

To: Contra Costa County Housing Authority Board of Commissioners
 From: Joseph Villarreal, Housing Authority
 Date: February 9, 2016
 Subject: 2016-2017 Annual Agency Budget



Contra
Costa
County

RECOMMENDATIONS

1. CONSIDER Approving the 2016-2017 Annual Agency Budget; and
2. CONSIDER Adopting PHA Board Resolution No. 5198 approving the Budget on HUD Form 52574

BACKGROUND

In compliance with the United States Department of Housing and Urban Development's (HUD) regulations, staff has prepared the Housing Authority of the County of Contra Costa (HACCC) proposed FY 2016/2017 budget for the Board's approval. The proposed budget presented here projects federal funding at the level that HUD is currently advancing the Authority. This amount has been calculated by HUD and has been determined to be the most reasonable estimate we have to go on at this time. HACCC's actual funding levels for the calendar year won't be determined until sometime after October, once the federal budget is approved and national program utilization levels are calculated. However, because funding for the Housing Choice Voucher (HCV) program is adjusted quarterly and annual

Action of Board On: **02/09/2016** ☒ APPROVED AS RECOMMENDED ☐ OTHER

Clerks Notes:

VOTE OF COMMISSIONERS

AYE: Candace Andersen,
Commissioner
Mary N. Piepho,
Commissioner
Federal D. Glover,
Commissioner
Jannel George-Oden,
Commissioner

ABSENT: John Gioia, Commissioner
Karen Mitchoff,
Commissioner
Fay Nathaniel,
Commissioner

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: February 9, 2016

Joseph Villarreal, Executive Director

By: June McHuen, Deputy

Contact: 925-957-8028

cc:

funding is fairly predictable for the Certificate and the State and Local programs, the public housing budget is the only area with significant uncertainty at this time.

BACKGROUND (CONT'D)

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The following are select comments on this year's budget:

- Budgeted revenue (mostly federal funding) is up by over \$4.8 million as more families are now housed under HACCC's various programs.
 - The majority of this gain (\$4.0 million) is due to increased housing assistance payments (HAP) in the HCV program.
- Program costs are up by \$2,523,576 from last year. This increase is also primarily attributable to rising housing costs and a slight increase in the number of families served by HACCC under the HCV and Certificate programs.
- HACCC will provide housing assistance to over 8,200 families in its various programs.
- 6,434 vouchers are funded (6,781 is HACCC's official allocation).
- A full-time DA Fraud Investigator continues to be funded for the HCV program.
- The proposed budget anticipates a loss of \$223,438 in the public housing program.
- This loss is primarily attributable to a recent change in HUD regulations requiring housing authorities to pay for security/police (\$645,060) and resident services (\$217,009) using operations revenue instead of capital grants.
- One police officer (Pittsburg), two Sheriff's Deputies (North Richmond and Rodeo) and three resident services staff (North Richmond) are funded in the proposed budget.
- Public housing capital funds are projected at the same level as in 2015.

HACCC's proposed overall budget is shown below in comparison to last year's approved budget along with the projected change in reserve levels. Following the overview, the budget is broken out for each of HACCC's four major program areas: Housing Choice Vouchers, Public Housing, State and Local programs and Certificate Programs.

Attached to this Board Order are HACCC's *Agency Budget Program Summary* and *Consolidated Analysis of Agency Reserves*. A more detailed budget is available for viewing at HACCC's administrative office.

Agency Overview:

HACCC Agency Summary	2016-2017 Budget	2015-2016 Budget	Change
Revenue	\$109,724,315	\$104,854,022	\$4,870,293
Expenditures	\$ 21,847,920	\$ 21,710,029	\$ 137,891
Program Costs, Debt Services & Other Capital Improvements	\$ 86,817,392	\$ 84,293,816	\$ 2,523,576
To Reserves	\$ 1,059,003	(\$ 1,149,823)	\$ 2,208,826

HACCC Consolidated Reserves	Restricted Reserve Bal.	Unrestricted Reserve Bal.	Reserve Balances
Projected 3/31/16	\$ 7,825,666	\$ 8,351,664	\$ 16,177,330
This Budget	\$ 1,295,375	(\$ 236,372)	\$ 1,059,003
Projected to 3/31/17	\$ 9,121,041	\$ 8,115,292	\$17,236,333

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 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 as many as 6,781 families. Due to funding and regulatory restrictions, HACCC is projected to house an average of only 6,434 families per month under the proposed budget, an increase of 18 from the fiscal year prior.

HCV Summary	2016-2017 Budget	2015-2016 Budget	Change
Revenue	\$ 89,735,463	\$84,931,760	\$ 4,803,703
Expenditures	\$ 6,560,369	\$ 6,343,537	\$ 216,832
Program Costs, Debt Services & Other Capital Improvements	\$ 81,739,456	\$79,246,338	\$ 2,493,118
To Reserves	\$ 1,435,638	(\$ 658,115)	\$ 2,093,753
HCV Reserves	Restricted Reserve Bal.	Unrestricted Reserve Bal.	Reserve Balances
Projected 3/31/16	\$ 6,039,229	\$ 4,436,626	\$ 10,475,855
This Budget	\$ 1,368,084	\$ 67,554	\$ 1,435,638
Projected to 3/31/17	\$ 7,407,313	\$ 4,504,180	\$ 11,911,493

Explanation of Change:

As stated above, the \$4,803,703 increase in revenue and the \$2,493,118 in costs are almost entirely related to increases in housing assistance payment subsidies due to an increase in the number of families served by HACCC along with rising rental costs.

Public Housing & Capital Fund Overview:

HACCC owns and manages 1,179 public housing units at 16 different sites throughout the County. Revenue to manage these properties is derived from tenant rents and an operating subsidy received from HUD. Because tenant rents are set by income and not the actual operating costs of the properties, most public housing properties across the nation are not able to charge enough rent to meet operating needs. HUD's operating subsidy is designed to offset some of 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 and for management improvements.

Public Housing Summary - All Units	2016-2017 Budget	2015-2016 Budget	Change
Revenue	\$ 10,934,181	\$10,793,079	\$ 141,102
Expenditures	\$ 10,313,199	\$10,139,655	\$ 173,544
Program Costs, Debt Services & Other Capital Improvements	\$ 844,419	\$ 853,068	(\$ 8,649)
To Reserves	(\$ 223,437)	(\$ 199,644)	\$ 23,793

Public Housing by Asset Management Property (AMP)	Area	2016-2017 Revenue	2016-2017 Expenditure	2016-2017 Residual/(Loss)
AMP-1 & 8 Ca001,Ca011,Ca013	Martinez, Bay Point	\$ 1,194,133	\$ 1,120,431	\$ 73,702
AMP-2 Ca045a,Ca045b	San Pablo	\$ 1,140,629	\$ 1,060,745	\$ 79,884
AMP-3 Ca004,Ca008,Ca012	Brentwood, Oakley	\$ 924,273	\$ 860,857	\$ 63,416
AMP-4 Ca010	Rodeo	\$ 2,355,391	\$ 2,537,180	(\$ 181,790)
AMP-5 & 9 Ca003,Ca005,Ca015	Pittsburg & Antioch	\$ 2,463,248	\$ 2,733,649	(\$ 270,401)
AMP 6 & 7 Ca006,009a,Ca009b	North Richmond	\$ 1,132,090	\$ 1,349,310	(\$ 217,220)
Program Totals*		\$ 9,209,764*	\$ 9,662,172*	(\$ 452,409)*

* Operations only, does not include CFP

Public Housing Reserves	Restricted Reserve Balance	Unrestricted Reserve Balance	Reserve Balance
Projected 3/31/16	\$ -0-	\$ 1,322,122	\$ 1,322,122
This Budget	\$ -0-	(\$ 223,437)	(\$ 223,437)

Projected to 3/31/17	\$ -0-	\$ 1,098,685	\$ 1,098,685
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Explanation of Change:

The increase in revenue of \$141,102 from last year's budget is due to an increase in lease-up at Bayo Vista in Rodeo and an increase in projected tenant rental income at all properties.

As mentioned above, the projected loss of \$223,438 in the public housing program is primarily due to a recent change in HUD regulations requiring housing authorities to pay for security/police (\$645,060) and resident services (\$217,009) out of operations instead of the capital fund. Every property that has these services shows a loss, every property that does not have these services shows a profit. Some combination of cuts in staffing levels and/or services will have to be made in order to balance the public housing budget.

Housing Certificate Programs Overview:

HACCC administers two separate Housing Certificate Programs; Shelter-Plus Care and Moderate Rehabilitation (Mod Rehab). The Shelter-Plus Care Program provides rental assistance for hard-to-serve homeless persons with disabilities in connection with supportive services. HACCC operates the housing and financial portions of the program and the County's Homeless Program operates the supportive services and casework portions. Approximately 306 clients are assisted under this program. The Mod Rehab program was designed in 1978 as an expansion of the rental certificate program. Mod Rehab was designed to provide low-cost loans for the rehabilitation of rental units in an effort to upgrade and preserve the nation's housing stock. In return, the owner agrees to provide long-term affordable housing for low income families. The program was repealed in 1991 and no new projects are authorized for development. HACCC administers 28 Mod Rehab units.

Certificate Programs Summary	2016-2017 Budget	2015-2016 Budget	Change
Revenue	\$ 3,682,487	\$ 3,844,402	(\$ 161,915)
Expenditures	\$ 302,909	\$ 326,369	(\$ 23,460)
Program Costs, Debt Services & Other Capital Improvements	\$ 3,383,427	\$ 3,556,464	(\$ 173,037)
To Reserves	(\$ 3,849)	(\$ 38,431)	\$ 34,582

Certificate Programs Reserves	Restricted Reserve Bal.	Unrestricted Reserve Bal.	Reserve Balances
Projected 3/31/16	\$ -0-	\$ -0-	\$ -0-
This Budget	(\$ 3,839)	(\$ 10)	(\$ 3,849)
Projected to 3/31/17	(\$ 3,839)	(\$ 10)	(\$ 3,849)

Explanation of Change:

The primary change in the Certificate Programs are related to relatively small shifts in HAP funding and expense.

State and Local Overview:

HACCC administers a variety of programs and activities that are either not HUD funded or that involve non-restricted HUD funds. Currently, HACCC is the managing general partner for two tax credit projects (DeAnza Gardens & Casa Del Rio) and contracts with the City of Antioch to run their rental rehabilitation program. Additionally, HACCC receives management fees for administering HUD programs.

State & Local Summary	2016-2017 Budget	2015-2016 Budget	Change
Revenue	\$ 5,372,185	\$5,284,782	\$ 87,403
Expenditures	\$ 4,671,444	\$4,900,468	(\$ 229,024)
Program Costs, Debt Services & Other Capital Improvements	\$ 850,090	\$ 637,947	\$ 212,143
To Reserves	\$ (149,349)	(\$ 253,633)	\$ 104,284
State & Local Reserves	Restricted Reserve Bal.	Unrestricted Reserve Bal.	Reserve Balances
Projected 3/31/16	\$ 1,786,437	\$ 2,589,330	\$ 4,375,767
This Budget	(\$ 68,870)	(\$ 80,479)	(\$ 149,349)
Projected to 3/31/17	\$ 1,717,567	\$ 2,508,851	\$ 4,226,417

Explanation of Change:

The \$87,403 increase in revenue is a result of Shelter Plus Care overhead costs being funded from the HCV program. The \$229,024 reduction in expenditures is a result of unfunded staffing positions. The \$212,143 is an increase in projected program and operating costs associated for the tax credit properties.

CONSEQUENCE OF NEGATIVE ACTION

Should the Board not adopt Resolution No. 5198 approving HACCC's budget for fiscal year 2016-2017, HACCC will not be in compliance with HUD regulations. Further, HACCC would 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.

CLERK'S ADDENDUM

ATTACHMENTS

Budget Program Summary

Consolidated Analysis of Agency Reserves

Resolution 5198