227</u>	<u>-</u>	<u>(2,826,706)</u>	<u>-</u>
Net position, end of the year	<u>\$ 3,238,082</u>	<u>\$ 3,508,018</u>	<u>\$ 3,599,996</u>	<u>\$ 8,968,613</u>

Major Factors Affecting the Statement of Revenue, Expenses and Changes in Net Position

The major factors affecting the Statement of Revenue, Expenses, and Changes in Net Position was the result of the increase in portability activities and housing assistance payments in Federal Programs. The decrease in net position of \$362,141 was a result of decreases in operations.

**HOUSING AUTHORITY OF THE COUNTY OF CONTRA COSTA
MANAGEMENT DISCUSSION AND ANALYSIS
MARCH 31, 2019**

(Continued)

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of year-end, the Authority had \$11.7 million invested in capital assets, see also Note 5 to the basic financial statements.

**TABLE 4
CAPITAL ASSETS**

	<u>March 31, 2019</u>	<u>March 31, 2018</u>	<u>Change</u>
Land	\$ 1,832,993	\$ 1,825,993	\$ 7,000
Buildings	100,744,107	99,337,971	1,406,136
Equipment	3,186,424	3,007,222	179,202
Accumulated Depreciation	(95,113,658)	(93,313,671)	(1,799,987)
Construction In Progress	<u>1,017,608</u>	<u>850,868</u>	<u>166,740</u>
Total	<u>\$ 11,667,474</u>	<u>\$ 11,708,383</u>	<u>\$ (40,909)</u>

The following reconciliation summarizes the change in Capital Assets.

**TABLE 5
CHANGE IN CAPITAL ASSETS**

	<u>2019</u>	<u>2018</u>
Capital assets - beginning of year	\$ 11,708,383	\$ 11,904,435
Additions:		
Land	7,000	-
Building improvements	1,306,136	619,005
Construction-in-progress	166,740	522,838
Equipment	179,202	302,778
Investment in Casa Del Rio	100,000	100,000
Loss on disposal of equipment	-	(4,020)
Depreciation	<u>(1,799,987)</u>	<u>(1,736,653)</u>
Capital assets - end of year	<u>\$ 11,667,474</u>	<u>\$ 11,708,383</u>

Notes Payable Outstanding

As of year-end, the Authority had \$4,536,177 of notes payable outstanding, see Note 6 to the basic financial statements.

**HOUSING AUTHORITY OF THE COUNTY OF CONTRA COSTA
MANAGEMENT DISCUSSION AND ANALYSIS
MARCH 31, 2019**

(Continued)

ECONOMIC FACTORS

The Authority is primarily dependent upon HUD for funding operations; therefore, the Authority is affected more by the federal budget than by state or local economic conditions. The Authority's budgets and subsidy funding requests are approved by HUD.

FINANCIAL CONTACT

The individual to be contacted regarding this report, and the reports of the Authority's component units, is the Director of Finance of the Housing Authority of the County of Contra Costa, at (925) 957-8014. Specific requests may be submitted to the Director of Finance, Housing Authority of the County of Contra Costa, P.O. Box 2759, 3133 Estudillo Street, Martinez, CA 94553.

HOUSING AUTHORITY OF THE COUNTY OF CONTRA COSTA
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
MARCH 31, 2019

	Primary Government Housing	Component Units
<u>ASSETS</u>		
Current assets		
Cash and investments (Note 2 and 14)	\$ 6,644,326	\$ 70,296
Due from other agencies	1,789,869	-
Due from related parties - DeAnza (Note 14)	13,597	-
Tenant accounts receivable	187,699	30,941
Allowance for doubtful accounts	(77,655)	(4,560)
Miscellaneous accounts receivable	-	-
Interest receivable	15,970	6,687
Notes receivable - short term (Note 4)	2,519	-
Prepaid expenses	326,815	16,550
Total current assets	8,903,140	119,914
Restricted assets:		
Restricted cash (Note 2 and 3 and 14)	2,029,553	1,588,696
Capital assets (Note 5 and 14):		
Land	1,832,993	1,150,712
On site improvements	-	4,028,709
Buildings	100,744,107	29,714,010
Furniture and equipment	3,186,424	555,752
Construction in progress	1,017,608	-
Accumulated depreciation	(95,113,658)	(14,742,661)
Total capital assets	11,667,474	20,706,522
Other noncurrent assets:		
Long-term notes receivable (Note 4)	376,466	-
Long-term notes receivable - DeAnza (Note 4 and 14)	1,000,000	-
Interest receivable on long-term notes (Note 4)	127,100	-
Due from related parties - DeAnza (Note 14)	2,089,441	-
Other long-term assets	77,142	-
Total other noncurrent assets	3,670,149	-
Total assets	26,270,316	22,415,132
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Pension (Note 11)	3,292,918	-
OPEB (Note 12)	155,813	-
	3,448,731	-

HOUSING AUTHORITY OF THE COUNTY OF CONTRA COSTA
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
MARCH 31, 2019
(Continued)

	Primary Government Housing	Component Units
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable	\$ 964,382	\$ 62,424
Due to related parties - Authority (Note 14)	-	-
Due to other agencies	395,929	-
Accrued salaries and related costs	282,213	-
Accrued interest (Note 14)	-	43,269
Other accrued liabilities	202,963	-
Payable from restricted assets:		
Tenant security deposits	358,993	167,151
Unearned revenue (Note 8)	254,958	19,919
Current portion of compensated absences (Note 1.I.)	328,674	-
Current portion of long-term debt (Note 6 and 14)	251,924	263,896
Total current liabilities	3,040,036	556,659
Other noncurrent liabilities:		
Long-term debt (Note 6 and 14)	4,284,253	7,557,743
Long-term debt - Authority (Note 14)	-	1,000,000
Long-term portion of compensated absences (Note 1.I.)	104,506	-
Payable from restricted assets:		
Family self sufficiency escrows	301,994	-
Other noncurrent liabilities (Note 9 and 14)	2,465,030	115
Due to related parties - Authority (Note 14)	-	2,070,291
Net pension liability (Note 11)	10,796,497	-
Net other postemployment benefit liability (Note 12)	5,488,649	-
Total noncurrent liabilities	23,440,929	10,628,149
Total liabilities	26,480,965	11,184,808
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Pension (Note 11)	-	-
OPEB (Note 12)	-	-
	-	-
<u>NET POSITION</u> (Note 10 and 14)		
Net investment in capital assets	5,169,833	12,841,614
Restricted net position	1,405,578	1,529,209
Unrestricted net position	(3,337,329)	(3,140,499)
Total net position	\$ 3,238,082	\$ 11,230,324

The accompanying notes are an integral part of this statement

**HOUSING AUTHORITY OF THE COUNTY OF CONTRA COSTA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED MARCH 31, 2019**

	Primary Government Housing	Component Units
Operating revenue:		
Rents and other tenant revenue	\$ 4,662,065	\$ 2,093,162
Other	8,036,787	96,534
Total operating revenue	12,698,852	2,189,696
Operating expenses:		
Administration	9,967,493	437,302
Tenant services	983,495	-
Utilities	2,434,000	237,953
Maintenance	5,356,055	577,579
General	1,483,526	130,436
Housing assistance payments	122,508,657	-
Depreciation (Note 5 and 14)	1,799,987	1,020,489
Total operating expenses	144,533,213	2,403,759
Operating income (loss)	(131,834,361)	(214,063)
Nonoperating revenue (expenses):		
Grants	129,793,175	-
Restricted interest	9,996	-
Unrestricted interest	118,402	(17,712)
Interest on notes receivable		
with related party (Note 4 and 14)	30,000	(30,000)
Related party fees (Note 14)	84,960	(84,960)
Debt service - interest (Note 6 and 14)	(190,838)	(538,140)
Net gain before contributions and transfers	(1,988,666)	(884,875)
Capital contributions	1,626,525	-
Change in net position	(362,141)	(884,875)
Net position - beginning of year, as originally stated	3,599,996	12,115,199
Prior period adjustment	227	-
Net position - beginning of year, restated	3,600,223	12,115,199
Net position - end of year	\$ 3,238,082	\$ 11,230,324

The accompanying notes are an integral part of this statement.

**HOUSING AUTHORITY OF THE COUNTY OF CONTRA COSTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED MARCH 31, 2019**

	Primary Government Housing
Cash flows from operating activities:	
Tenant receipts	\$ 4,575,358
Other receipts	8,043,632
Payroll and benefit expenditures	(10,415,857)
Administration expenditures	(1,902,160)
Tenant services expenditures	(599,674)
Utilities expenditures	(2,436,441)
Maintenance expenditures	(3,419,977)
General expenditures	(826,203)
Housing assistance payment expenditures	(123,465,673)
Net cash used by operating activities	(130,446,995)
Cash flows from noncapital financing activities:	
Operating grants received	129,757,246
Related parties transactions	131,273
Repayment of notes receivable	5,066
Notes receivable issued	(1,500)
Net cash provided by noncapital financing activities	129,892,085
Cash flows from capital financing activities:	
Grants received to acquire capital assets	1,626,525
Acquisition of capital assets	(1,759,078)
Principal paid on debt	(239,142)
Interest paid on debt	(108,907)
Net cash used by capital financing activities	(480,602)
Cash flows from investing activities:	
Interest receipts	123,061
Interest on restricted cash	10,010
Net cash provided by investing activities	133,071
Net increase to cash	(902,441)
Cash at beginning of year	9,576,320
Cash at end of year	\$ 8,673,879
Cash and investments	\$ 6,644,326
Restricted cash	2,029,553
Total cash at year end	\$ 8,673,879

**HOUSING AUTHORITY OF THE COUNTY OF CONTRA COSTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED MARCH 31, 2019**

(Continued)

	<u>Primary Government</u> <u>Housing</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (131,834,361)
Adjustments to reconcile operating loss to Net cash used by operating activities:	
Depreciation expense	1,799,987
Prior period adjustment	227
(Increase) Decrease in:	
A/R other governments	(927,617)
Tenants accounts receivable	20,252
Prepaid expenses	(32,361)
Other long-term assets	1,104
Deferred outflows of resources	(2,439,170)
Increase (Decrease) in:	
Accounts payable	260,075
Due to other agencies	48,232
Tenant security deposits	3,682
Accrued salaries and related costs	47,993
Unearned revenues	23,047
FSS escrows	108,411
Compensated absences	39,713
Non-current liabilities	(59,130)
Net pension liability	4,528,893
Net OPEB liability	(237,452)
Deferred inflows of resources	<u>(1,798,520)</u>
Net cash used by operating activities	<u>\$ (130,446,995)</u>

Noncash transactions:

- Interest of \$78,787 was accrued as payable to RHCP. The payments on this loan are deferred, unless the project generates surplus cash.
- Interest of \$30,000 was accrued as receivable from DeAnza Gardens L.P. No payments were received with regards to this loan.
- Lease fees of \$72,000 were accrued as receivable from DeAnza Gardens L.P. These fees are deferred.

The accompanying notes are an integral part of this statement.

HOUSING AUTHORITY OF THE COUNTY OF CONTRA COSTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
MARCH 31, 2019

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of The Housing Authority of the County of Contra Costa (the Authority) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the Authority's more significant accounting policies:

A. Organization

The Authority was established pursuant to the State Health and Safety Code in 1941. The Authority is a public entity organized under the laws of the State of California's Health and Safety Code to provide housing assistance to low and moderate income families at rents they can afford. Eligibility is determined by family composition and income in areas served by the Authority. To accomplish this purpose, the Authority has entered into Annual Contributions Contracts with the U.S. Department of Housing and Urban Development (HUD) to operate assisted housing programs.

The governing board of the Authority is the County Board of Supervisors. The Authority is a legally separate entity from the County, maintaining separate accounting records, staff, and administration facilities. In addition, there is no financial benefit/burden relationship between the County and the Authority and the County has limited or no opportunity to impose its will upon the Authority because the Authority is governed by rules and regulations imposed by the Federal government through the U.S. Department of Housing and Urban Development. The County defines the Authority as a discretely presented component unit in its Comprehensive Annual Financial Report (CAFR). A copy of this report may be obtained by contacting the Office of the Auditor-Controller, 625 Court Street, Martinez, California 94553 or by visiting <http://co.contra-costa.ca.us/>.

B. Financial Reporting Entity

The Authority's combined financial statements include the accounts of all the Authority's operations. The criteria used in determining the scope of the financial reporting entity is based on provisions of Governmental Accounting Standards No. 61, *The Financial Reporting Entity*. The financial statements of the Authority include the financial activity of the Authority and any component units. The decision to include a potential component unit in the reporting entity was made based on the significance of their operational or financial nature and significance of their relationship with the Authority, including consideration of organizations for which the nature and significance of their relationship with the Authority are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Based on the aforementioned criteria, the Authority has blended

HOUSING AUTHORITY OF THE COUNTY OF CONTRA COSTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
MARCH 31, 2019

(Continued)

Note 1 (continued)

and discretely presented component units. The blended component units, although legally separate entities, are, in substance, part of the Authority's operations. Discretely presented component units are reported in a separate column in the fund financial statements to emphasize that they are legally separate from the government. The component units are as follows:

Blended Component Units. HACCC Casa Del Rio, Inc (A California Nonprofit Public Benefit Corporation) and CDR Senior Housing Associates (A California Limited Partnership) . HACCC Casa Del Rio, Inc. is the general partner of CDR Senior Housing Associates. The officers and Board members of HACCC Casa Del Rio, Inc. are employees of the Authority. The partnership was formed in 1994 to develop and operate an 82-unit affordable housing rental complex located in Antioch, California, which is currently known as Casa Del Rio Senior Housing.

Casa Del Rio Senior Housing was placed into service in 1995. Pursuant to the Indemnification Agreement dated July 1, 1994, by and among the Authority, HACCC Casa Del Rio, Inc., CDR Senior Housing Associates, and MHIFED I Limited Partnership, the Authority could possibly be liable for unpaid taxes, interest and penalties, cost to contest, operating deficiency and expenses of enforcement as identified in the Agreement and for a sponsor's operating guaranty to provide sufficient staff or equipment to the general partner, as needed and remedies against sponsor for default under the Amended HCD Agreement. Casa Del Rio Senior Housing participates in the low-income housing tax credit program under Section 42 of the Internal Revenue Code. Various agreements dictate the maximum income levels of new tenants and also provide rent restrictions through 2054.

Casa Del Rio Apartments LLC was formed to replace the limited partner, Boston Capital, of the Casa Del Rio Partnership. The officers and Board members of HACCC Casa Del Rio, Inc, will direct the LLC.

Since HACCC Casa Del Rio, Inc and CDR Senior Housing Associates have the potential to impose a financial burden on the Authority, these entities have been included in the Authority's financial statements as blended component units. See also Note 14.

Discretely Presented Component Units. DeAnza Housing Corporation (A California Nonprofit Public Benefit Corporation) and DeAnza Gardens, L.P. (A California Limited Partnership). The Authority is the General Partner and DeAnza Housing Corporation is the managing general partner of DeAnza Gardens, L.P. The partnership was formed for the purpose of acquisition, ownership, maintenance, and operation of 180 multi-family rental housing units and the provision of low-income housing through the construction, renovation,

HOUSING AUTHORITY OF THE COUNTY OF CONTRA COSTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
MARCH 31, 2019

(Continued)

Note 1 (continued)

rehabilitation, operation, and leasing of an affordable housing development located in Contra Costa County, which is currently known as DeAnza Gardens.

DeAnza Gardens was placed into service during 2005. It was built on land owned by and leased from the Authority. Under the terms of the lease, title to the improvements revert to the Authority at the end of the 75-year lease. Financing for construction was obtained through notes from the Authority, Bank of America, and DeAnza Housing Corporation. DeAnza Gardens participates in the low-income housing tax credit program under Section 42 of the Internal Revenue Code. Various agreements dictate the maximum income levels of new tenants and also provide rent restrictions through 2078.

Since DeAnza Housing Corporation and DeAnza Gardens L.P. are other organizations for which the nature and significance of their relationship with the Authority are such that exclusion from the financial statements would cause the Authority's financial statements to be misleading or incomplete, these entities have been included in the Authority's financial statements as discretely presented component units. See also Note 14.

Complete audited financial statements are issued separately for each of the individual component units listed above and may be obtained from the Housing Authority of the County of Contra Costa, 3133 Estudillo Street, P.O. Box 2759, Martinez, California 94553.

C. Basis of Presentation

Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The Authority's activities are strictly business-type. The Authority has no fiduciary funds.

Fund Financial Statements:

Fund financial statements of the Authority are organized into funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for within a separate set of self balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenses/expenditures as appropriate. Government resources are allocated to, and accounted for, in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. A fund is considered major if it is the primary operating fund of the Authority or if total assets, liabilities, revenue, or expenses/expenditures of the individual fund are at least 10 percent of the Authority-wide total. The Authority considers all of its activity to be housing related and therefore, considers all the financial activity of the Authority to be one major fund, titled *Housing*. As such, the Authority has no non-major funds.

**HOUSING AUTHORITY OF THE COUNTY OF CONTRA COSTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
MARCH 31, 2019**

(Continued)

Note 1 (continued)

PROPRIETARY FUND TYPES

Enterprise Funds - Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. Enterprise funds are also used when the governing body has decided that periodic determination of revenue earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The Authority's funds are operated as enterprise funds.

D. Measurement Focus and Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The Proprietary Fund Types are accounted for on an economic resources measurement focus using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recorded at the time liabilities are incurred. Under this basis of accounting and measurement focus, the Authority applies all GASB pronouncements.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses result from providing goods and services related to the fund's ongoing operations. The principal operating revenue of the Authority's enterprise funds is dwelling rental income. Operating expenses are necessary costs that have been incurred in order to provide the good or service that is the primary activity of the fund. The principal operating expenses of the Authority's enterprise funds are employee salaries and benefits, housing assistance payments, utilities, and the costs to maintain the owned units. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When the Authority incurs an expense for which both restricted and unrestricted resources may be used, it is the Authority's policy to use restricted resources first and then unrestricted resources as needed.

**HOUSING AUTHORITY OF THE COUNTY OF CONTRA COSTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
MARCH 31, 2019**

(Continued)

Note 1 (continued)

E. Interfund Transactions

Statement of Net Position:

Short-term amounts due between funds are classified as “Due from/to other funds”. As of March 31, 2019, the amounts due between the various proprietary funds totaled \$1,600,065. These amounts have been eliminated from the Statement of Net Position - Proprietary Funds.

Operating advances made to the blended component units, HACCC Casa Del Rio, Inc and CDR Senior Housing Associates totaled \$660,109 as of March 31, 2019. The interfund balance as of December 31, 2018, was \$647,468 and was reported as non-current related party payable by the other auditors. The interfund balance as of December 31, 2018 was eliminated, while the difference of \$12,641, as of March 31, 2019 was reported as other long-term assets in the Statement of Net Position - Proprietary Funds. See also Note 14.

A long-term note due from the Management Enterprise Fund to the blended component unit, HACCC Casa Del Rio, Inc, in the amount of \$185,000 has been eliminated from the Statement of Net Position - Proprietary Funds. See also Notes 4 and 6.

For further detail of these eliminated balances, please see the Financial Data Schedule found in the Supplementary Information section of this report.

Statement of Revenues, Expenses, and Changes in Fund Net Position:

Participants of the Housing Choice Voucher Program have decided to occupy units owned by the Authority’s blended component unit. Housing assistance payments made by the Housing Choice Voucher and Continuum of Care Programs to Casa Del Rio Senior Housing (CDR) totaled \$17,628 for the fiscal year ended March 31, 2019. CDR also paid the Authority \$52,452 during the current fiscal year for management fees.

The Authority utilizes a Central Office Enterprise Fund to account for administrative costs that are not charged to its Public Housing, Housing Choice Voucher, Mainstream Voucher, and Continuum of Care Program Enterprise Funds. The Public Housing Enterprise Fund paid property management, bookkeeping, and asset management fees in the amount of \$867,338, \$65,253, and \$105,400, respectively. The Public Housing Capital Fund Enterprise Fund paid management fees in the amount of \$264,444. The Housing Choice Voucher Enterprise Fund paid management fees and bookkeeping fees in the amount of \$1,397,619 and \$551,690, respectively. Management and bookkeeping fees were also paid on the Housing Choice Voucher Program units administered on behalf of other housing authorities in the amount of \$54,588 and \$32,247, respectively. The Mainstream Voucher Enterprise Fund paid management fees in the amount of \$1,590. The Continuum of Care Enterprise

HOUSING AUTHORITY OF THE COUNTY OF CONTRA COSTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
MARCH 31, 2019

(Continued)

Note 1 (continued)

Fund was allocated costs of \$47,810 in lieu of fees. These costs, totaling \$3,387,979, are reported as total fee revenue in the Central Office Enterprise Fund and administrative expenses of the Public Housing, Housing Choice Voucher, Mainstream Voucher, and Continuum of Care Enterprise Funds.

The Authority is required by HUD to pay HAP on behalf of other authorities with Housing Choice Voucher Program participants residing within Contra Costa County. The Authority is reimbursed for this HAP from the initiating housing authority. HUD requires this HAP to be reported as an expense when paid to the landlord and as income when reimbursed from the initiating housing authority. For the current fiscal year, the Authority paid \$7,478,732 in HAP on behalf of other housing authorities. This amount is therefore reported as revenue and expense of the Housing Choice Voucher Enterprise Fund.

CDR Inc earns interest of \$13,912 on its loan with the Authority of \$185,000. CDR Inc has agreed to give the interest back to the Authority as a charitable contribution. This interest revenue and expense were eliminated within the blended component unit enterprise fund.

Interfund transfers of \$2,060,531 were made between the Authority's funds this fiscal year. Interfund transfers of \$1,495,182 were made within the Public Housing Enterprise Fund. This represents the use of Capital Fund grants for Public Housing operating costs. Excess cash was transferred between AMPs within the Public Housing Enterprise Fund in the amount of \$531,489. Finally, interfund transfers of \$33,860 were made from the Family Self Sufficiency Enterprise Fund to the Housing Choice Voucher Enterprise Fund to comply with the recommendation of a financial management review performed by HUD.

Interfund revenues and expenses of \$3,458,059 have been eliminated from the Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds. This amount includes the interfund HAP, management fees, bookkeeping fees, and asset management fees. The transfers net to zero and are not reported on the Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds. For further detail, please see the Financial Data Schedule found in the Supplementary Information section of this report.

F. Cash and Investments

Cash includes amounts in demand deposits and saving accounts. Investments are reported in the accompanying statement at market value. All of the Authority's investments can be converted to cash in a relatively short amount of time. Therefore, all cash and investments are used in the Statement of Cash Flows.

HOUSING AUTHORITY OF THE COUNTY OF CONTRA COSTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
MARCH 31, 2019

(Continued)

Note 1 (continued)

Changes in fair value that occur during a fiscal year are recognized as *interest income* reported for that fiscal year. *Interest income* includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation, maturity, or sale of investments.

The Authority pools cash and investments of all programs. Each program's share in this pool is displayed in the accompanying Financial Data Schedule as *cash and investments*. Interest income earned by the pooled investments is allocated to the various funds based on each fund's average cash and investment balance.

G. Accounts Receivable

Receivables are principally amounts due from HUD and tenants. Allowance for doubtful accounts has been provided based on the likelihood of the recovery.

H. Capital Assets

Capital assets, which include property, plant and equipment, acquired for Proprietary Funds are capitalized in the respective funds to which they apply. The Authority has an established capitalization policy, which requires all acquisitions of property and equipment in excess of \$5,000 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets to be capitalized. Property and equipment are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Interest expense incurred during the development period is capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Depreciation of exhaustible capital assets used by Proprietary Funds is charged as an expense against operations, and accumulated depreciation is reported on the Statement of Net Position. Capital assets are being depreciated using the straight-line basis over the useful lives of the assets. The useful lives are generally 27.5 years for buildings, 10 years for modernization, 5 years for vehicles, furniture and equipment, and 3 years for computer equipment. Salvage value on all depreciable equipment is assumed to be insignificant and therefore valued at \$0.

I. Compensated Absences

It is the Authority's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the Authority. All vacation pay is accrued when incurred and allocated to the

HOUSING AUTHORITY OF THE COUNTY OF CONTRA COSTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
MARCH 31, 2019

(Continued)

Note 1 (continued)

appropriate proprietary fund. Total liability for the Authority is \$433,173 based on year-end hourly rates. Of this amount \$328,670 is considered by the Authority to be a current liability.

J. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Financial Position will sometimes include a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until that time. The Authority's deferred outflows of resources consist of (1) items associated with, and referred to in, the actuarial report of the defined benefit pension plan, and (2) payments made on behalf of employees to the defined benefit pension plan after the measurement date of the actuarial report. See also Note 11.

In addition to liabilities, the Statement of Financial Position will sometimes include a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Authority's deferred inflows of resources consist of items associated with, and referred to in, the actuarial report of the defined benefit pension plan. See also Note 11.

It is the Authority's practice to report deferred outflows and inflows of resources in the aggregate on the Statement of Net Position.

K. Net Position

Net position represents the differences between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position consists of net investment in capital assets; restricted net position; and unrestricted net position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of borrowing used for acquisition, construction, or improvement of those assets (excluding interfund borrowing and including accrued interest). Net position is reported as restricted when there are limitations imposed on its use through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

L. Income Taxes

The Authority is exempt from federal and state income taxes. The Authority is also exempt from property taxes but makes payments in lieu of taxes on owned housing.

**HOUSING AUTHORITY OF THE COUNTY OF CONTRA COSTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
MARCH 31, 2019**

(Continued)

Note 1 (continued)

M. Budgets and Budgetary Accounting

The Board of Commissioners adopts an operating budget effective April 1 annually. This budget may be revised by the Board of Commissioners during the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption.

N. Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources; the disclosure of contingent assets and liabilities; and the reported revenues and expenses. Actual results could differ from those estimates.

O. Encumbrances

Encumbrance accounting is not employed by the Authority.

P. Grant Restrictions

The Authority has received loans and grants from the U.S. Department of Housing and Urban Development. The grants require that only individuals and families that meet various income, age and employment standards be housed or aided.

Q. Cost Allocation Procedures

Cost allocation procedures are divided into one of the following three methods, 1) Direct Costs, 2) Indirect Costs, 3) Fee for Service.

Direct Allocation Method: this method is used when the cost being incurred directly benefits a specific “program, region, development, project or site”. Allocation at the regional, development, project or site level shall be allocated by using the ratio of number of bedrooms managed (zero bedroom units will count as 1). Allocation at the Program level will be based on a common factor within the program area, such as units within a grant, grant award amounts, or other reasonable factors where allowed.

Indirect Allocation Method: this method is used when the cost being incurred is for a common or joint objective and therefore does not directly benefit a specific “program, region, development, project or site”. These costs will be allocated using a rationale from direct salary allocation plan consistent with Uniform Guidance. The direct salary allocation plan will be established annually as a part of the annual budget process.

HOUSING AUTHORITY OF THE COUNTY OF CONTRA COSTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
MARCH 31, 2019

(Continued)

Note 1 (continued)

Fee for Service Method: this method is used when an employee performs work outside of their budgeted allocation. The fee for service method will reduce the allocations of salary and benefits from the program that the position was originally budgeted for. This method should be documented on a time reporting process, either by way of time card or activity log or both.

R. Loan Costs

The Authority has implemented GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities*. The Statement requires that debt issuance costs be reported as expenses when incurred since they no longer meet the definition of an asset. The component units are nonprofit public benefit corporations and limited partnerships and they follow the guidance of the Financial Accounting Standards Board for their financial reporting. Certain recognition criteria and presentation features are different from GASB. For instance, prior to January 1, 2016, these entities reported debt issuance costs as an asset amortized over time. During 2016, these entities adopted new accounting guidance required by accounting principles generally accepted in the United State of America and changed its method of accounting for debt issuance costs and related amortization of such costs. The net of these costs are now reported as a direct reduction of notes payable. No modifications have been made to the audited financial information as presented. The unamortized value of the loan costs does not have a material effect on the Authority's net position. Net loan costs of \$18,532 have been netted with long-term debt of the primary government, for the blended component units, while \$45,407 have been netted with long-term debt of the component units, for the discretely presented component units.

S. Pension Plan

The Authority participates in a cost-sharing multi-employer defined benefit retirement plan that is administered by the Contra Costa County Employees' Retirement Association (CCCERA). Contributions to CCCERA are made on a current basis as required by the plan and are charged to expenditures. The Authority used actuarial reports supplied by CCCERA for the purpose of measuring the net pension liability, deferred outflows and inflows of resources related to the pension plan. The valuation date of the latest actuarial report was December 31, 2018, with a measurement date for employer reporting as of June 30, 2019.

T. Postemployment Benefits Other than Pension (OPEB)

The Authority provides a defined benefit health care program to its retired employees and their dependents. The Authority has established a trust account to administer the funding of the OPEB plan. The Authority used actuarial valuation reports supplied by OPEB consultants to recognize net OPEB liability, deferred outflows and inflows of resources, and expenses related to the plan in accordance with GASB 75, *Accounting and Financial*

**HOUSING AUTHORITY OF THE COUNTY OF CONTRA COSTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
MARCH 31, 2019**

(Continued)

Note 1 (continued)

Reporting for Postemployment Benefits Other Than Pensions. The dates of the latest report are (1) actuarial valuation date of June 30, 2018, (2) measurement date of June 30, 2018, and (3) fiscal year end of March 31, 2019.

U. New Accounting Pronouncements

Pronouncements Implemented During the Current Fiscal Year

No new pronouncements were implemented during the current fiscal year.

Pronouncements to be Implemented in Subsequent Years

In June 2017, the GASB issued Statement No. 87, *Leases*. The implementation of GASB Statement No. 87 is required for accounting periods beginning after December 15, 2019. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The statement requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provision of the contract. The impact of this pronouncement is not know at this time. The implementation of this statement is expected to occur in the next fiscal year.

Note 2 - CASH AND INVESTMENT

Cash and investments as of March 31, 2019 are classified in the accompanying financial statement as follows:

Statement of net position:	
Cash and investments	\$ 6,644,326
Restricted cash	<u>2,029,553</u>
Total Cash & Investments	<u>\$ 8,673,879</u>
Demand deposits	\$ 4,720,220
Investments	3,293,379
Cash held by other agencies	658,330
Cash on hand	<u>1,950</u>
Total Cash & Investments	<u>\$ 8,673,879</u>

Investments Authorized by the Authority's Investment Policy

Investments authorized by the Authority are empowered by the HUD Notice 99-48 and its own investment policy to invest HUD funds in the following:

- United States Treasury Bills, Notes and Bonds;

HOUSING AUTHORITY OF THE COUNTY OF CONTRA COSTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
MARCH 31, 2019

(Continued)

Note 2 (continued)

- Obligations issued by Agencies or Instrumentalities of the U.S. Government;
- State or Municipal Depository Funds, such as the Local Agency Investment Fund (LAIF) or pooled cash investment funds managed by County treasurers;
- Insured Demand and Savings Deposits, provided that deposits in excess of the insured amounts must be 100% collateralized by federal securities;
- Insured Money Market Deposit Accounts;
- Insured SUPER NOW accounts, provided that deposits in excess of the insured amount must be 100% collateralized by federal securities;
- Negotiable Certificates of Deposit issued by federally or state chartered banks or associations, limited to no more than 30% of surplus funds;
- Repurchase/Reverse Repurchase Agreements of any securities authorized by this section; securities purchased under purchase agreements shall be no less than 102% of market value;
- Sweep Accounts that are 100% collateralized by federal securities;
- Shares of beneficial interest issued by diversified management companies investing in the securities and obligations authorized by this Section (Money Market Mutual Funds); Funds must carry the highest rating of at least two national rating agencies and are limited to not more than 20% of surplus funds;
- Funds held under the terms of a Trust Indenture or other contract or agreement including the HUD/PHA Annual Contributions Contract, may be invested according to the provisions of those indentures or contracts; and
- Any other investment security authorized under the provisions of HUD Notice PIH 97-41.

The Authority is empowered by the California Government Code (CGC) Sections 5922 and 53601 et seq and its own investment policy to invest non-HUD funds in the following:

- Bonds issued by the local entity with a maximum maturity of five years;
- United States Treasury Bills, Notes and Bonds;
- Registered state warrants or treasury notes or bonds issued by the State of California;
- Bonds, notes, warrants or other evidence of debt issued by a local agency within the State of California, including pooled investment accounts sponsored by the State of California, County Treasurer, other local agencies or Joint Powers Agencies;
- Obligations issued by Agencies or Instrumentalities of the U.S. Government;
- Bankers Acceptances with a term not to exceed 270 days, limited to 40% of surplus funds; no more than 30% of surplus funds can be invested in Bankers Acceptances of any single commercial bank;
- Prime Commercial Paper with a term not to exceed 180 days and the highest ranking issued by Moody's Investors Service or Standard & Poor's Corp., limited to 15% of surplus funds; provided that if the average total maturity of all commercial papers does not exceed 31 days up to 30% of surplus funds can be invested in commercial papers.
- Negotiable Certificates of Deposit issued by federally or state chartered banks or associations, limited to not more than 30% of surplus funds;

HOUSING AUTHORITY OF THE COUNTY OF CONTRA COSTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
MARCH 31, 2019

(Continued)

Note 2 (continued)

- Repurchase/Reverse Repurchase Agreements of any securities authorized by this Section, securities purchased under these agreements shall be no less than 102% of market value. Securities purchased under reverse repurchase agreements shall be for temporary and unanticipated cash flow needs only.
- Medium term notes (not to exceed two years) of U.S. corporations rated “AAA” or better by Moody’s or Standard & Poor’s limited to not more than 30% of surplus funds;
- Shares of beneficial interest issued by diversified management companies investing in the securities and obligations authorized by this Section (Money Market Mutual Funds), limited to not more than 15% of surplus funds;
- Funds held under the terms of a Trust Indenture or other contract or agreement may be invested according to the provisions of those indentures or agreements;
- Collateralized bank deposits with a perfected security interest in accordance with the Uniform Commercial Code (UCC) or applicable federal security regulations;
- Any mortgage pass-through security, collateralized mortgage obligation, mortgaged backed or other pay-through bond, equipment least-backed certificate, consumer receivable pass-through certificate or consumer receivable backed bond of a maximum maturity of five years, securities in this category must be rated AA or better by a national rating service and are limited to not more than 30% of surplus funds;
- Any other investment security authorized under the provisions of California Government Code Sections 5922 and 53601.

Disclosure Related to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in the market rates. See the table shown later in this note titled “Investment Disclosure” for the maturity dates for each of the Authority’s investments.

Disclosures related to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. See the table shown later in this note titled “Investment Disclosure” for the ratings assigned to the issuer for each of the Authority’s investments.

**HOUSING AUTHORITY OF THE COUNTY OF CONTRA COSTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
MARCH 31, 2019**

(Continued)

Note 2 (continued)

Concentration of Credit Risk

See the table shown later in this note titled “Investment Disclosure” to determine how the Authority’s investments are concentrated. These investments are owned by the following programs:

Public Housing Program	\$ 2,166,490	65.78%
Central Office Cost Center	757,714	23.01%
Other State and Local Programs	265,084	8.05%
Rental Rehabilitation Program	<u>104,091</u>	3.16%
Total investments	<u>\$ 3,293,379</u>	

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the Authority’s investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires California banks and savings and loan associations to secure the Authority’s deposits not covered by federal deposit insurance by pledging mortgages or government securities as collateral. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure Authority deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. Such collateral must be held in the pledging bank’s trust department in a separate depository in an account for the Authority.

The custodial risk for investments is the risk that, in the event of the failure of the counterparty (broker-dealer, etc) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Authority’s investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government’s indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

The Authority has executed a “General Depository Agreement” with WestAmerica Bank dated June 5, 2018. This agreement states that “any portion of PHA funds not insured by a Federal insurance organization shall be fully (100%) and continuously collateralized with specific and identifiable U.S. Government or Agency securities prescribed by HUD.”

**HOUSING AUTHORITY OF THE COUNTY OF CONTRA COSTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
MARCH 31, 2019**

(Continued)

Note 2 (continued)

The Authority's exposure to custodial credit risk is as follows:

Demand deposits with banks, fully insured by FDIC	\$ 250,000
Demand deposits with banks covered by depository agreements	4,434,305
Cash held by investment companies	35,915
Deposits held by CHFA	<u>658,330</u>
Total demand deposits and cash held by other agencies	<u>\$ 5,378,550</u>

See the table below for information regarding the investments.

Investment Disclosure - March 31, 2019

<u>Investment Type</u>	<u>Issuer</u>	<u>Book Value</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Rate</u>
Government Security	LAIF	\$ 103,442	\$ 103,457	N/A	
	Interest on LAIF	649	649	N/A	
Certif. Of Deposit	HSBC Bank USA	100,000	98,064	6/10/2021	197
Certif. Of Deposit	State Bank of India	115,000	111,658	10/27/2021	150
Certif. Of Deposit	Discover Bank	105,000	103,774	1/11/2022	300
Certif. Of Deposit	Everbank	247,000	242,569	4/28/2022	214
Certif. Of Deposit	Capital One Bank	100,000	98,859	5/10/2022	300
Certif. Of Deposit	Capital One Bank	110,000	108,241	5/10/2022	300
Certif. Of Deposit	Goldman Sachs Bank	149,000	147,300	6/07/2022	300
Certif. Of Deposit	Medallion Bank Utah	105,000	102,919	7/05/2022	299
Certif. Of Deposit	JP Morgan Chase	110,000	107,998	6/30/2022	300
Certif. Of Deposit	Capital One Bank	220,000	215,919	9/20/2012	300
Certif. Of Deposit	Barclays Bank - Delaware	247,000	242,374	9/27/2022	300
Certif. Of Deposit	Stearns Bank	100,000	97,602	12/01/2022	300
Certif. Of Deposit	Discover Bank	140,000	138,524	12/28/2022	300
Certif. Of Deposit	Morgan Stanley Bank	150,000	148,913	1/11/2023	300
Certif. Of Deposit	Sally Mae Bank	173,000	171,659	2/08/2023	300
Certif. Of Deposit	Citi Bank NA	100,000	100,817	5/04/2023	300
Certif. Of Deposit	Goldman Sachs Bank	100,000	101,602	7/25/2023	300
Certif. Of Deposit	Comenity Capital Bank	120,000	121,693	8/14/2023	300
Certif. Of Deposit	HSBC Bank USA	100,000	101,264	9/28/2023	300
Certif. Of Deposit	Citi Bank NA	145,000	145,377	2/15/2024	300
Certif. Of Deposit	State Bank of India	130,000	130,184	2/27/2024	150
Gov't Agency	Farmer Mac	100,000	99,218	1/07/2021	AAA
Gov't Agency	Farmer Mac	105,000	104,174	2/03/2022	AAA
Gov't Agency	Fannie Mae	<u>150,000</u>	<u>148,586</u>	10/25/2022	300
Total Investments		<u>\$ 3,325,091</u>	3,293,394		
Investments reported below market value			<u>(15)</u>		
Total Investments reported			<u>\$ 3,293,379</u>		

The Authority categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are

HOUSING AUTHORITY OF THE COUNTY OF CONTRA COSTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
MARCH 31, 2019

(Continued)

Note 2 (continued)

significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The hierarchy for the Authority's investments are considered Level 2, except for the LAIF investments which are not subject to fair value hierarchy.

The Authority has not executed a General Depository Agreement with either the Local Agency Investment Fund (LAIF) or Cantella Investments (the Authority's broker for investments other than LAIF).

The Authority is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The LAIF is a special fund of the California State Treasury through which local governments may pool investments. Each government agency may invest up to \$30,000,000 in each account in the fund. Investments in LAIF are highly liquid, as deposits can be converted to cash within twenty-four hours without loss of interest or principal. The full faith and credit of the State of California secure investments in LAIF.

At March 31, 2019, an account was maintained in the name of the Housing Authority of the County of Contra Costa for \$103,442. The total cost value of investment in LAIF was \$103,442. The total fair value of investments in LAIF was \$103,457. The fair value total includes an unrealized gain on investments of \$15. The unrealized gain was based on a fair value adjustment factor of 1.000146954 that was calculated by the State of California Treasurer's Office. The unrealized gain was not recorded by the Authority and is considered immaterial. Of the \$103,442 invested in LAIF, \$104,091 is recorded as assets of the Authority. The difference includes \$649 of interest receivable from LAIF as of March 31, 2019, shown by the Authority as investments.

LAIF is a part of the State of California Pooled Money Investment Account (PMIA). At March 31, 2019, the fair value of the State of California Pooled Money Investment Account (PMIA), including accrued interest, was \$87,342,058,054. The PMIA portfolio had securities in the form of structured notes totaling \$825 million and asset-backed securities totaling \$1,204,260,000. The PMIA has policies, goals and objectives for the portfolio to make certain that the goals of safety, liquidity, and yield are not jeopardized. These policies are formulated by investment staff and reviewed by both the PMIA and LAIF Advisory Boards on an annual basis. LAIF's and the Authority's exposure to credit, market, or legal risk is not available.

During 2002, California Government code was added to the LAIF's enabling legislation stating that "the right of a city, county...special district...to withdraw its deposited money from the LAIF upon demand may not be altered, impaired, or denied in any way by any state official or state agency based upon the State's failure to adopt a State Budget by July 1 of each new fiscal year." In addition, it has been determined that the State of California cannot declare bankruptcy under Federal regulations. This allows other government code stating that "money placed with the State Treasurer for deposit in the LAIF shall not be subject to ...transfer or loan...or impound or seizure by any state official or state agency" to stand.

**HOUSING AUTHORITY OF THE COUNTY OF CONTRA COSTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
MARCH 31, 2019**

(Continued)

Note 3 - RESTRICTED CASH

Restricted cash consists of funds for replacement and operating reserves required by the lender and funds being held by the Authority on behalf of its clients. The balances are as follows:

Tenant security deposits - Public Housing	\$ 314,465
Family Self Sufficiency Program participant's escrow funds	301,994
HUD funds restricted in use for HAP payments	747,249
Blended component unit - Casa Del Rio:	
Funds held by CHFA:	
Replacement reserve	398,387
Operating reserve	234,980
Hazard and earthquake insurance impounds	24,962
Tenant security deposits	<u>7,516</u>
Total restricted cash	<u><u>\$ 2,029,553</u></u>

The funds held by the California Housing Finance Agency (CHFA) can only be used for major repairs or insurance, upon receipt of prior written approval from CHFA. These amounts are also reported as restricted net position (see also Note 10). The amounts held by the Authorities for program participants of the FSS program, due to HUD, and for tenant security deposits are reported as payable from restricted assets.

Please see the prior note to determine interest rates and credit risks for the above restricted cash.

Note 4 - NOTES RECEIVABLE

A schedule of changes in notes receivable is as follows:

	Balance <u>3/31/18</u>	Loans Issued	Loans Repaid	Balance <u>3/31/19</u>	Long-term Portion	Short-term Portion
CDBG Loan Program	\$ 322,436	\$ -	\$ -	\$ 322,436	\$ 322,436	\$ -
Rental Rehab. Program	54,030	-	-	54,030	54,030	-
Employee computer loans	6,085	1,500	(5,066)	2,519	-	2,519
DeAnza Gardens LP	<u>1,000,000</u>	-	-	<u>1,000,000</u>	<u>1,000,000</u>	-
	1,382,551	1,500	(5,066)	1,378,985	1,376,466	2,519
Interfund:						
CDR from mgmt fund	<u>185,000</u>	-	-	<u>185,000</u>	<u>185,000</u>	-
Totals	<u><u>\$ 1,567,551</u></u>	<u><u>\$ 1,500</u></u>	<u><u>\$ (5,066)</u></u>	<u><u>\$ 1,563,985</u></u>	<u><u>\$ 1,561,466</u></u>	<u><u>\$ 2,519</u></u>

Interest on these loans is as follows:

	Balance <u>3/31/18</u>	Interest Accrued	Interest Repaid	Balance <u>3/31/19</u>	Long-term Portion	Short-term Portion
CDBG Loan Program	\$ 98,835	\$ 9,255	\$ -	\$ 108,090	\$ 108,090	\$ -
Rental Rehab. Program	17,391	1,619	-	19,010	19,010	-
DeAnza Gardens LP	<u>510,107</u>	<u>30,000</u>	-	<u>540,107</u>	<u>540,107</u>	-
Totals	<u><u>\$ 626,333</u></u>	<u><u>\$ 40,874</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 667,207</u></u>	<u><u>\$ 667,207</u></u>	<u><u>\$ -</u></u>

HOUSING AUTHORITY OF THE COUNTY OF CONTRA COSTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
MARCH 31, 2019

(Continued)

Note 4 (continued)

The Authority has made deferred payment loans to individuals and organizations under the County's Community Development Block Grant (CDBG) and Rental Rehabilitation (RR) Programs. These loans are secured by deeds of trust in the name of the County of Contra Costa or the City of Antioch. These programs are revolving loan programs administered by the Authority. Any repayments of outstanding loans, or interest on the loans, must be used for new loans or program administration as authorized by the County or the City of Antioch. These loans typically earn 3% interest per annum. These notes receivable, along with all of the accrued interest, are offset by an equal amount shown in other noncurrent liabilities (See Note 9).

The Authority administers an employee loan program whereby employees can borrow funds for the purpose of purchasing a computer to be used at home. These loans accrue no interest. Payments are made through the payroll system.

Pursuant to a demand note dated June 30, 1994, the Authority may be liable to HACCC Casa Del Rio, Inc for \$185,000. Although the note is due upon demand, the maturity date is December 31, 2059. The note will be called prior to maturity only in the event that there are operating deficits and there is insufficient cash available to cover expenses.

The Authority has also issued a note to the DeAnza Gardens, L.P., which is a discretely presented component unit of the Authority (see Note 1.B.). The note bears simple interest at the rate 3% per annum, payments are due commencing on October 1, 2005, but are payable only to the extent of the previous years' excess/distributable cash, and is due June 2043. No payments, of interest or principal, have been received on this loan.

Not shown on the previous schedule, the DeAnza Housing Corporation issued a note in the amount of \$1,000,000 bearing simple interest at 6.8%, to be paid in full June 2043. This second note is an intra-fund transaction. DeAnza Gardens L.P. owes the DeAnza Housing Corporation. This loan has been eliminated from the discretely presented component unit column of the Statement of Net Position. Since this loan does not effect the Authority, it is not shown in the table on the prior page.

**HOUSING AUTHORITY OF THE COUNTY OF CONTRA COSTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
MARCH 31, 2019**

(Continued)

Note 5 - CAPITAL ASSETS

Capital asset activity for the year ending March 31, 2019.

	March 31, 2018	Additions	Adjustments/ Transfers	Deletions	March 31, 2019
Capital assets, not being depreciated:					
Land	\$ 1,825,993	\$ -	\$ 7,000	\$ -	\$ 1,832,993
Construction in progress	<u>850,868</u>	<u>1,543,017</u>	<u>(1,376,277)</u>	<u>-</u>	<u>1,017,608</u>
Total	<u>2,676,861</u>	<u>1,543,017</u>	<u>(1,369,277)</u>	<u>-</u>	<u>2,850,601</u>
Capital assets depreciated:					
Buildings and improvements	99,337,971	36,859	1,369,277	-	100,744,107
Equipment	<u>3,007,222</u>	<u>179,202</u>	<u>-</u>	<u>-</u>	<u>3,186,424</u>
Total capital assets being depreciated	<u>102,345,193</u>	<u>216,061</u>	<u>1,369,277</u>	<u>-</u>	<u>103,930,531</u>
Total capital assets	<u>105,022,054</u>	<u>1,759,078</u>	<u>-</u>	<u>-</u>	<u>106,781,132</u>
Accumulated depreciation:					
Buildings and improvements	(90,770,593)	(1,534,377)	-	-	(92,304,970)
Equipment	<u>(2,543,078)</u>	<u>(265,610)</u>	<u>-</u>	<u>-</u>	<u>(2,808,688)</u>
Total accumulated depreciation	<u>(93,313,671)</u>	<u>(1,799,987)</u>	<u>-</u>	<u>-</u>	<u>(95,113,658)</u>
Total capital assets depreciated, net	<u>9,031,522</u>	<u>(1,583,926)</u>	<u>1,369,277</u>	<u>-</u>	<u>8,816,873</u>
Total capital assets, net	<u>\$ 11,708,383</u>	<u>\$ (40,909)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,667,474</u>

The changes by project are as follows:

	March 31, 2018	Additions	Transfers	Deletions	March 31, 2019
TOTAL CAPITAL ASSETS:					
Public Housing	\$ 93,020,502	\$ 1,626,525	\$ -	\$ -	\$ 94,647,027
Housing Choice Voucher	4,412,487	95,694	114,308	-	4,622,489
Section 8 Moderate Rehab	114,308	-	(114,308)	-	-
CDBG/Rental Rehab Loan	3,937	-	-	-	3,937
Management Fund	77,751	-	-	-	77,751
Central Office Cost Center	184,580	-	-	-	184,580
Blended Component Units:					
Casa Del Rio	<u>7,208,489</u>	<u>36,859</u>	<u>-</u>	<u>-</u>	<u>7,245,348</u>
Total capital assets	<u>105,022,054</u>	<u>1,759,078</u>	<u>-</u>	<u>-</u>	<u>106,781,132</u>

**HOUSING AUTHORITY OF THE COUNTY OF CONTRA COSTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
MARCH 31, 2019**

(Continued)

Note 5 (continued)

	March 31, 2018	Additions	Transfers	Deletions	March 31, 2019
DEPRECIATION:					
Public Housing	(86,600,841)	(1,366,266)	-	-	(87,967,107)
Housing Choice Voucher	(2,170,563)	(234,745)	(114,308)	-	(2,519,616)
Section 8 Moderate Rehab	(114,308)	-	114,308	-	-
CDBG/Rental Rehab Loan	(3,937)	-	-	-	(3,937)
Management Fund	(75,553)	(879)	-	-	(76,432)
Central Office Cost Center	(164,321)	(9,024)	-	-	(173,345)
Blended Component Units:					
Casa Del Rio	(4,184,148)	(189,073)	-	-	(4,373,221)
Total depreciation	(93,313,671)	(1,799,987)	-	-	(95,113,658)
Net	<u>\$ 11,708,383</u>	<u>\$ (40,909)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,667,474</u>

Note 6 - LONG TERM DEBT

The following is a schedule of the changes in long-term debt for the current fiscal year:

	Balance 3/31/2018	Loans Issued	Payments	Balance 3/31/2019	Short-term Portion	Long-term Portion	Interest Payable
Office building mortgage	\$ 1,888,341	\$ -	\$ (207,967)	\$ 1,680,374	\$ 218,228	\$ 1,462,146	\$ -
Blended component units:							
Casa Del Rio:							
CHFA	278,892	-	(31,175)	247,717	33,696	214,021	-
RHCP	<u>2,626,618</u>	<u>-</u>	<u>-</u>	<u>2,626,618</u>	<u>-</u>	<u>2,626,618</u>	<u>1,961,464</u>
	4,793,851	-	(239,142)	4,554,709	251,924	4,302,785	1,961,464
Loan costs	<u>(21,676)</u>	<u>-</u>	<u>3,144</u>	<u>(18,532)</u>	<u>-</u>	<u>(18,532)</u>	<u>-</u>
Totals	<u>\$ 4,772,175</u>	<u>\$ -</u>	<u>\$ (235,998)</u>	<u>\$ 4,536,177</u>	<u>\$ 251,924</u>	<u>\$ 4,284,253</u>	<u>\$ 1,961,464</u>
Interfund:							
Mgmt Fund to CDR	<u>\$ 185,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 185,000</u>	<u>\$ -</u>	<u>\$ 185,000</u>	<u>\$ -</u>

Following is a schedule of debt payment requirements to maturity for the mortgages noted above that require payments:

Year ending	Office Building		CHFA		Total
	Principal	Interest	Principal	Interest	
2020	\$ 218,228	\$ 77,991	\$ 33,696	\$ 18,134	\$ 348,050
2021	229,404	66,815	36,421	15,410	348,050
2022	240,942	55,277	39,366	12,465	348,050
2023	253,060	43,159	42,549	9,282	348,050
2024	265,722	30,497	45,988	5,843	348,050
2025-2026	<u>473,018</u>	<u>20,680</u>	<u>49,697</u>	<u>2,134</u>	<u>545,528</u>
	<u>\$ 1,680,374</u>	<u>\$ 294,419</u>	<u>\$ 247,717</u>	<u>\$ 63,268</u>	<u>\$ 2,285,778</u>

HOUSING AUTHORITY OF THE COUNTY OF CONTRA COSTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
MARCH 31, 2019

(Continued)

Note 6 (continued)

During December 2006, the Authority purchased an office building to house the staff of their Housing Choice Voucher Program. To facilitate this purchase, the Authority borrowed \$2,847,500 from WestAmerica Bank on December 15, 2006. Originally, the interest on this loan was 6.75% per annum. The interest rate decreased to 6% in 2012 and 5.25% in 2013. On November 1, 2015, the terms of the loan agreement with WestAmerica Bank were changed. As of November 1, 2015, the \$2,335,903 loan will be amortized over 120 months, is due November 1, 2025, requires monthly payments of \$24,685, and accrues interest at a fixed rate of 4.850% per annum. Interest of \$88,252 and loan fees of \$2,850 were paid to WestAmerica Bank and expensed during the fiscal year ended March 31, 2019.

The California Housing Finance Agency note, received through the State of California, is dated November 14, 1994. The original amount borrowed was \$600,000. The loan carries a simple interest rate of 7.8% per annum. Principal and interest are payable in monthly installments of \$4,319. The note is due in full December 2024. Interest in the amount of \$20,655 was paid and expensed during the calendar year ended December 31, 2018.

The Rental Housing Construction Program note, received through the State of California, is dated January 15, 1993. The original amount borrowed was \$2,626,618. The loan accrues interest at a rate of 3% per annum. Payments are required on this loan only to the extent that the Casa Del Rio project has surplus cash. This note and interest on the note are due June 5, 2054. No principal or interest payments were made on this loan during the year ended December 31, 2018. Interest was expensed in the amount of \$78,787. The amount of deferred interest accrued as payable as of the end of the fiscal year was \$1,961,464. The entire amount is considered to be long-term and is shown as other noncurrent liabilities. See also Note 9.

Costs incurred in order to obtain permanent financing for the Casa Del Rio notes were \$94,143 and are amortized on a straight-line basis into interest expense over the term of the loan. Interest expense amortization of permanent loan costs was \$3,144 during the current fiscal year.

Pursuant to a demand note dated June 30, 1994, the Authority may be liable to HACCC Casa Del Rio, Inc for \$185,000. Although the note is due upon demand, the maturity date is December 31, 2059. The note will be called prior to maturity only in the event that there are operating deficits and there is insufficient cash available to cover expenses.

Note 7 - PAYMENT IN LIEU OF TAXES

In connection with the Public Housing Program, the Authority is obligated to make annual payments in lieu of property taxes based on the lesser of 25% of the assessable value of owned housing, times the current tax rate; or 10% of the dwelling rents, net of utilities expense. At March 31, 2019, \$97,376 was expensed for payment in lieu of taxes. Approximately 75% is payable as of March 31, 2019 and is shown as *Due to Other Agencies*.

**HOUSING AUTHORITY OF THE COUNTY OF CONTRA COSTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
MARCH 31, 2019**

(Continued)

Note 8 - UNEARNED REVENUE

Unearned revenue consists of:

Revolving loan funds held for future expenditures		\$	187,410
Prepaid rent - Public Housing	\$ 27,735		
Casa Del Rio	20		27,755
Insurance claim advance			18,027
Prepaid portability payments received from other agencies - Housing Choice Voucher			21,766
		\$	254,958

Note 9 - OTHER NONCURRENT LIABILITIES

Other noncurrent liabilities consist of:

Loan liability:

CDBG:

Notes receivable (See also Note 4)	\$ 322,436		
Interest on notes receivable (See also Note 4)	108,090	\$	430,526

Rental Rehabilitation:

Notes receivable (See also Note 4)	54,030		
Interest on notes receivable (See also Note 4)	19,010		73,040

Long term portion of the interest payable on the RHCP loan - a liability of the blended component unit, Casa Del Rio (See also Note 6)			1,961,464
		\$	2,465,030

Note 10 - NET POSITION

A. Net investment in capital assets

Net investment in capital assets consists of the following:

Capital assets, net of depreciation (see Note 5)	\$		11,667,474
Long term debt (omitting interfund balances) (see Note 6)			(4,536,177)
Accrued interest on long term debt (see Note 6 & 9)			(1,961,464)
Net investment in capital assets	\$		5,169,833

B. Restricted Net Position

Net position is reported as restricted when constraints placed on the net asset use are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. The Authority has reported the following as restricted net position:

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Note 10 (continued)

Housing Choice Voucher - HAP	\$	523,191
Mainstream Voucher - HAP		224,058
Casa Del Rio Senior Housing - Reserves		<u>658,329</u>
Restricted net position		<u><u>\$ 1,405,578</u></u>

In 2012, HUD implemented cash management procedures which mitigated the accumulation of excess HAP in Net Restricted Asset accounts by PHAs. These procedures based the payment of HAP on actual need reported by PHAs in the Voucher Management System (VMS). Most excess allocation is now held by HUD until PHAs demonstrate the need for the disbursement of funds. The balance in the HUD held reserves as of December 31, 2018 was approximately \$130,000.

The restricted net position associated with the Casa Del Rio Senior Housing represents replacement and operating reserves required by CHFA. These funds are being held by CHFA and are fully funded. See also Note 3.

C. Deficit Unrestricted Net Position

The Authority has a deficit unrestricted net position balance as of March 31, 2019, of \$3,337,329. This deficit is the result of the Authority's compliance with GASB Statement 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement 27* and GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*. When these factors are isolated, the Authority has positive unrestricted net assets as it relates to operations. The balances associated with the pension and OPEB plans change annually as payments are made to the plan and as actuarial information is received regarding the plan.

The following detail provides as overview, at the Authority-wide level, of the unrestricted net position:

	Beginning Balance <u>4/1/2018</u>	Net Change	Ending Balance <u>3/31/2019</u>
GASB 68 Pension net position	\$ (7,512,698)	\$ 9,119	\$ (7,503,579)
GASB 75 OPEB net position	(5,269,965)	(62,871)	(5,332,836)
Operations net position	<u>9,829,784</u>	<u>(330,698)</u>	<u>9,499,086</u>
	<u><u>\$ (2,952,879)</u></u>	<u><u>\$ (384,450)</u></u>	<u><u>\$ (3,337,329)</u></u>

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Note 11 - RETIREMENT PLAN

A. Plan Description

The Authority participates in a cost-sharing multiple-employer defined benefit retirement plan that is administered by the Contra Costa County Employees' Retirement Association (CCCERA) under the County's Employee's Retirement Law of 1937 (1937 Act) and the Public Employee's Pension Act of 2013 (PEPRA). A more detailed description of the plan and the benefits provided can be obtained from the CCCERA's Comprehensive Annual Financial Report and the CCCERA's Actuarial Valuation and Review, which are located at www.cccera.org. CCCERA is a component unit of the County of Contra Costa.

CCCERA follows accounting principles and reporting guidelines set forth by GASB. The financial statements are prepared in accordance with generally accepted accounting principles in the United States of America, under which revenues are recognized when earned and deductions are recorded when the liability is incurred. Contributions are recognized in the period due, investment income is recognized as revenue when earned, retirement benefits and refunds of contributions are recognized when due and payable in accordance with the terms of the Plan. Investments are carried at fair value. There have been no significant changes to the plan.

B. Benefits Provided

All full-time employees of the Authority participate in this plan. There are currently 83 active plan members and 70 retirees or beneficiaries receiving benefits. The plan provides death, disability and service retirement benefits, in accordance with the 1937 ACT. Annual cost-of-living adjustments (COLA) to retirement benefits can be granted by the Retirement Board as provided by State statutes. The Authority has two applicable tiers, Tier 1 Enhanced and PEPRA Tier IV (3% Max COLA).

Tier 1 Enhanced employees are those with a membership prior to January 1, 2013. These members are eligible to retire once they attain the age of 70 regardless of service or at age 50, with 10 or more years of retirement service credit. A member with 30 years of service is eligible to retire regardless of age. Benefits are calculated pursuant to Section 31676.16 for Enhanced Benefit Formulae. The monthly allowance is 1/50th (Enhanced) of final compensation times years of accrued retirement service credit times age factor from Section 31676.16 (Enhanced). The maximum retirement benefit is 100% of final compensation. Final average compensation consists of the highest 12 consecutive months.

PEPRA Tier IV employees are those with a membership on or after January 1, 2013. These members are eligible to retire once they have attained the age of 70 regardless of service or at 52, with five years of retirement service credits. Benefits are calculated pursuant to the provisions found in California Government Code Section 7522.20(a). The monthly

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Note 11 (continued)

allowance is equal to the final compensation multiplied by years of accrued retirement credit multiplied by the age factor from Section 7522.20(a). There is no final compensation limit in the maximum retirement benefit for this tier. Final average compensation consist of the highest 36 consecutive months.

C. Contributions

The Authority contributes to the retirement plan based upon actuarially determined contribution rates adopted by the Board of Retirement. Employer contribution rates are adopted annually based upon recommendations received from the CCCERA actuary after the completion of the annual actuarial valuation. Contribution rates for Tier 1 vary based on the employee’s age at entry into the plan. Members are required to make contributions to CCCERA regardless of the retirement plan or tier in which they are included. The rates and contributions made during the fiscal year ended March 31, 2019 were as follows:

Tier	Payroll Subject to Contribution	Employer Contribution	as a % of Contribution	Employee Contribution	as a % of Contribution
Classic (tier 1)	\$ 4,244,157	\$ 1,943,772	45.80%	\$ 316,015	7.45%
PEPRA	1,389,122	556,958	40.09%	102,247	7.36%
Total	<u>\$ 5,633,279</u>	<u>\$ 2,500,730</u>	44.39%	<u>\$ 418,262</u>	7.42%

The contributions made by the Authority of \$2,500,730, including \$209,635 employer subvention of member contributions. As of March 31, 2019, the Authority owed CCCERA \$242,149. This liability is short-term, represents March contributions paid in April 2019, and is reported as “accrued salaries and related costs” in the Statement of Net Position - Proprietary Funds.

D. Net Pension Liability

The *Governmental Accounting Standards 68 Actuarial Valuation Based on December 31, 2018 Measurement Date for Employer Reporting as of June 30, 2019*, provided by CCCERA outlines the net pension liability (NPL) allocated to its member employers as based on the following definition of covered payroll - “Only compensation earnable and pensionable would go into the determination of retirement benefits”. The NPL was measured as of December 31, 2018 and 2017. The Plan’s Fiduciary Net Position was valued as of the measurement date while the TPL was determined based upon rolling forward the results of the actuarial valuations as of December 31, 2017 and 2016, respectively. In addition, any changes in actuarial assumptions or plan provisions that occurred between the valuation date and the measurement date have been reflected.

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(Continued)

Note 11 (continued)

The components of NPL for CCCERA, as a whole, are as follows:

Reporting Date for employer under GASB 68	6/30/2019	6/30/2018
Measurement Date for Employer under GASB 68	<u>12/31/2018</u>	<u>12/31/2017</u>
Total Pension Liability (TPL)	\$ 9,578,029,937	\$ 9,202,017,660
Plan's Fiduciary Net Position	<u>(8,149,985,793)</u>	<u>(8,390,581,049)</u>
Net Pension Liability (NPL)	<u>\$ 1,428,044,144</u>	<u>\$ 811,436,611</u>
Plan's Fiduciary Net Position as a % of TPL	85.09%	91.18%

The Plan provisions used in the measurement of the NPL as of December 31, 2018 and 2017 are the same as those used in the CCCERA actuarial valuation as of December 31, 2018 and 2017, respectively. The TPL and the Plan's Fiduciary Net Position include liabilities and assets held for the Post Retirement Death Benefit Reserve.

The most recent Actuarial Report available from CCCERA had a valuation date of December 31, 2018. The December 31, 2018 CCCERA Actuarial Report reflects the following changes to the Authority's NPL balances:

Reporting Date for employer under GASB 68	6/30/2019	6/30/2018
Measurement Date for Employer under GASB 68	<u>12/31/2018</u>	<u>12/31/2017</u>
NPL as the beginning of the measurement period	\$ 6,267,604	\$ 10,162,604
Pension Expense	2,282,949	1,324,457
Employer Contributions (1)	(2,254,454)	(2,150,337)
New Net Deferred Inflows/Outflows of Resources	4,490,773	(3,075,254)
Change in Allocation of Prior Deferred Inflows/Outflows	43,287	82,256
New Net Deferred Flows Due to Changes in Proportion (2)	(305,447)	228,012
Recognition of Prior Deferred Inflows/Outflows of Resources	336,335	(306,164)
Recognition of Prior Deferred Flows Due to Change in Proportion (2)	<u>(64,550)</u>	<u>2,030</u>
NPL as of the end of the measurement period	<u>\$ 10,796,497</u>	<u>\$ 6,267,604</u>
Authority's proportionate share of CCCERA's NPL	0.756%	0.772%

(1) Includes "member subvention of employer contributions" and excludes "employer subvention of member contributions".

(2) Includes differences between employer contributions and proportionate share of contributions.

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability as of December 31, 2018 calculated using the discount rate of 7.00%, as well as what the NPL liability would be if it were calculated using a discount rate that is one percentage point lower or higher than the current rate:

	1% decrease	Current rate	1% increase
	<u>6.00%</u>	<u>7.00%</u>	<u>8.00%</u>
Housing Authority NPL	\$ 19,360,517	\$ 10,796,497	\$ 3,780,368
CCCERA NPL in total	\$ 2,712,156,531	\$ 1,428,044,144	\$ 376,026,640
Authority NPL as a % of CCCERA	0.714%	0.756%	0.010%

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(Continued)

Note 11 (continued)

E. Pension Expense and Deferred Outflows/Inflows of Resources Related to Pension

Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or method, and plan benefits as follows:

	<u>12/31/2018</u>	<u>12/31/2017</u>
Service Cost	\$ 1,746,022	\$ 1,652,657
Interest on total pension liability	4,903,328	4,764,094
Expensed portion of current-period changes in proportion and differences between employer's contributions and proportionate share of contributions	(85,560)	63,691
Expensed portion of current-period difference between expected and actual experience in the TPL	87,375	(50,675)
Expensed portion of current-period changes of assumptions or other inputs	(154,051)	-
Member contributions (1)	(789,118)	(751,091)
Projected earnings on plan investments	(4,434,301)	(4,015,580)
Expensed portion of current-period differences between actual and projected earnings on plan investments	1,182,201	(723,459)
Administrative expense	71,160	71,212
Other expenses	27,678	9,474
Recognition of beginning of year deferred outflows of resources as pension expense	772,513	789,219
Recognition of beginning of year deferred inflows of resources as pension expense	(1,108,848)	(483,055)
Net amortization of deferred amounts from changes in proportion and differences between employer's contribution and proportionate share of contributions	<u>64,550</u>	<u>(2,030)</u>
Pension expense - measurement date 12/31	<u>\$ 2,282,949</u>	<u>\$ 1,324,457</u>

(1) Includes "employer subvention of members contributions" and "excludes member subvention of employer contributions"

**HOUSING AUTHORITY OF THE COUNTY OF CONTRA COSTA
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(Continued)

Note 11 (continued)

Deferred outflows and inflows of resources represent the unamortized portion of changes to net pension liability to be recognized in future periods in a systematic and rational manner. In addition, deferred outflows of resources include employer contributions to the pension plan made subsequent to the measurement date, as follows:

	Deferred Outflows	Deferred Inflows
Changes in proportion and differences between employer's contribution and proportionate share of contribution (1)	\$ 204,887	\$ 316,182
Changes in assumptions or other input	63,292	549,961
Net excess of projected over actual earnings on pension plan investments	3,234,920	-
Difference between expected and actual experience in the TPL	311,928	234,694
Balances per actuarial report - measurement date 12/31/2018	3,815,027	1,100,837
Employer contributions made January thru March 2019	578,728	-
Balances reported March 31, 2019	\$ 4,393,755	\$ 1,100,837

(1) Calculated in accordance with Paragraph 54 and 55 of GASB 68

Deferred outflows and inflows of resources, other than the employer contributions noted above, are reported in the aggregate as net deferred inflows and will be recognized in future pension expense as follows:

Measurement period:	
2020	\$ 967,229
2021	321,542
2022	329,990
2023	1,095,429
	\$ 2,714,190

The amount reported as deferred outflows of resources related to employer contributions made January through March 2019, should have the effect of reducing net pension liability during the next actuarial measurement period.

F. Actuarial Assumptions

The total pension liability (TPL) as of December 31, 2018, and December 31, 2017 were determined by actuarial valuations as of December 31, 2017 and December 31, 2016, respectively. The TPL was remeasured as of December 31, 2018 to reflect the actuarial assumptions that the Board of Retirement has approved for use in the funding valuation as of December 31, 2018. The actuarial assumptions used were based on the results of an experience study for the period January 1, 2015 through December 31, 2017. They are the same as the assumptions used in the December 31, 2018 funding valuation for CCCERA.

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Note 11 (continued)

The following actuarial assumptions were applied to all periods included in the measurement for both the December 31, 2018 and 2017 actuarial valuations.

Valuation Date	12/31/2018	12/31/2017
Actuarial Cost Method	Entry Age	Entry Age
Amortization Method	Level % of Payroll	Level % of Payroll
Inflation	2.75%	2.75%
Salary increases - general	3.75% to 15.25%	4.0% to 13.25%
Investment rate of return	7.00%	7.00%
Administrative expenses	1.10%	1.13%
Cost of living adjustment	2.75%	2.75%

When measuring pension liability GASB uses the same actuarial cost method (Entry Age method) and the same type of discount rate (expected return on assets) as CCCERA uses for funding. This means that the TPL measured for financial reporting shown in this report is determined on generally the same basis as CCCERA's actuarial accrued liability (AAL) measure for funding.

Mortality rates for member contributions were based on the PUB-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Table (separate tables for males and females), projected 30 years with the two-dimensional mortality improvement scale MP-2018, weighted 30% male and 70% female.

The long-term expected rate of return on pension plan investments determined in 2019 using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. This information is combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation but before deducting investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate</u>
Large Cap U.S. Equity	5.0%	5.44%
Developed International Equity	13.0	6.54
Emerging Markets Equity	11.0	8.73
Short-term Gov't/Credit	23.0	0.84
U. S. Treasury	3.0	1.05
Private Equity	8.0	9.27
Risk Diversifying	7.0	3.53
Global Infrastructure	3.0	7.9
Private Credit	12.0	5.80
Real Estate (all)	10.0	6.8%-12%
Risk Parity	<u>5.0</u>	5.80
Total	<u>100.0%</u>	

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(Continued)

Note 11 (continued)

The discount rate used to measure the TPL was 7% as of both December 31, 2018 and December 31, 2017. The projection of cash flows used to determine the discount rate assumed employer and employee contributions will be made at the rates equal to the actuarially determined contribution rates. For this purpose, only employee and employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions for future plan members, are not included. Based on those assumptions, the Pension Plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL as of both December 31, 2018 and 2017.

Note 12 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION

Plan Description: Contra Costa County Housing Authority (The Authority) administers a single-employer, defined benefit health care plan. Currently, the plan provides postemployment medical and dental insurance benefits to eligible employees, and their dependents, who retire from the Authority and commence receiving their CCCERA pension at the time of retirement. Health benefit provisions for active employees are established and may be amended through negotiations between the Authority and their bargaining unit and employee groups. The Authority does not issue a separate audit report on its post retirement health benefit plan.

The Contra Costa County Board of Supervisors appointed the Executive Director of the Authority as the Plan Administrator. As of March 31, 2019, Public Agency Retirement Services is the Trust Administrator.

The Contra Costa County Board of Supervisors has the right at any time and for any reason, in its sole discretion, to modify, alter, or amend the Plan in whole or in any part, in any manner and without limit, including reducing or eliminating the payment of any benefits. WestAmerica Bank (Trustee) shall, upon written direction of the Plan Administrator, make distributions from the assets of the Trust to the insurers, third party administrators, health care and welfare providers or other entities providing Plan benefits or services, or to the employer for reimbursement of Plan benefits and expenses paid by the employer.

Benefits: The Authority has contracted with Kaiser Permanente, Anthem, United Healthcare, Blue Shield, and the California Public Employees' Retirement System (CalPERS) to provide medical benefits and Delta Dental for dental benefits.

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Note 12 (continued)

The Authority contributes the cost of retiree medical and dependent medical and dental coverage up to specified limits. The maximum monthly contributions are:

<u>Coverage Level</u>	<u>Maximum Monthly Contribution</u>
Retiree	\$345
Retiree +1	\$679
Retiree +2	\$980

These caps are not expected to increase in the future. At the retiree's death a surviving spouse may elect to continue coverage. However, they must contribute 100% of the required contribution. The retiree dental plan is the same as the plan provided to active employees. Monthly dental only premiums are:

<u>Coverage Level</u>	<u>Dental Only Premium</u>
Retiree	\$ 63.72
Retiree +1	\$110.81
Retiree +2	\$186.36

Eligibility: Eligibility for retiree medical and dental benefits generally require an employee to (1) be age 50 or older with at least 10 years of service with the Authority, (2) be age 55 or older with at least 5 years of service with the Authority, or (3) have completed 30 or more years of service with the Authority.

Demographic Data for the fiscal year ended June 30, 2018:

Retirees and beneficiaries receiving benefits	64
Active plan members	<u>83</u>
Total	<u><u>147</u></u>

Contributions: The contribution requirements of program members and the Authority are determined by negotiations between the Authority and the respective unions and employee groups. There is currently no requirement for employees to contribute to the plan.

In 2016, The Authority established a trust account with the Public Agency Retirement Services (PARS) to administer the funding of the projected benefits of the OPEB plan. Monthly, the Authority makes healthcare premium payments for its current retirees to the benefit providers. The retiree contributes any necessary amount of the premium cost that exceeds the specific established plan limits. The Authority then makes deposits into their PARS trust account for the difference between the actuarially determined annual OPEB cost and the out-of-pocket payments made to the healthcare benefit providers.

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Note 12 (continued)

The contributions made for the fiscal year ended June 30, 2018 was as follows:

Contribution made to PARS	\$	196,320
Payments to CalPERS for retiree premiums		251,125
Payments to CalPERS for implicit subsidy of retirees		90,016
Total employer contributions	\$	537,461

Investments: The Plan’s policy in regard to the allocation of invested assets is established and may be amended by the Plan Administrator. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the Plan. The following was the adopted asset allocation policy as of June 30, 2018:

<u>Investment Class</u>	<u>Target allocation</u>	<u>Long-Term Expected Real Rate of Return (1)</u>
Equity	73%	5.66%
Fixed Income	20%	1.46%
REITs	2%	5.06%
Cash	5%	0.00%

(1) JPMorgan arithmetic Long Term Capital Market assumptions and expected inflation of 2.26%

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB:

At March 31, 2019, the Authority reported \$5,488,649 for the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of June 30, 2018. The Authority’s net OPEB liability was based on a projection of the Authority’s covered payroll of \$5,334,017.

Plan Fiduciary Net Position (plan assets) was valued as of the measurement date and agrees with the account balance held by PARS. As of June 30, 2018, the Plan Fiduciary Net Position was \$439,131.

For the year ended March 31, 2019, the Authority recognized OPEB expense of \$544,844. OPEB expense represents the change in the net OPEB liability during the measurement period, adjusted for service cost, interest on the total OPEB liability, and expected investment return, net of investment expense, as follows:

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Note 12 (continued)

	<u>6/30/2018</u>	<u>6/30/2017</u>
Components of OPEB Expense		
Service Cost	\$ 192,195	\$ 183,043
Interest on the total OPEB liability	441,259	422,711
Projected earnings on OPEB plan investments	(23,372)	(11,513)
Administrative expenses	833	350
Recognition of deferred resources due to:		
Changes in assumptions	3,603	-
Differences between expected and actual experience	(68,735)	(3,015)
Differences between projected and actual earnings on assets	<u>(939)</u>	<u>(938)</u>
Aggregate OPEB expense	<u>\$ 544,844</u>	<u>\$ 590,638</u>

The components of the net OPEB liability as of June 30, 2018, were as follows:

	<u>6/30/2018</u>	<u>6/30/2017</u>
Total OPEB Liability		
Service Cost	\$ 192,195	\$ 183,043
Interest	441,259	422,711
Differences between expected and actual experience	(328,931)	(11,577)
Changes in assumptions	18,031	-
Benefits payments	<u>(341,141)</u>	<u>(363,140)</u>
Net change in total OPEB liability	(18,587)	231,037
Total OPEB liability - beginning (a)	<u>5,946,367</u>	<u>5,715,330</u>
Total OPEB liability - ending (b)	<u>\$ 5,927,780</u>	<u>\$ 5,946,367</u>
Plan Fiduciary Net Position		
Contributions - employer	\$ 537,461	\$ 458,323
Net investment income	23,378	16,201
Benefit payments	(341,141)	(363,140)
Administrative expenses	<u>(833)</u>	<u>(350)</u>
Net change in plan fiduciary net position	218,865	111,034
Plan fiduciary net position - beginning (.c.)	<u>220,266</u>	<u>109,232</u>
Plan fiduciary net position - ending (d)	<u>\$ 439,131</u>	<u>\$ 220,266</u>
Net OPEB Liability - beginning (a) - (.c.)	<u>\$ 5,726,101</u>	<u>\$ 5,606,098</u>
Net OPEB Liability - ending (b) - (d)	<u>\$ 5,488,649</u>	<u>\$ 5,726,101</u>

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Note 12 (continued)

At March 31, 2019, the Authority reported deferred inflows of resources and deferred outflows of resources related to OPEB for the following resources:

	Deferred Outflows	Deferred Inflows
Unrecognized deferred resources due to:		
Differences between expected and actual experience	\$ -	\$ 268,758
Changes in assumptions	14,428	-
Net differences between projected and actual earnings	-	2,817
Balances per actuarial report - measurement date 6/30/2018	14,428	271,575
Employer contributions made July 2018 thru March 2019	412,960	-
Balances reported March 31, 2019	\$ 427,388	\$ 271,575

Deferred outflows and inflows of resources, other than the employer contributions noted above, will be recognized in future pension expense as follows:

Measurement period:	
2020	\$ (66,071)
2021	(65,588)
2022	(63,054)
2023	(62,119)
2024	(315)
	\$ (257,147)

The amount reported as deferred outflows of resources related to employer contributions made January through March 2019, should have the effect of reducing net pension liability during the next actuarial measurement period.

Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The total OPEB liability was determined by an actuarial valuation as of June 30, 2018, with a valuation date and measurement date of June 30, 2018. The Entry Age Normal actuarial cost method was used, a method under which the actuarial present value of the projected benefits of each individual included in the valuation is allocated on a level basis over the earnings or service of the individual between entry age and assumed exit ages. The portion of this Actuarial Present Value allocated to a valuation year is called the normal cost. The methodology used for amortization was straight-line. For assumption changes and experience gains/losses, it was

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(Continued)

Note 12 (continued)

assumed Average Future Working Lifetime, averages over all activities and retirees (retirees are assumed to have no future working years). Asset gains and losses are assumed 5 years. Assets are valued at the market value of assets as of the measurement date. The Authority intends to contribute the ADC to the PARS trust each year. In addition pay-as-you-go benefit payments will be paid outside of the trust.

The Authority used the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.26% annually		
Payroll increases	3.25% annually		
Net investment return	7.39% based on PARS capital appreciation investment policy		
Discount rate	7.39% based on PARS capital appreciation investment policy		
Health care trend	Year	Increase in premium rates	
	Beginning	Pre 65	Post 65
	2019	Actual	Actual
	2020	6.80%	5.00%
	2021	6.55%	5.00%
	2022	6.30%	5.00%
	2023	6.05%	5.00%
	2024	5.80%	5.00%
	2025	5.55%	5.00%
	2026	5.30%	5.00%
	2027	5.05%	5.00%
	2028 and later	5.00%	5.00%
Baseline cost	Pre-Medicare \$9,289 per year Post-Medicare \$3,840 per year		
Administrative expenses	Assumed no fees other than those included in premium rates (\$833 for 2018)		
Health plan participation	90% of active employees who are currently enrolled in medical and dental coverage and retire from the Authority will elect to participate in the retiree medical and dental program. Furthermore 70% of active employees who are currently only enrolled in dental coverage and retire from the Authority will elect to participate in the retiree medical and dental program.		
Medicare Coverage	The assumption is that all future retirees will be eligible for Medicare when they reach age 65.		
Morbidity Factors	CalPERS 2017 study		
Population for Curving	CalPERS 2017 study		
Age weighted claim costs	Age	Male	Female
	50	\$ 9,196	\$ 9,987
	55	\$12,437	\$11,518

**HOUSING AUTHORITY OF THE COUNTY OF CONTRA COSTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
MARCH 31, 2019**

(Continued)

Note 12 (continued)

	60	\$16,108	\$13,262
	65	\$ 3,926	\$ 4,038
	70	\$ 3,483	\$ 3,511
	75	\$ 4,124	\$ 3,994
	80	\$ 4,514	\$ 4,485
	85	\$ 4,671	\$ 4,657
Mortality	The mortality rates used are those described in the 2017 CCCERA experience study. Pre-retirement - Pub-2010 General Employment Amount-Weighted Above-Median Mortality projected forward with the MP-2018 generational projections. Post-retirement - Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality projected forward with the MP-2018 generational projections.		
Disability	Because of the anticipated low incidence of disability retirements disability was not valued.		
Percent Married	Assumption was that 80% of male retirees and 55% of female retirees were married.		
Retirement	Rates selected are those described in the 2017 CCCERA experience study. Employees hired before January 2013 were valued using the General Tier 1 Enhanced Retirement table, while employees hired on or after January 1, 2013 were valued using the PEPRA retirement table.		
Withdrawal	Rates are based on the 2017 CCCERA experience study.		

There have been no assumptions changes since the last measurement date.

Discount Rate: The discount rate of 7.39%, is based on a blend of the long-term expected rate of return on assets for benefits covered by plan assets and a yield or index of 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or better for benefits not covered by plan assets. The following presents the Authority's NOL if it were calculated using a discount rate 1% higher and 1% lower than the current rate:

	1% decrease <u>6.39%</u>	Current rate <u>7.39%</u>	1% increase <u>8.39%</u>
Authority NOL	\$ 6,057,661	\$ 5,488,649	\$ 4,998,024

Trend Rate: The following presents the Authority's NOL if it were calculated using a trend table that is 1% point higher and 1% point lower than the current rate:

	1% decrease <u>in trend rate</u>	Current <u>Trend Rate</u>	1% increase <u>in trend rate</u>
Authority NOL	\$ 4,940,674	\$ 5,488,649	\$ 5,934,117

**HOUSING AUTHORITY OF THE COUNTY OF CONTRA COSTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
MARCH 31, 2019**

(Continued)

Note 13 - DEFERRED COMPENSATION PLAN

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is administered by Mass Mutual Financial Group. The plan, available to all regular employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are held in trust for the exclusive benefits of participants and their beneficiaries.

A total of \$4,137,402 is being held by Mass Mutual Financial Group on behalf of the Authority's employees. These funds are not recorded as assets of the Authority since they are held in trust for the exclusive benefit of participants and their beneficiaries and are not subject to claims of the Authority's general creditors.

Note 14 - RELATED PARTIES

Casa Del Rio Housing - Blended Component Unit

Organization:

Casa Del Rio Housing is made up of HACCC Casa Del Rio, Inc (A California Nonprofit Public Benefit Corporation) and CDR Senior Housing Associates (A California Limited Partnership). HACCC Casa Del Rio, Inc. is the general partner of CDR Senior Housing Associates. The officers and Board members of HACCC Casa Del Rio, Inc. are employees of the Authority. The partnership was formed in 1994 to develop and operate an 82-unit affordable housing rental complex located in Antioch, California, which is currently known as Casa Del Rio Senior Housing.

Pursuant to the Indemnification Agreement dated July 1, 1994, by and among the Authority, HACCC Casa Del Rio, Inc., CDR Senior Housing Associates, and MHIFED I Limited Partnership, the Authority could possibly be liable for unpaid taxes, interest and penalties, cost to contest, operating deficiency and expenses of enforcement as identified in the Agreement.

Pursuant to the Operating Deficit Guaranty Agreement dated July 1, 1994, by the Authority to and for the benefit of MHIFED I Limited Partnership, the Authority can possibly be liable for operating deficit and expenses of enforcement as identified in the Agreement.

Pursuant to the Indemnity Agreement, dated July 1, 1994, by the Authority to and for the benefit of CDR Senior Housing Associates and MHIFED I Limited Partnership, the Authority can possibly be liable for any costs, expenses, and liabilities arising out of claims made by FPI (FPI Real Estate Group, FPI Mortgage Co. and FPI Management, Inc.) under the Development Agreement.

**HOUSING AUTHORITY OF THE COUNTY OF CONTRA COSTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
MARCH 31, 2019**

(Continued)

Note 14 (continued)

Pursuant to the Demand Note dated June 30, 1994, from the Authority to HACCC Casa Del Rio, Inc., the Authority can possibly be liable to HACCC Casa Del Rio, Inc. for \$185,000. Although the note is due upon demand the maturity date is December 31, 2059, the note will be called prior to maturity only in the event that there are operating deficits and there is not sufficient cash available to cover expenses. This note is recorded as both an interfund note receivable and note payable (see Notes 4 and 6).

Pursuant to the Assignment and Assumption Agreement, the Authority can possibly be liable for any and all claims relating to the Assignment and Assumption Agreement arising prior to the date of the Assignment and Assumption Agreement.

Pursuant to the Department of Housing and Community Development Rental Housing Construction Program First Amendment to the Regulatory Agreement (the “Amended HCD Agreement”) dated November 14, 1994, by and among the Department of Housing and Community Development, CDR Senior Housing Associates, and the Authority; the Authority can possibly be liable for a sponsor’s operating guaranty to provide sufficient staff or equipment to the general partner, as needed and remedies against sponsor for default under the Amended HCD Agreement.

Since HACCC Casa Del Rio, Inc (CDR Inc) and CDR Senior Housing Associates (CDR Associates) have the potential to impose a financial burden on the Authority, these entities have been included in the Authority’s financial statements as a blended component unit. The fiscal year end of these blended component units is December 31. Audits were conducted on these entities as of December 31, 2018, by Linquist, Von Husen, & Joyce, LLP. The opinions were not modified. These audit reports may be obtained by contacting the Authority at the address on page 11. The Authority reports the balances for these blended component units as of December 31, 2018, which differs from that of the Authority’s fiscal year end of March 31, 2019. The balances at each fiscal year end do not differ materially. Modification were made to the audited financial statements to conform with the reporting categories of the Authority. Specifically, net assets reported in the audit were converted to the three categories of net position in conformity with the Authority’s reporting practices.

Condensed Financial Statements:

The condensed financial statements for HACCC Casa Del Rio, Inc. and subsidiary as of and for the year ended December 31, 2018, are as follows:

STATEMENT OF NET POSITION

Current assets	\$ 87,408
Restricted assets	665,845
Property and equipment	2,872,127
Other non-current assets	<u>185,000</u>
Total assets	<u><u>\$ 3,810,380</u></u>

**HOUSING AUTHORITY OF THE COUNTY OF CONTRA COSTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
MARCH 31, 2019**

(Continued)

Note 14 (continued)

STATEMENT OF NET POSITION (continued)

Current liabilities	\$ 42,900
Payable from restricted assets	44,527
Long term liabilities	<u>5,431,039</u>
Total liabilities	<u>5,518,466</u>
Net investment in capital assets	(1,945,140)
Restricted net position	658,329
Unrestricted net position	<u>(421,275)</u>
Total net position	<u>(1,708,086)</u>
Total liabilities and net position	<u>\$ 3,810,380</u>

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Rental revenue	\$ 511,435
Interest and other revenue	<u>15,318</u>
Total revenue	<u>526,753</u>
Administrative expenses	175,818
Utility expenses	98,211
Maintenance expenses	175,699
General expenses	63,583
Depreciation	<u>189,073</u>
Total expenses	<u>702,384</u>
Operating income (loss)	(175,631)
Debt service interest	<u>(102,586)</u>
Change in net position	(278,217)
Net position at the beginning of the year - 1/1/2018	<u>(1,429,869)</u>
Net position at the end of the year - 12/31/2018	<u>\$ (1,708,086)</u>

STATEMENT OF CASH FLOWS

Net cash provided (used) by:	
Operating activities	\$ 38,965
Noncapital financing activities	77,076
Capital financing activities	(88,689)
Investing activities	<u>10,010</u>
Net change in cash	37,362
Cash at the beginning of the year - 1/1/2018	<u>669,581</u>
Cash at the end of the year - 12/31/2018	<u>\$ 706,943</u>

**HOUSING AUTHORITY OF THE COUNTY OF CONTRA COSTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
MARCH 31, 2019**

(Continued)

Note 14 (continued)

Interfund accounting issues:

Operating advances made by the Authority were \$660,109 as of March 31, 2019. The interfund balance as of December 31, 2018 was \$647,468 and was reported as non-current related party payable by the other auditors. The interfund balance as of December 31, 2018 was eliminated, while the difference of \$12,641, as of March 31, 2019 was reported as other long-term assets in the Statement of Net Position - Proprietary Funds.

During the fiscal year ended December 31, 2018, CDR Associates paid management fees to the Authority in the amount of \$52,452. Some of the Casa Del Rio Senior Housing tenants (3 as of December 31, 2018) are also participants in the Authority's Housing Choice Voucher or Continuum of Care Programs. The rent for these tenants is subsidized by HUD through the Authority. During the twelve months ended March 31, 2019, the Authority's Housing Choice Voucher and Continuum of Care Programs paid a total of \$17,628 in HAP payments to CDR Associates.

Intrafund accounting issues:

The intrafund amounts which have been eliminated as of March 31, 2019, from the Casa Del Rio Blended Component Unit Enterprise Fund for inclusion into the Fund Financial Statements include:

- \$151,330 receivable/payable between CDR Inc and CDR Associates
- \$2,051,830 investment in partnership recorded as an liability of CDR Inc and net position of CDR Associates.
- \$15,000 managements fees reported as revenue to CDR Inc and expenses of CDR Associates.
- \$13,912 interest fees reported as revenue to CDR Inc and expenses of CDR Associates.

Deficit Net Position

These blended component units combined, have a deficit net position of \$1,708,086, including a deficit unrestricted net position of \$421,275. This deficit is an increase over the prior year's deficit balance in total net position of \$1,429,869.

DeAnza - Discretely Presented Component Units

Organization:

The discretely presented component units are DeAnza Housing Corporation (A California Nonprofit Public Benefit Corporation) and DeAnza Gardens, L.P. (A California Limited Partnership). The Authority is the General Partner and DeAnza Housing Corporation is the managing general partner of DeAnza Gardens, L.P. The partnership was formed for the purpose

**HOUSING AUTHORITY OF THE COUNTY OF CONTRA COSTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
MARCH 31, 2019**

(Continued)

Note 14 (continued)

of acquisition, ownership, maintenance, and operation of 180 multi-family rental housing units and the provision of low-income housing through the construction, renovation, rehabilitation, operation, and leasing of an affordable housing development located in Contra Costa County, which is currently known as DeAnza Gardens.

DeAnza Housing Corporation (DeAnza Corp) and DeAnza Gardens L.P. (DeAnza L.P.) have been reported as discretely presented component units of the Authority. The fiscal year end of these discretely presented component units is December 31. Audits were conducted on these entities as of December 31, 2018, by Linquist, Von Husen, & Joyce, LLP. The opinions were not modified. These audit reports may be obtained by contacting the Authority at the address on page 11. The Authority reports the balances for these discretely presented component units as of December 31, 2018, which differs from that of the Authority's fiscal year end of March 31, 2019. The balances at each fiscal year end do not differ materially. Modifications were made to the audited financial statements to conform with the reporting categories of the Authority. Specifically, net assets reported in the audit were converted to the three categories of net position in conformity with the Authority's reporting practices.

Inter-agency accounting issues:

The amounts shown as due to related parties consist of the following:

	Primary Gov't Assets <u>3/31/2019</u>	Component Unit Liabilities <u>12/31/2018</u>
Due to the Authority:		
Short-term for operations	\$ <u>13,597</u>	\$ <u>-</u>
Long-term:		
Interest on note	\$ 540,107	\$ 532,607
Land lease	1,140,000	1,122,000
Long-term for operations	<u>409,334</u>	<u>415,684</u>
	<u>\$ 2,089,441</u>	<u>\$ 2,070,291</u>
Due to Boston Capital - long-term		<u>\$ 115</u>

The Authority's Housing Choice Voucher Enterprise Fund loaned \$1 million to DeAnza Gardens L.P. The note bears simple interest at the rate 3% per annum, payments are due commencing on October 1, 2005, but are payable only to the extent of the previous years' excess/distributable cash, and is due June 2043. Interest of \$30,000 was expensed during the fiscal year ended December 31, 2018. No interest has been paid to the Authority. The Authority's Housing Choice Voucher Enterprise Fund reported \$540,107 due from related parties and revenue of \$30,000. See Note 4.

**HOUSING AUTHORITY OF THE COUNTY OF CONTRA COSTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
MARCH 31, 2019**

(Continued)

Note 14 (continued)

DeAnza Gardens was built on land owned by the Authority's Public Housing Program Enterprise Fund. Based on an agreement between DeAnza Gardens L.P. and the Authority, the land is leased for \$72,000 per year, payable from excess/distributable cash. Unpaid lease amounts are carried forward without interest. The Authority's Public Housing Program Enterprise Fund reported \$1,140,000 due from related party for this lease, with \$72,000 reported in the current fiscal year as fees charged to a related party (nonoperating revenue).

During the fiscal year ended December 31, 2018, DeAnza Gardens L.P. paid management fees to the Authority in the amount of \$12,960. Nonoperating revenue of \$12,960 is reported in the Authority's Statement of Revenues, Expenses, and Changes in Fund Net Position for the year ended March 31, 2019. Some of the DeAnza Gardens tenants (7 as of December 2018) are also clients of the Authority's Housing Choice Voucher or Continuum of Care Programs. The rent for these tenants is subsidized by HUD through the Authority. During the twelve months ended March 31, 2019, the Authority's Housing Choice Voucher Program paid \$117,906 in HAP payments to DeAnza Gardens L.P.

Intrafund accounting issues:

The intrafund amounts which have been eliminated when reporting these entities in the Statement of Net Position and Statement of Revenues, Expenses, and Changes in Fund Net Position are:

- \$1,000,000 long-term note held by DeAnza Corp from DeAnza L.P.
- \$1,054,280 of interest on the long-term note held by DeAnza Corp from DeAnza L.P.
- \$309,641 receivable recognized by DeAnza Corp from DeAnza L.P.
- \$797 deficit investment in partnership reported by DeAnza Corp is offset by net position in DeAnza L.P.
- \$56,911 managements fees reported as revenue to DeAnza Corp and expenses of DeAnza L.P.
- \$68,000 interest revenue on the long-term debt is recognized by DeAnza Corp and expensed by DeAnza L.P.

Cash and investments:

	Unrestricted	Restricted
Demand deposits (FDIC insured up to \$250,000)	\$ 69,796	\$ 59,487
Investments	-	951,671
Held by mortgagor	-	577,538
Cash on hand	500	-
	\$ 70,296	\$ 1,588,696

The demand deposits are with WestAmerica bank. The total on deposit did not exceed the amount covered by FDIC as of December 31, 2018. FDIC coverage is \$250,000 for 2018. Cash and

**HOUSING AUTHORITY OF THE COUNTY OF CONTRA COSTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
MARCH 31, 2019**

(Continued)

Note 14 (continued)

investments of \$951,671 are held by Cantella & Co., Inc. The investments consist of six marketable certificates of deposit with face values ranging from \$108,000 to \$230,000.

Restricted cash includes replacement and operating reserves required by the lender and reported as restricted net assets totaling \$1,529,209. Cash has also been restricted for security deposits in the amount of \$59,487. The excess of the security deposit liability of \$167,151, over the cash balance represents cash held as an investment in the operating reserve account.

Capital assets:

DeAnza Gardens was completed and placed into service during the fiscal year ended December 31, 2004. DeAnza Gardens L.P.'s property and equipment are summarized as follows:

	12/31/2018	12/31/2017
Building and improvements	\$ 29,505,562	\$ 29,505,562
Land improvements	1,150,712	1,150,712
Off-site improvements	208,448	208,448
On-site improvements	4,028,709	4,028,709
Furniture and fixtures	555,752	532,556
	35,449,183	35,425,987
Less accumulated depreciation	(14,742,661)	(13,722,172)
	\$ 20,706,522	\$ 21,703,815

Capital assets are being depreciated on the straight-line method over the estimated useful life of the assets. The useful lives of the assets are estimated to be forty years for buildings and off-site improvements, fifteen years for on-site improvements and seven years for furniture and fixtures.

Long-term debt:

Permanent financing was obtained for the costs of the DeAnza Gardens' construction during 2005. The note is held by California Community Reinvestment Corporation. The original amount of the loan was \$10,115,373. This loan requires monthly payments of \$64,603, beginning November 1, 2005, earns interest at a rate of 6.6% per annum, and is due in full October 2023. Activity on the loan is as follows:

	Balance 12/31/2017	Payments	Balance 12/31/2018	S/T Portion	L/T Portion	Interest Payable
	\$ 8,114,132	\$ (247,086)	\$ 7,867,046	\$ 263,896	\$ 7,603,150	\$ 43,269
Loan costs			(45,407)		(45,407)	
Balances 12/31/2018			\$ 7,821,639		\$ 7,557,743	

Interest expense for the fiscal year ended December 31, 2018 \$ 526,788

Costs incurred in order to obtain permanent financing for the De Anza notes were \$391,461 and are amortized on a straight-line basis into interest expense over the term of the loan. Interest expense amortization of permanent loan costs was \$11,352 during the current fiscal year.

**HOUSING AUTHORITY OF THE COUNTY OF CONTRA COSTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
MARCH 31, 2019**

(Continued)

Note 14 (continued)

Deficit Unrestricted Net Position

While DeAnza Gardens has a positive net position in total, its unrestricted net position is in deficit as of December 31, 2018. The majority of the entity's assets are either invested in capital assets or restricted, leaving the unrestricted net position in deficit by \$3,140,499. This deficit is an increase of \$137,767, over the prior year's deficit in unrestricted net position of \$3,002,732.

Note 15 - CONTINGENT LIABILITIES

A. Grants

The Authority has received funds from various federal, state and local grant programs. It is possible that at some future date it may be determined that the Authority was not in compliance with applicable grant requirements. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the Authority does not expect such disallowed amounts, if any, to materially affect the financial statements.

B. Litigation

The Authority is involved in various matters of litigation. It is the Authority's opinion that these matters of litigation will not have a material effect, if any, on the financial position of the Authority.

C. Audit by Funding Agency

During 2019, the U.S. Department of Housing and Urban Development conducted on-site monitoring of the Authority's Continuum of Care Program. The final version of the report has not yet been issued. It is the Authority's opinion that any matters of discussion will not have a material effect, if any, on the financial position of the Authority.

Note 16 - ECONOMIC DEPENDENCE

The Authority receives a significant portion of its revenue from the U.S. Department of Housing and Urban Development. See the Schedule of Expenditures of Federal Awards, shown as supplemental information, for the HUD programs that the Authority administers. These programs are currently on-going. However, they are dependent on the Federal budgeting processes, and therefore, funding will vary from year to year.

**HOUSING AUTHORITY OF THE COUNTY OF CONTRA COSTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
MARCH 31, 2019**

(Continued)

Note 17 - RISK MANAGEMENT

Workers Compensation Insurance: The Authority participates in a joint venture under a joint powers agreement (JPA) with the California Housing Workers' Compensation Authority (CHWCA). CHWCA was formed to provide workers' compensation insurance coverage for member housing authorities. At December 31, 2018, there were twenty-eight members. The relationship between the Authority and CHWCA is such that CHWCA is not a component unit of the Authority for financial reporting purposes.

Condensed CHWCA audited financial information is as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Total assets	\$ 28,691,797	\$ 27,349,298
Total liabilities	<u>(15,046,109)</u>	<u>(15,055,537)</u>
Net position	<u>\$ 13,645,688</u>	<u>\$ 12,293,761</u>
Total revenues	\$ 6,340,615	\$ 6,348,609
Total expenses (omitting dividends)	(2,982,724)	(4,080,366)
Dividend expense	<u>(2,005,964)</u>	<u>(1,743,060)</u>
Net change in net position	<u>\$ 1,351,927</u>	<u>\$ 525,183</u>

CHWCA had no long-term debt outstanding at December 31, 2018. The Authority's share of year end assets, liabilities, or retained earnings has not been calculated. The Authority's annual premium is based on covered payroll. Premiums paid for the calendar year ended December 31, 2018 were \$246,025. CHWCA issues a separate annual financial report, which may be obtained by contacting Bickmore Risk Services, 6371 Auburn Blvd, #B, Citrus Heights, California, 95621.

Property and Liability Insurance: The Authority carries insurance for its various operations with the Housing Authority Insurance Services (HAI), the Housing Authority Risk Retention Group (HARRG), and Employment Risk Management Authority (ERMA). The property insurance limits vary by property covered, with a deductible of \$50,000 per occurrence. The commercial liability limit of coverage is \$5,000,000 aggregate for the policy year. The deductible is \$25,000 per occurrence. The liability insurance covers bodily injury and property damage liability (\$5 million limit), mold liability (\$250,000 limit), and employee benefits administration liability (\$1 million limit, with a deductible of \$1,000 per employee). The automobile insurance limits are \$4 million for liability, \$1 million for non-owned hired autos, and \$1 million for uninsured motorists. Employment liability insurance coverage through ERMA is \$1 million with a \$50,000 deductible per occurrence. Premiums paid for this coverage were approximately \$150,000 for the policy year beginning June 1, 2018.

REQUIRED SUPPLEMENTARY INFORMATION

**HOUSING AUTHORITY OF THE COUNTY OF CONTRA COSTA
REQUIRED SUPPLEMENTARY INFORMATION
AS OF MARCH 31, 2019**

Schedule of Proportionate Share of the Net Pension Liability (NPL) for CCCERA

Reporting Date for Employer Under GASB 68	Proportion of the NPL	Proportionate Share of the NPL	Covered Employee Payroll	NPL as a % of covered Payroll	Funded Ratio
6/30/2014	0.724%	\$ 10,648,283	\$ 4,677,572	227.65%	80.04%
6/30/2015	0.724%	\$ 8,652,807	\$ 4,691,885	184.42%	84.06%
6/30/2016	0.716%	\$ 10,788,391	\$ 4,841,907	222.81%	80.83%
6/30/2017	0.726%	\$ 10,162,604	\$ 5,215,890	194.84%	82.73%
6/30/2018	0.772%	\$ 6,267,604	\$ 5,183,762	120.91%	89.72%
6/30/2019	0.756%	\$ 10,796,497	\$ 5,288,211	204.16%	83.10%

This schedule is required to present ten years of information. The information above is presented for the years currently available. A full ten-year trend will be built as the information becomes available in the future.

Schedule of Employer Contributions to CCCERA

Measurement Date Year Ended December 31	Actuarially Determined Contributions	Contribution in Relation to the Actuarially Determined Contributions	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Payroll
2015	\$ 2,329,742	\$ 2,329,742	\$ 0	\$ 4,841,907	48.12%
2016	\$ 2,179,232	\$ 2,179,232	\$ 0	\$ 5,215,890	41.78%
2017	\$ 2,150,337	\$ 2,150,337	\$ 0	\$ 5,183,762	41.48%
2018	\$ 2,254,454	\$ 2,254,454	\$ 0	\$ 5,288,211	42.63%

Contributions exclude “employer subvention of member contributions”. Prior to the December 31, 2016 measurement date the contributions included “employer subvention of member contributions”.

This schedule is required to present ten years of information. The information above is presented for the years currently available. A full ten-year trend will be built as the information becomes available in the future.

The actuarial methods and assumptions used to determine the actuarially determined contributions (ADC) for CCCERA were as follows:

Valuation date	Actuarially determined contribution rates are calculated as of December 31, two and a half years prior to the end of the fiscal year in which the contributions are reported.
Actuarial cost method	Entry Age Actuarial Cost Method
Amortization method	Level Percentage of Payroll
Remaining amort period	Remaining balance of 12/31/07 UAAL is amortized over a fixed period with 5 years remaining as of 12/31/17. Any changes in UAAL after 12/31/07, will be separately amortized over a fixed 18-year period effective with that valuation.
Asset valuation method	Market value of assets less unrecognized returns in each of the last 9 semi-annual periods.
Investment rate of return	7.00% net of pension plan investment expenses, including inflation.
Inflation rate	2.75%
Administrative expenses	1.10% of payroll allocated to both the employer and member based on the components of normal cost rates for the employer and member.
Real salary increase	0.5%
Projected salary increases	3.75% to 15.25%
Cost of living adjustment	2.75%
Other	Same as those used in the 12/31/18 funding actuarial valuation.

**HOUSING AUTHORITY OF THE COUNTY OF CONTRA COSTA
REQUIRED SUPPLEMENTARY INFORMATION
AS OF MARCH 31, 2019
(Continued)**

Schedule of Changes in the Net OPEB Liability and Related Ratios

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance as of June 30, 2016	\$ 5,715,330	\$ 109,232	\$ 5,606,098
Service cost	183,043	-	183,043
Interest	422,711	-	422,711
Difference between expected and actual experience	(11,577)	-	(11,577)
Benefit payments, including refunds	(363,140)	(363,140)	-
Contributions - employer	-	458,323	(458,323)
Net investment income	-	16,201	(16,201)
Administrative expenses	-	(350)	350
Balance as of June 30, 2017	5,946,367	220,266	5,726,101
Service cost	192,195	-	192,195
Interest	441,259	-	441,259
Difference between expected and actual experience	(328,931)	-	(328,931)
Changes in assumptions	18,031	-	18,031
Benefit payments, including refunds	(341,141)	(341,141)	-
Contributions - employer	-	537,461	(537,461)
Net investment income	-	23,378	(23,378)
Administrative expenses	-	(833)	833
Balance as of June 30, 2018	<u>\$ 5,927,780</u>	<u>\$ 439,131</u>	<u>\$ 5,488,649</u>

Plan fiduciary net position as a % of total OPEB liability:

June 30, 2017	3.70%
June 30, 2018	7.41%

Covered Payroll

June 30, 2017	Not available
June 30, 2018	\$ 5,334,017

Net OPEB liability as a % of covered payroll

June 30, 2017	Not available
June 30, 2018	102.90%

Schedule of Employer Contributions to OPEB

Measurement Date	Actuarially Determined Contributions	Contribution in Relation to the Actuarially Determined Contributions	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Payroll
Year Ended June 30					
2017	\$ 547,470	\$ 458,323	\$ 89,147	not available	not available
2018	548,163	537,461	10,702	\$ 5,334,017	10.08%

This schedule is required to present ten years of information. The information above is presented for the years currently available. A full ten-year trend will be built as the information becomes available in the future.

HOUSING AUTHORITY OF THE COUNTY OF CONTRA COSTA
REQUIRED SUPPLEMENTARY INFORMATION
AS OF MARCH 31, 2019
(Continued)

The actuarial methods and assumptions used to determine the actuarially determined contributions (ADC) for OPEB were as follows:

Valuation date	Jun 30, 2018
Measurement date	June 30, 2018
Actuarial cost method	Entry Age Normal
Amortization method	Straight-line Amortization
Asset valuation method	Market value of assets as of the measurement date.
Funding Policy	The Authority intends to contribute the ADC to PARS trust each year. In addition, pay-go benefit payments (explicit and implicit) will be paid outside of the trust.
Discount Rate	7.39%
Net Investment Return	7.39%
Inflation rate	2.26%
Payroll Increases	3.25%

HOUSING AUTHORITY OF THE COUNTY OF CONTRA COSTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
MARCH 31, 2019

- The Proportionate Share of Net Pension Liability presents the Authority's portion of CCCERA's NPL as a dollar value as well as a percentage. The funded ratio represents the Authority's proportionate share of the Plan's Fiduciary Net Position as a percentage of the Authority's proportionate share of the Total Pension Liability. GASB 68 requires this schedule to include ten-year trend analysis. The trend analysis is intended to aid the reader in determining the financial health of the pension plan. The schedule contains all currently known information and will be built prospectively as the information becomes available, until the ten year requirement has been met. This schedule was provided by CCCERA in its "GAS 68 Actuarial Valuation Based on December 31, 2018 Measurement Date for Employer Reporting as of June 30, 2019".
- The Schedule of Employer Contributions to CCCERA presents information regarding the Authority's required contributions to CCERA, the amounts actually contributed, and any excess or deficiency to the contributions required. This schedule reports only employer required contributions. The amounts noted are based on the Plan's calendar year and not on the Authority's fiscal year end of March 31. See also Footnote 11 to the Basic Financial Statements for the contributions, both employer and employee, for the current fiscal year. GASB 68 requires this schedule to include ten-year trend analysis. The trend analysis is intended to aid the reader in determining the financial health of the pension plan. The schedule contains all currently known information and will be built prospectively as the information becomes available, until the ten year requirement has been met. The information for this schedule was obtained from information contained in CCCERA's "GAS 68 Actuarial Valuation Based on December 31, 2018 Measurement Date for Employer Reporting as of June 30, 2019".
- The Schedule of Employer Contributions to OPEB presents information regarding the Authority's required contributions to their OPEB plan, the amounts actually contributed, and any excess or deficiency to the contributions required. This schedule reports only employer required contributions. The amounts noted are based on the Plan's calendar year and not on the Authority's fiscal year end of March 31. See also Footnote 12 to the Basic Financial Statements for the contributions, both employer and employee, for the current fiscal year. GASB 75 requires this schedule to include ten-year trend analysis. The trend analysis is intended to aid the reader in determining the financial health of the pension plan. The schedule contains all currently known information and will be built prospectively as the information becomes available, until the ten year requirement has been met. The information for this schedule was obtained from information contained in "Housing Authority of Contra Costa Authority OPEB Plan", with a measurement date of June 30, 2018.
- There have been no changes in benefit terms since the previous valuation for either CCCERA or the Authority's OPEB.
- There have been no changes in assumptions from CCCERA's prior year valuation, except for administrative expenses which decreased from 1.13% to 1.10% of payroll and the range of projected salary increases changed from 4%-13.25% to 3.75%-15.25%.

SUPPLEMENTARY INFORMATION

**HOUSING AUTHORITY OF THE COUNTY OF CONTRA COSTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MARCH 31, 2019**

<u>Federal Grantor</u>	<u>CFDA Number</u>	<u>Passed Through to Subrecipients</u>	<u>Federal Expenditures</u>
Department of Housing and Urban Development (HUD):			
Direct Programs:			
Housing Choice Voucher Program	14.871		\$ 116,180,444
Mainstream Voucher Program	14.879		<u>8,000</u>
Subtotal Housing Voucher Cluster			116,188,444
Continuum of Care Program	14.267	\$ 373,639	6,313,353
Public and Indian Housing	14.850		5,454,127
Public Housing - Capital Fund Program	14.872		3,392,150
Family Self Sufficiency Program	14.896	_____	<u>243,516</u>
Subtotal federal expenditures, Dept of HUD		<u>373,639</u>	<u>131,591,590</u>
Total expenditures of federal awards		<u>\$ 373,639</u>	<u>\$ 131,591,590</u>

The accompanying Independent Auditors' Report and notes are an integral part of this schedule.

**HOUSING AUTHORITY OF THE COUNTY OF CONTRA COSTA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MARCH 31, 2019**

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal award activity of the Housing Authority of the County of Contra Costa, California, under programs of the federal government for the year ended March 31, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a select portion of the operations of the Authority it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Housing Voucher Cluster - the Housing Voucher Cluster includes the Housing Choice Voucher and Mainstream Voucher Programs. Expenditures reported consist of (1) expenditures for housing assistance payments (HAP) incurred, omitting HAP paid on port-in vouchers, during the current fiscal year; and (2) the full amount of administrative fee revenue received during the current fiscal year, regardless of expenditure.

Continuum of Care Program - expenditures reported agree with the HUD grants earned for the current fiscal year.

Public and Indian Housing Program - expenditures reported consist only of the operating subsidy amount received from HUD for the current fiscal year.

Public Housing Capital Fund Program - expenditures reported agree with the revenue and actual expenditures (expenses, plus capital expenditures, less depreciation expense) for the current fiscal year.

Family Self Sufficiency Program - expenditures reported agree with the HUD grants earned for the current fiscal year.

3. INDIRECT COST RATE

The Authority has elected not to use the 10% de minimus indirect cost rate allowed under the Uniform Guidance.

HOUSING AUTHORITY OF THE COUNTY OF CONTRA COSTA
FINANCIAL DATA SCHEDULE (CA011)
BALANCE SHEET SUMMARY
AS OF MARCH 31, 2019

	Public Housing (including Capital Fund)	PIH Family Self- Sufficiency Program	Continuum of Care Program	Community Development Block Grants	Housing Choice Vouchers
CFDA number	14.851/14.872	14.896	14.267	14.218	14.871
111 Cash - Unrestricted	\$158,404	\$5,086	\$101,562	\$136,253	\$2,686,319
112 Cash - Restricted - Modernization and Development					
113 Cash - Other Restricted					\$825,185
114 Cash - Tenant Security Deposits	\$314,466				
115 Cash - Restricted for Payment of Current Liabilities					
100 Total Cash	\$472,870	\$5,086	\$101,562	\$136,253	\$3,511,504
121 Accounts Receivable - PHA Projects					\$1,309,263
122 Accounts Receivable - HUD Other Projects	\$110,726	\$113,335	\$256,545		
124 Accounts Receivable - Other Government					
125 Accounts Receivable - Miscellaneous					
126 Accounts Receivable - Tenants	\$181,294				
126.1 Allowance for Doubtful Accounts -Tenants	-\$76,593				
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0	\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current					
128 Fraud Recovery					
128.1 Allowance for Doubtful Accounts - Fraud					
129 Accrued Interest Receivable	\$9,966				
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$225,393	\$113,335	\$256,545	\$0	\$1,309,263
131 Investments - Unrestricted	\$2,166,490				
132 Investments - Restricted					
135 Investments - Restricted for Payment of Current Liability					
142 Prepaid Expenses and Other Assets	\$242,871				\$2,835
144 Inter Program Due From		\$0			
145 Assets Held for Sale					
150 Total Current Assets	\$3,107,624	\$118,421	\$358,107	\$136,253	\$4,823,602
161 Land	\$1,026,405				\$330,791
162 Buildings	\$90,910,493				\$3,168,053
163 Furniture, Equipment & Machinery - Dwellings					
164 Furniture, Equipment & Machinery - Administration	\$1,692,521				\$1,123,645
166 Accumulated Depreciation	-\$87,967,104				-\$2,519,616
167 Construction in Progress	\$1,017,608				
168 Infrastructure					
160 Total Capital Assets, Net of Accumulated Depreciation	\$6,679,923	\$0	\$0	\$0	\$2,102,873
171 Notes, Loans and Mortgages Receivable - Non-Current				\$322,436	\$1,000,000
174 Other Assets	\$1,204,500			\$108,090	\$540,107
180 Total Non-Current Assets	\$7,884,423	\$0	\$0	\$430,526	\$3,642,980
200 Deferred Outflow of Resources	\$1,215,153				\$1,356,257
290 Total Assets and Deferred Outflow of Resources	\$12,207,200	\$118,421	\$358,107	\$566,779	\$9,822,839

Discretely Presented Component Unit De Anza	Blended Component Unit Casa Del Rio	Rental Rehab Program	Other State & Local Programs	Mainstream Vouchers	Central Office Cost Center	Subtotal	Eliminations	Total
				14,879				
\$70,295	\$41,098	\$83,320	\$126,793	\$6,410	\$5,697	\$3,421,237		\$3,421,237
\$1,529,210	\$658,330			\$224,058		\$3,236,783		\$3,236,783
\$59,487	\$7,516					\$381,469		\$381,469
\$1,658,992	\$706,944	\$83,320	\$126,793	\$230,468	\$5,697	\$7,039,489	\$0	\$7,039,489
						\$1,309,263		\$1,309,263
						\$480,606		\$480,606
			\$13,597			\$13,597		\$13,597
\$30,941	\$6,407					\$218,642		\$218,642
-\$4,560	-\$1,062					-\$82,215		-\$82,215
\$0			\$0		\$0	\$0		\$0
			\$2,519			\$2,519		\$2,519
\$6,687			\$3,125		\$2,879	\$22,657		\$22,657
\$33,068	\$5,345	\$0	\$19,241	\$0	\$2,879	\$1,965,069	\$0	\$1,965,069
		\$104,091	\$265,084		\$757,714	\$3,293,379		\$3,293,379
\$16,550	\$40,965		\$18		\$40,126	\$343,365		\$343,365
			\$1,600,065		\$0	\$1,600,065	-\$1,600,065	\$0
\$1,708,610	\$753,254	\$187,411	\$2,011,201	\$230,468	\$806,416	\$14,241,367	-\$1,600,065	\$12,641,302
\$1,150,712	\$475,797					\$2,983,705		\$2,983,705
\$29,714,010	\$6,591,146		\$74,415			\$130,458,117		\$130,458,117
\$555,752	\$178,405	\$3,937	\$3,336		\$184,580	\$3,742,176		\$3,742,176
-\$14,742,661	-\$4,373,221	-\$3,937	-\$76,433		-\$173,346	-\$109,856,318		-\$109,856,318
						\$1,017,608		\$1,017,608
\$4,028,709						\$4,028,709		\$4,028,709
\$20,706,522	\$2,872,127	\$0	\$1,318	\$0	\$11,234	\$32,373,997	\$0	\$32,373,997
	\$185,000	\$54,030				\$1,561,466	-\$185,000	\$1,376,466
		\$19,010	\$1,069,443			\$2,941,150	-\$647,468	\$2,293,682
\$20,706,522	\$3,057,127	\$73,040	\$1,070,761	\$0	\$11,234	\$36,876,613	-\$832,468	\$36,044,145
			\$9,845		\$867,477	\$3,448,732		\$3,448,732
\$22,415,132	\$3,810,381	\$260,451	\$3,091,807	\$230,468	\$1,685,127	\$54,566,712	-\$2,432,533	\$52,134,179

The accompanying Independent Auditors' Report and Notes are an integral part of this schedule.

HOUSING AUTHORITY OF THE COUNTY OF CONTRA COSTA
FINANCIAL DATA SCHEDULE (CA011)
BALANCE SHEET SUMMARY
AS OF MARCH 31, 2019
(continued)

	Public Housing (including Capital Fund)	PIH Family Self- Sufficiency Program	Continuum of Care Program	Community Development Block Grants	Housing Choice Vouchers
CFDA number	14.851/14.872	14.896	14.267	14.218	14.871
312 Accounts Payable <= 90 Days	\$619,154		\$7,049		\$292,373
321 Accrued Wage/Payroll Taxes Payable					
322 Accrued Compensated Absences - Current Portion	\$97,933	\$16,048	\$825		\$95,121
324 Accrued Contingency Liability					
325 Accrued Interest Payable					
331 Accounts Payable - HUD PHA Programs					
332 Account Payable - PHA Projects					
333 Accounts Payable - Other Government	\$72,753		\$186,925	\$136,253	
341 Tenant Security Deposits	\$314,466				
342 Unearned Revenue	\$45,762			\$0	\$21,766
343 Current Portion of Long-term Debt - Capital Projects					\$218,228
344 Current Portion of Long-term Debt - Operating Borrowings					
345 Other Current Liabilities					
346 Accrued Liabilities - Other	\$180,931				\$19,489
347 Inter Program - Due To	\$1,050,122	\$102,373	\$163,308		\$284,262
348 Loan Liability - Current					
310 Total Current Liabilities	\$2,381,121	\$118,421	\$358,107	\$136,253	\$931,239
351 Long-term Debt, Net of Current - Capital Projects					\$1,462,146
352 Long-term Debt, Net of Current - Operating Borrowings					
353 Non-current Liabilities - Other					\$301,994
354 Accrued Compensated Absences - Non Current	\$41,881				\$45,937
355 Loan Liability - Non Current				\$430,526	
356 FASB 5 Liabilities					
357 Accrued Pension and OPEB Liabilities	\$5,738,031	\$0	\$0		\$6,404,341
350 Total Non-Current Liabilities	\$5,779,912	\$0	\$0	\$430,526	\$8,214,418
300 Total Liabilities	\$8,161,033	\$118,421	\$358,107	\$566,779	\$9,145,657
400 Deferred Inflow of Resources					
508.4 Net Investment in Capital Assets	\$6,679,923				\$422,499
511.4 Restricted Net Position					\$523,191
512.4 Unrestricted Net Position	-\$2,633,756	\$0	\$0	\$0	-\$268,508
513 Total Equity - Net Assets / Position	\$4,046,167	\$0	\$0	\$0	\$677,182
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$12,207,200	\$118,421	\$358,107	\$566,779	\$9,822,839

Discretely Presented Component Unit De Anza	Blended Component Unit Casa Del Rio	Rental Rehab Program	Other State & Local Programs	Mainstream Vouchers	Central Office Cost Center	Subtotal	Eliminations	Total
				14,879				
\$62,424	\$9,184		\$10,953		\$25,670	\$1,026,807		\$1,026,807
			\$282,213			\$282,213		\$282,213
			\$338		\$118,405	\$328,670		\$328,670
\$43,269						\$43,269		\$43,269
						\$395,931		\$395,931
\$167,151	\$44,527					\$526,144		\$526,144
\$19,919	\$20	\$187,410				\$274,877		\$274,877
\$263,896	\$33,696					\$515,820		\$515,820
			\$15		\$2,528	\$202,963		\$202,963
						\$1,600,065	-\$1,600,065	\$0
\$556,659	\$87,427	\$187,410	\$293,519	\$0	\$146,603	\$5,196,759	-\$1,600,065	\$3,596,694
\$7,557,743	\$2,822,107					\$11,841,996		\$11,841,996
\$1,000,000			\$185,000			\$1,185,000	-\$185,000	\$1,000,000
\$2,070,406	\$2,608,932					\$4,981,332	-\$647,468	\$4,333,864
			\$145		\$16,542	\$104,505		\$104,505
		\$73,041				\$503,567		\$503,567
		\$0	\$46,491		\$4,096,282	\$16,285,145		\$16,285,145
\$10,628,149	\$5,431,039	\$73,041	\$231,636	\$0	\$4,112,824	\$34,901,545	-\$832,468	\$34,069,077
\$11,184,808	\$5,518,466	\$260,451	\$525,155	\$0	\$4,259,427	\$40,098,304	-\$2,432,533	\$37,665,771
\$12,841,614	-\$1,945,140		\$1,318		\$11,234	\$18,011,448		\$18,011,448
\$1,529,210	\$658,330			\$224,058		\$2,934,789		\$2,934,789
-\$3,140,500	-\$421,275	\$0	\$2,565,334	\$6,410	-\$2,585,534	-\$6,477,829		-\$6,477,829
\$11,230,324	-\$1,708,085	\$0	\$2,566,652	\$230,468	-\$2,574,300	\$14,468,408	\$0	\$14,468,408
\$22,415,132	\$3,810,381	\$260,451	\$3,091,807	\$230,468	\$1,685,127	\$54,566,712	-\$2,432,533	\$52,134,179

The accompanying Independent Auditors' Report and Notes are an integral part of this schedule.

**HOUSING AUTHORITY OF THE COUNTY OF CONTRA COSTA
FINANCIAL DATA SCHEDULE (CA011)
REVENUE AND EXPENSE SUMMARY
FOR THE YEAR ENDED MARCH 31, 2019**

	Public Housing (including Capital Fund)	PIH Family Self- Sufficiency Program	Continuum of Care Program	Community Development Block Grant	Housing Choice Vouchers
CFDA number	14.850/14.872	14.896	14.267	14.218	14.871
70300 Net Tenant Rental Revenue	\$4,086,846				
70400 Tenant Revenue - Other	\$76,101				
70500 Total Tenant Revenue	\$4,162,947	\$0	\$0	\$0	\$0
70600 HUD PHA Operating Grants	\$7,219,750	\$243,516	\$6,313,353		\$115,784,497
70610 Capital Grants	\$1,626,525				
70710 Management Fee					
70720 Asset Management Fee					
70730 Book Keeping Fee					
70700 Total Fee Revenue					
70800 Other Government Grants					
71100 Investment Income - Unrestricted	\$48,700	\$0			\$56,596
71400 Fraud Recovery					\$57,330
71500 Other Revenue	\$101,844				\$7,865,024
71600 Gain or Loss on Sale of Capital Assets					
72000 Investment Income - Restricted	\$0				
70000 Total Revenue	\$13,159,766	\$243,516	\$6,313,353	\$0	\$123,763,447
91100 Administrative Salaries	\$793,308		\$48,565		\$2,262,209
91200 Auditing Fees	\$20,934				\$16,139
91300 Management Fee	\$1,131,781		\$47,810		\$1,397,619
91310 Book-keeping Fee	\$65,253				\$583,938
91400 Advertising and Marketing					
91500 Employee Benefit contributions - Administrative	\$755,078		\$29,830		\$1,283,132
91600 Office Expenses	\$452,222		\$14,280		\$699,407
91700 Legal Expense	\$184,577				\$58,934
91800 Travel	\$5,627				\$8,043
91900 Other	\$21,700				\$26,202
91000 Total Operating - Administrative	\$3,430,480	\$0	\$140,485	\$0	\$6,335,623
92000 Asset Management Fee	\$105,400				
92100 Tenant Services - Salaries	\$20,376	\$108,538			\$71,719
92200 Relocation Costs	\$226,469				
92300 Employee Benefit Contributions - Tenant Services	\$5,962	\$80,284			\$52,177
92400 Tenant Services - Other	\$44,217		\$373,639		
92500 Total Tenant Services	\$297,024	\$188,822	\$373,639	\$0	\$123,896
93100 Water	\$674,978				\$7,506
93200 Electricity	\$596,605				\$36,778
93300 Gas	\$137,361				\$2,456
93600 Sewer	\$840,805				\$3,724
93000 Total Utilities	\$2,249,749	\$0	\$0	\$0	\$50,464
94100 Ordinary Maintenance and Operations - Labor	\$1,147,995				\$6,504
94200 Ordinary Maintenance and Operations - Materials and Other	\$644,497				\$7,734
94300 Ordinary Maintenance and Operations Contracts	\$1,625,812				\$100,619
94500 Employee Benefit Contributions - Ordinary Maintenance	\$553,850				\$724
94000 Total Maintenance	\$3,972,154	\$0	\$0	\$0	\$115,581

Discretely Presented Component Unit De Anza	Blended Component Unit Casa Del Rio	Rental Rehab	Other State & Local Programs	Mainstream Vouchers	Central Office Cost Center	Subtotal	Eliminations	Total
				14,879				
\$2,093,161	\$511,435					\$6,691,442	-\$17,628	\$6,673,814
	\$5,308					\$81,409		\$81,409
\$2,093,161	\$516,743	\$0	\$0	\$0	\$0	\$6,772,851	-\$17,628	\$6,755,223
				\$232,058		\$129,793,174		\$129,793,174
						\$1,626,525		\$1,626,525
					\$2,578,801	\$2,578,801	-\$2,578,801	\$0
					\$105,400	\$105,400	-\$105,400	\$0
					\$649,190	\$649,190	-\$649,190	\$0
					\$3,333,391	\$3,333,391	-\$3,333,391	\$0
-\$17,712	\$15	\$0	\$34,320		\$8,774	\$130,693		\$130,693
						\$57,330		\$57,330
\$96,535			\$95,412		\$54,588	\$8,213,403	-\$52,452	\$8,160,951
	\$9,996					\$9,996		\$9,996
\$2,171,984	\$526,754	\$0	\$129,732	\$232,058	\$3,396,753	\$149,937,363	-\$3,403,471	\$146,533,892
\$157,919	\$55,071	\$535	\$7,945		\$1,536,855	\$4,862,407		\$4,862,407
\$20,292	\$24,050				\$912	\$82,327		\$82,327
	\$42,132			\$1,590		\$2,620,932	-\$2,620,932	\$0
\$12,960	\$10,320					\$672,471	-\$659,511	\$12,960
\$6,985						\$6,985		\$6,985
\$58,343	\$2,181	\$34	\$1,718		\$1,203,428	\$3,333,744		\$3,333,744
\$164,960	\$42,062		\$503		\$313,554	\$1,686,988		\$1,686,988
\$10,160					\$92,732	\$346,403		\$346,403
\$1,367					\$5,306	\$20,343		\$20,343
\$17,280					\$419	\$65,601		\$65,601
\$450,266	\$175,816	\$569	\$10,166	\$1,590	\$3,153,206	\$13,698,201	-\$3,280,443	\$10,417,758
						\$105,400	-\$105,400	\$0
						\$200,633		\$200,633
						\$226,469		\$226,469
						\$138,423		\$138,423
					\$111	\$417,967		\$417,967
\$0	\$0	\$0	\$0	\$0	\$111	\$983,492	\$0	\$983,492
\$126,127	\$19,196					\$827,807		\$827,807
\$21,370	\$33,700				\$32,847	\$721,300		\$721,300
\$4,587	\$1,503				\$2,728	\$148,635		\$148,635
\$85,869	\$43,812					\$974,210		\$974,210
\$237,953	\$98,211	\$0	\$0	\$0	\$35,575	\$2,671,952	\$0	\$2,671,952
\$130,669	\$47,875					\$1,333,043		\$1,333,043
\$137,759	\$38,661		\$35		\$3,369	\$832,055		\$832,055
\$181,261	\$80,067				\$33,539	\$2,021,298		\$2,021,298
\$44,011			\$148			\$598,733		\$598,733
\$493,700	\$166,603	\$0	\$183	\$0	\$36,908	\$4,785,129	\$0	\$4,785,129

The accompanying Independent Auditors' Report and Notes are an integral part of this schedule.

HOUSING AUTHORITY OF THE COUNTY OF CONTRA COSTA
FINANCIAL DATA SCHEDULE (CA011)
REVENUE AND EXPENSE SUMMARY
FOR THE YEAR ENDED MARCH 31, 2019
(continued)

	Public Housing (including Capital Fund)	PIH Family Self- Sufficiency Program	Continuum of Care Program	Community Development Block Grant	Housing Choice Vouchers
CFDA number	14.850/14.872	14.896	14.267	14.218	14.871
95200 Protective Services - Other Contract Costs	\$944,641				
95300 Protective Services - Other	\$51,201				\$13,557
95000 Total Protective Services	\$995,842	\$0	\$0	\$0	\$13,557
96110 Property Insurance	\$322,359				\$8,624
96120 Liability Insurance	\$2,180				\$65
96130 Workmen's Compensation	\$83,697	\$765	\$760		\$25,903
96140 All Other Insurance					\$4,513
96100 Total Insurance Premiums	\$408,236	\$765	\$760	\$0	\$39,105
96200 Other General Expenses	\$10				\$82,147
96210 Compensated Absences	\$154,412	\$20,069	\$3,235		\$161,096
96300 Payments in Lieu of Taxes	\$97,375				
96400 Bad debt - Tenant Rents	\$127,947				
96000 Total Other General Expenses	\$379,744	\$20,069	\$3,235	\$0	\$243,243
96710 Interest of Mortgage (or Bonds) Payable					\$88,252
96720 Interest on Notes Payable (Short and Long Term)					
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$0	\$88,252
96900 Total Operating Expenses	\$11,838,629	\$209,656	\$518,119	\$0	\$7,009,721
97000 Excess of Operating Revenue over Operating Expenses	\$1,321,137	\$33,860	\$5,795,234	\$0	\$116,753,726
97200 Casualty Losses - Non-capitalized	\$37,495				
97300 Housing Assistance Payments	\$60,021		\$5,795,234		\$109,192,298
97350 HAP Portability-In					\$7,478,732
97400 Depreciation Expense	\$1,366,265				\$234,745
90000 Total Expenses	\$13,302,410	\$209,656	\$6,313,353	\$0	\$123,915,496
10010 Operating Transfer In	\$1,495,182				\$33,860
10020 Operating transfer Out	-\$1,495,182	-\$33,860			
10091 Inter Project Excess Cash Transfer In	\$531,489				
10092 Inter Project Excess Cash Transfer Out	-\$531,489				
10100 Total Other financing Sources (Uses)	\$0	-\$33,860	\$0	\$0	\$33,860
10000 Excess (Deficiency) of Total Rev Over (Under) Total Exp	-\$142,644	\$0	\$0	\$0	-\$118,189
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$218,228
11030 Beginning Equity	\$8,692,753	\$0	\$0	\$0	\$5,822,089
11040 Prior Period Adj, Equity Transfers & Correctn of Errors	-\$4,503,942				-\$5,026,718
11170 Administrative Fee Equity					\$153,991
11180 Housing Assistance Payments Equity					\$523,191
11190 Unit Months Available	13388		3276		89465
11210 Number of Unit Months Leased	11392		2952		77861
11270 Excess Cash	-\$480,604				
11620 Building Purchases	\$1,543,018				
11640 Furniture & Equipment - Administrative Purchases	\$83,507				

Discretely Presented Component Unit De Anza	Blended Component Unit Casa Del Rio	Rental Rehab	Other State & Local Programs	Mainstream Vouchers	Central Office Cost Center	Subtotal	Eliminations	Total
				14,879				
\$64,298						\$1,008,939		\$1,008,939
\$7,079	\$9,096				\$8,635	\$89,568		\$89,568
\$71,377	\$9,096	\$0	\$0	\$0	\$8,635	\$1,098,507	\$0	\$1,098,507
\$44,803	\$54,750				\$8,266	\$438,802		\$438,802
					\$114,304	\$116,549		\$116,549
\$32,070					\$14,038	\$157,233		\$157,233
					\$2,660	\$7,173		\$7,173
\$76,873	\$54,750	\$0	\$0	\$0	\$139,268	\$719,757	\$0	\$719,757
\$72,000			\$1,221		\$509	\$155,887		\$155,887
		\$5			\$183,781	\$522,598		\$522,598
\$35,005	\$3,452					\$135,832		\$135,832
\$18,558	\$5,381					\$151,886		\$151,886
\$125,563	\$8,833	\$5	\$1,221	\$0	\$184,290	\$966,203	\$0	\$966,203
\$538,140	\$102,586					\$728,978		\$728,978
\$30,000						\$30,000		\$30,000
\$568,140	\$102,586	\$0	\$0	\$0	\$0	\$758,978	\$0	\$758,978
\$2,023,872	\$615,895	\$574	\$11,570	\$1,590	\$3,557,993	\$25,787,619	-\$3,385,843	\$22,401,776
\$148,112	-\$89,141	-\$574	\$118,162	\$230,468	-\$161,240	\$124,149,744	-\$17,628	\$124,132,116
\$12,500						\$49,995		\$49,995
						\$115,047,553	-\$17,628	\$115,029,925
						\$7,478,732		\$7,478,732
\$1,020,489	\$189,073		\$879		\$9,024	\$2,820,475		\$2,820,475
\$3,056,861	\$804,968	\$574	\$12,449	\$1,590	\$3,567,017	\$151,184,374	-\$3,403,471	\$147,780,903
						\$1,529,042	-\$1,529,042	\$0
						-\$1,529,042	\$1,529,042	\$0
						\$531,489	-\$531,489	\$0
						-\$531,489	\$531,489	\$0
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
-\$884,877	-\$278,214	-\$574	\$117,283	\$230,468	-\$170,264	-\$1,247,011	\$0	-\$1,247,011
\$263,896	\$33,696	\$0	\$0	\$0	\$0	\$515,820		\$515,820
\$12,115,201	-\$1,429,871	\$574	-\$10,296,802	\$0	\$811,249	\$15,715,193		\$15,715,193
			\$12,746,171		-\$3,215,285	\$226		\$226
						\$153,991		\$153,991
						\$523,191		\$523,191
2160	960					109249		109249
2122	952					95279		95279
						-\$480,604		-\$480,604
					\$0	\$1,543,018		\$1,543,018
					\$0	\$83,507		\$83,507

The accompanying Independent Auditors' Report and Notes are an integral part of this schedule.

**HOUSING AUTHORITY OF THE COUNTY OF CONTRA COSTA
SCHEDULE OF RELEVANT STATISTICS
FOR THE YEAR ENDED MARCH 31, 2019**

Fiscal year ended March 31	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Number of employees	<u>81</u>	<u>87</u>	<u>83</u>	<u>83</u>	<u>79</u>	<u>99</u>	<u>89</u>	<u>99</u>	<u>90</u>	<u>107</u>
Number of households served:										
Public Housing	1,144	1,168	1,168	1,168	1,168	1,168	1,168	1,168	1,168	1,168
Housing Choice Voucher	6,268	6,236	6,371	6,297	6,287	6,359	6,400	6,359	6,234	6,400
Continuum of Care	317	294	294	241	241	241	241	241	303	280
Section 8 Moderate Rehab	0	25	25	25	25	26	23	26	25	25
Section 8 Voucher	0	0	0	0	0	5	5	5	4	4
Component Units										
Casa Del Rio Senior Hsg	82	82	82	82	82	82	82	82	82	82
DeAnza Gardens	<u>180</u>	<u>180</u>	<u>180</u>	<u>180</u>	<u>180</u>	<u>180</u>	<u>180</u>	<u>180</u>	<u>180</u>	<u>180</u>
Total	<u>7,991</u>	<u>7,985</u>	<u>8,120</u>	<u>7,993</u>	<u>7,983</u>	<u>8,061</u>	<u>8,099</u>	<u>8,061</u>	<u>7,997</u>	<u>8,139</u>
Capital Asset Information:										
Total managed units	1,406	1,430	1,430	1,430	1,430	1,430	1,430	1,430	1,430	1,430
Total buildings	636	636	636	636	636	636	636	636	636	636
Total vehicles	48	48	46	46	46	46	46	49	49	49
By project:	<u>Units</u>	<u>Bldg</u>	<u>Last change</u>	<u>Units lost</u>	<u>Bldg lost</u>					
11001 Martinez	50	28								
11002 Bay Point	-	1	2002	83	43					
11003 Antioch	34	19								
11004 Brentwood	44	24								
11005 Pittsburgh	171	57								
11006 Richmond	54	30	2019	18	0					
11008 Oakley	30	16								
11009a Richmond	84	44								
11009b Richmond	54	28								
11010 Rodeo	242	63								
11011 Martinez	50	1								
11012 Oakley	40	13								
11013 Bay Point	50	14								
11015 Antioch	100	4								
45001 San Pablo	100	31								
45002 San Pablo	<u>41</u>	<u>1</u>								
Total PHA	<u>1,144</u>	<u>374</u>								
Component units:										
Casa Del Rio Senior Hsg	82	1								
DeAnza Gardens	180	22	2005	180	22					

The accompanying Independent Auditors' Report and notes are an integral part of this schedule.

**HOUSING AUTHORITY OF THE COUNTY OF CONTRA COSTA
STATEMENT OF COMPLETED CAPITAL FUND PROGRAM PROJECT
ANNUAL CONTRIBUTIONS CONTRACT SF-182
MARCH 31, 2019**

CA39P01150116

Funds approved	\$	1,791,735
Funds expended		<u>1,791,735</u>
Excess of funds approved	\$	<u><u>-</u></u>
Funds advanced	\$	1,791,735
Funds expended		<u>1,791,735</u>
Excess of funds advanced	\$	<u><u>-</u></u>

CA39P01150117

Funds approved	\$	1,909,427
Funds expended		<u>1,909,427</u>
Excess of funds approved	\$	<u><u>-</u></u>
Funds advanced	\$	1,909,427
Funds expended		<u>1,909,427</u>
Excess of funds advanced	\$	<u><u>-</u></u>

The accompanying Independent Auditors' Report and notes are an integral part of this statement.

Harn & Dolan

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Commissioners
Housing Authority of the
County of Contra Costa
Martinez, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Housing Authority of the County of Contra Costa, California, as of and for the year ended March 31, 2019, and the related notes to the financial statements, which collectively comprise the Housing Authority of the County of Contra Costa, California's basic financial statements, and have issued our report thereon dated November 25, 2019. Our report includes a reference to other auditors who audited the financial statements of the blended component units and discretely presented component units, as described in our report on the Housing Authority of the County of Contra Costa, California's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Housing Authority of the County of Contra Costa, California's internal control over financial reporting (internal control) to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority of the County of Contra Costa, California's internal control. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority of the County of Contra Costa, California's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Housing Authority of the County of Contra Costa, California's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



November 25, 2019

Harn & Dolan

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Commissioners
Housing Authority of the
County of Contra Costa
Martinez, California

Report on Compliance for Each Major Federal Program

We have audited the Housing Authority of the County of Contra Costa, California's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Housing Authority of the County of Contra Costa, California's major federal programs for the year ended March 31, 2019. The Housing Authority of the County of Contra Costa, California's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Housing Authority of the County of Contra Costa, California's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Authority of the County of Contra Costa, California's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the Housing Authority of the County of Contra Costa, California's compliance.

Opinion on Each Major Federal Program

In our opinion, the Housing Authority of the County of Contra Costa, California complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2019.

Report on Internal Control Over Compliance

Management of the Housing Authority of the County of Contra Costa, California is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the Housing Authority of the County of Contra Costa, California's internal control over compliance with the types of compliance requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority of the County of Contra Costa, California's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal programs that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purposes.



November 25, 2019

**HOUSING AUTHORITY OF THE COUNTY OF CONTRA COSTA
STATUS OF PRIOR AUDIT FINDINGS
MARCH 31, 2019**

The audit report for the fiscal year ended March 31, 2018, contained no audit findings.

**HOUSING AUTHORITY OF THE COUNTY OF CONTRA COSTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
MARCH 31, 2019**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	unmodified
Is a "going concern" emphasis-of-matter paragraph included in the audit report?	no
Is a significant deficiency in internal control disclosed?	no
Is a material weakness in internal control disclosed?	no
Is a material noncompliance disclosed?	no

Federal Awards

Does the auditor's report include a statements that the auditee's financial statements include departments, agencies, or other organizational units expending \$750,000 or more in Federal awards that have separate Uniform Guidance audits which are not included in this audit?	no
Dollar threshold used to distinguish between Type A and Type B programs	\$ 3,000,000
Did the auditee qualified as low-risk auditee?	yes
Identification of major programs:	
Housing Choice Voucher Program	14.871
Public Housing Capital Fund Program	14.872
Type of auditors' report issued on compliance for major programs:	unmodified
Did the audit disclose any audit findings which the auditor is required to report in accordance with Uniform Guidance part 200.516?	no
Internal control over major programs:	
Significant deficiencies identified?	no
Any significant deficiency reported as a material weaknesses?	none reported
Are any known questioned costs reported?	no
Were prior audit findings related to direct funding shown in the Summary of Prior Audit Findings?	no

Section II - Financial Statement Findings

None

Section III - Federal Award Findings

None

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November 25, 2019

To the Board of Commissioners
and Executive Director
Housing Authority of the
County of Contra Costa
Martinez, California

We have audited the financial statements of the business-type activities of the Housing Authority of the County of Contra Costa, component unit of the County of Contra Costa, California (the Authority) for the year ended March 31, 2019. We did not audit the financial statements of the Authority's component units which were audited by other auditors and the reports were furnished to us. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards, *Government Auditing Standards* and the Uniform Guidance.

As stated in our engagement letter dated December 26, 2018, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered the Housing Authority of the County of Contra Costa, California's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over the financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance.

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on compliance with those provisions is not an objective of our audit. Also, in accordance with the Uniform Guidance, we examined, on a test basis, evidence about the Authority's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement applicable to each of its major federal programs for the purpose of expressing an opinion on the Authority's compliance with those requirements. While our audit provided a reasonable basis for our opinion, it does not provide a legal determination on the Authority's compliance with those requirements.

Generally accepted accounting principles provide for certain required supplementary information (RSI) to supplement the basic financial statements. Our responsibility with respect to the Management Discussion and Analysis (MD&A), which supplements the basic financial statements, is to apply certain limited procedures in accordance with generally accepted auditing standards. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI because the limited procedures do not provide us with sufficient audit evidence to express an opinion or provide any assurance.

We have been engaged to report on the Schedule of Expenditures of Federal Awards, the Financial Data Schedule and the Statement of Completed Capital Fund Program Project, which accompany the financial statements but are not RSI. Our responsibility for this supplementary information, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole. We made certain inquiries of management and evaluated the form, content, and method of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the methods of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We have not been engaged to report on the Schedule of Relevant Statistics which accompanies the financial statements but is not RSI. Our responsibility with respect to this other information in documents containing the audited financial statements and auditor's report does not extend beyond the financial information identified in the report. We have no responsibility for determining whether this other information is properly stated. This other information has not been audited and we did not express an opinion or provide any assurance on it.

Planned Scope and Timing of the Audit

The audit included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit involves judgement about the number of transactions to be examined and the areas to be tested.

Our audit included obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatement may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. We noted no material misstatement that required communication to you during our audit.

Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Disclosures

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ended March 31, 2019. We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Authority's financial statement were:

- Allowance for uncollectible tenant accounts receivable: Management's estimate is based on past experience and subsequent collections. We inquired with management on the need for the amount of the allowances.
- Depreciation on capital assets: Management's estimate of the useful lives of its capital assets is based on historical information about similar assets, the length of time the assets are expected to meet service and technology demands, and the Authority's maintenance policy for the assets. These estimates have remained consistent for several years. We evaluated the key factors and assumption used to develop the depreciation estimates in determining that they are reasonable in relation to the financial statements taken as a whole.
- Net OPEB liability and the related Deferred Inflows/Outflows of Resources: Management's estimate is derived from actuarial valuations obtained from experts. We agreed the net OPEB liability, the related deferred inflows/outflows of resources, and the other information contained in the OPEB footnote to the amounts reported in the actuarial report dated September 11, 2019, for the actuarial valuation date and measurement date of June 30, 2018, by Nicolay Consulting Group.
- Net Pension Liability and the related Deferred Inflows/Outflows of Resources: Management's estimate is derived from actuarial valuations obtained from experts. We agreed these balances and other information contained in the pension plan (CCCERA) footnote to the various documentation supplied by CCCERA. This documentation included (1) CCCERA GASB 68 Actuarial Valuation Based on December 31, 2018 Measurement Date for Employer Reporting as of June 30, 2019, (2) CCCERA Schedule of Employer Allocations and Schedule of Pension Amounts y Employer as of June 30, 2019, using a Measurement Date of December 31, 2018, and (3) CCCERA's CAFR as of December 31, 2018.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most significant disclosure affecting the financial statements were:

- (1) The disclosure of the related parties - component units, both blended and discreetly presented, in Note 14 to the financial statements. This disclosure describes the Authority's relationship, including financial, with its component units
- (2) The disclosure of the pension plan and other postemployment benefits in Notes 11 and 12 to the basic financial statements. These disclosures discuss the Authority's obligations as they relate to these postemployment benefits. The recent requirements to recognize these liabilities fully (GASB 68 and GASB 75) has had a significant impact on the Authority's financial statements. These notes include descriptions of the plans and the Authority's funding policies; as well as a description of the actual contributions made and the components of expense for the year.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. During the fiscal year under audit, we noted no misstatement of the financial statements that required correction.

Disagreements with Management

For the purpose of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreement arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 25, 2019.

Management Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Authority's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Disclosures or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the government unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition of our retention.

Restriction on Use

This information is intended solely for the use of the Board of Commissioners and management of the Housing Authority of the County of Contra Costa and is not intended to be, and should not be, used by anyone other than these specified parties.

Very Truly Yours,

A handwritten signature in cursive script that reads "Harn & Dolan".

Harn & Dolan, CPA's