

To: Contra Costa County Housing Authority Board of Commissioners
 From: Joseph Villarreal, Housing Authority
 Date: September 13, 2016



Contra
Costa
County

Subject: FY 2015-2016 4th QUARTER BUDGET REPORT

RECOMMENDATIONS

ACCEPT the 4th Quarter (Unaudited) Budget Report for the period ending 3/31/2016.

BACKGROUND

This report is intended to provide the Board of Commissioners with an overview of the financial position of the Housing Authority of the County of Contra Costa (HACCC) for the 4th quarter period ending 3/31/2016. 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

Changes in HACCC's overall budget position for the fourth quarter are shown in the chart below. Activity in Section 8 voucher program (HCV) had the most significant impact on HACCC's budget.

Projected revenue increased by \$6,063,802 and was primarily a result of HCV utilization

Action of Board On: **09/13/2016** ☒ APPROVED AS RECOMMENDED ☐ OTHER

Clerks Notes:

VOTE OF COMMISSIONERS

AYE: John Gioia, Commissioner
 Candace Andersen,
 Commissioner
 Mary N. Piepho,
 Commissioner
 Karen Mitchoff,
 Commissioner
 Federal D. Glover,
 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: September 13, 2016

Joseph Villarreal, Executive Director

ABSENT: Fay Nathaniel,
 Commissioner
 Jannel George-Oden,
 Commissioner

By: June McHuen, Deputy

Contact: 925-957-8028

cc:

growth. The growth is a result of new project-based units being brought online and new clients being called from the wait list. The increased revenues was funded through the HUD-held restricted reserves with a current balance of \$5,712,651. Expenditures increased overall by \$2,693,260 as a result of increased growth in HCV program, which overshadowed a savings in operating expenditure of \$469,745.

BACKGROUND (CONT'D)

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| HACC Agency Summary | Annual Budget | 4th Quarter Actual 3/31/16 | Remaining FY Estimate | Annual Total | Variance |
|---------------------|----------------|----------------------------|-----------------------|----------------|---------------|
| Revenue | \$ 104,372,487 | \$ 110,436,289 | \$ -0- | \$ 110,436,289 | \$ 6,063,802 |
| Expenditures | \$ 105,721,640 | \$ 108,414,900 | \$ -0- | \$ 108,414,900 | \$(2,693,260) |
| | \$ (1,349,153) | \$ 2,021,389 | \$ -0- | \$ 2,021,389 | |

The net change to reserve totals for the end of the fourth quarter was a gain of \$2,021,389. The net gain was a result of a increase to unrestricted reserve in the amount of \$1,882,522 and \$138,868 in restricted reserves as shown in the summary below.

| Analysis of Agency Reserves | Beginning Balance 4/1/15 (Unaudited) | 4th Quarter ending 3/31/16 (Unaudited) | Reserve Balance period ending 3/31/16 (Unaudited) |
|-------------------------------|--------------------------------------|--|---|
| Total Reserves | \$ 13,913,342 | \$ 2,021,390 | \$ 15,934,732 |
| <u>Restricted Reserves</u> | | | |
| Housing Choice Vouchers | \$ 5,524,220 | \$ 188,431 | \$ 5,712,651 |
| Public Housing & Cap. Funds | \$ -0- | \$ -0- | \$ -0- |
| State & Local Programs | \$ 1,933,719 | \$ (49,563) | \$ 1,884,156 |
| Housing Certificates Programs | \$ -0- | \$ -0- | \$ -0- |
| Total Restricted Reserves | \$ 7,457,939 | \$ 138,868 | \$ 7,596,807 |
| <u>Unrestricted Reserves</u> | | | |
| Housing Choice Vouchers | \$ 3,058,940 | \$ 928,221 | \$ 3,987,161 |
| Public Housing & Cap. Funds | \$ 803,588 | \$ 452,345 | \$ 1,255,933 |
| State & Local Programs | \$ 2,592,875 | \$ 496,855 | \$ 3,089,730* |
| Housing Certificates Programs | \$ -0- | \$ 5,101 | \$ 5,101 |
| Total Unrestricted Reserves | \$ 6,455,403 | \$ 1,882,522 | \$ 8,337,925 |

* Does not include unfunded pension liability of \$6.8 million.

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

FUNDS OVERVIEW: Housing Choice Vouchers

Program Summary - The HCV program provides assistance to families in the private rental market. HACCC qualifies families for the program based on income. These families find a home in the private rental market and HACCC provides them with a subsidy via a HAP contract with the property owner. HAP is paid by HACCC directly to the owner. Through its HCV program, HACCC is authorized to provide affordable housing assistance to a maximum of 6,783 families. However, due to funding constraints, the program is only able to support approximately 6,300 families currently.

Summary of Difference Between Budgeted and Quarterly-End Estimate:

Revenue – While funding constraints do not currently allow HACCC to lease all 6,783 units it has been allocated, the number of HCV units under contract has increased to an average leasing level of 6,371. The net variance of \$4,937,794 was a result of an increase in HAP funding in the amount of \$4,599,337 and increase administrative fees in the amount of \$338,457 as a result of increased number of units under contract.

Expenditures – As stated above, expenditures are on pace with the increase in revenue. However, due to savings in operating expenditures the variance is down to \$3,163,007.

| Housing Choice Vouchers | Annual Budget | 4th Quarter Actual 3/31/16 (Unaudited) | Remaining FY Estimate | Annual Total | Variance |
|-------------------------|---------------|--|--------------------------|---------------|----------------|
| Revenue | \$ 84,931,760 | \$ 89,869,554 | \$ -0- | \$ 89,869,554 | \$ 4,937,794 |
| Expenditures | \$ 85,589,875 | \$ 88,752,882 | \$ -0- | \$ 88,752,882 | \$ (3,163,007) |
| | \$ (658,115) | \$ 1,116,672 | \$ -0- | \$ 1,116,672 | |

Analysis of Program Reserves:

| Housing Choice Vouchers | Beginning Balance 4/1/15 (Unaudited) | 4th Quarter 3/31/16 (Unaudited) | Reserve Balance period ending 3/31/16 (Unaudited) |
|-------------------------|--|---------------------------------------|--|
| Restricted Reserves | \$ 5,524,220 | \$ 188,431 | \$ 5,712,651 |
| Unrestricted Reserves | \$ 3,058,940 | \$ 928,221 | \$ 3,987,161 |
| Total Reserves | \$ 8,583,160 | \$ 1,116,652 | \$ 9,699,812 |

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 Quarterly-End Estimate:

Revenue – The variance of \$438,208 was primarily related to increase in tenant rent levels due to reduced vacancies and increases in tenant income.

Expenditures - The variance of \$271,951 is a result of reduced operating cost during the period.

| Public Housing Operating and Capital Fund | Annual Budget | 4th Quarter Actual 3/31/16 (Unaudited) | Remaining FY Estimate | Annual Total | Variance |
|---|---------------|--|--------------------------|---------------|------------|
| Revenue | \$ 10,324,043 | \$ 10,762,251 | \$ -0- | \$ 10,762,251 | \$ 438,208 |
| Expenditures | \$ 10,581,858 | \$ 10,309,907 | \$ -0- | \$ 10,309,907 | \$ 271,951 |
| | \$ (257,815) | \$ 452,344 | \$ -0- | \$ 452,344 | |

Analysis of Program Reserves:

| Public Housing & Capital Fund | Beginning Balance 4/1/15 (Unaudited) | 4th Quarter 3/31/16 (Unaudited) | Reserve Balance period ending 3/31/16 (Unaudited) |
|-------------------------------|--|---------------------------------------|--|
| Restricted Reserves | \$ -0- | \$ -0- | \$ -0- |
| Unrestricted Reserves | \$ 803,588 | \$ 452,345 | \$ 1,255,933 |
| Total Reserves | \$ 803,588 | \$ 452,345 | \$ 1,255,933 |

State and Local Programs

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

Summary of Difference between Budgeted and Quarterly-End Estimate:

Revenue –The variance of \$753,163 was primarily a result of increase in management fees earned due to increased utilization in the voucher and shelter plus care programs, increased rents in the tax credit properties, and the close out of a pending insurance claim.

Expenditures - The \$88,920 variance is a result of staff turnover.

| | | | | |
|--|--|--------------------|--|--|
| | | 4th Quarter Actual | | |
|--|--|--------------------|--|--|

| State & Local Programs | Annual Budget | 4th Quarter Actual 3/31/16 (Unaudited) | Remaining FY Estimate | Annual Total | Variance |
|------------------------|---------------------|--|--------------------------|--------------|------------|
| Revenue | \$ 5,272,282 | \$ 6,025,445 | \$ -0- | \$ 6,025,445 | \$ 753,163 |
| Expenditures | <u>\$ 5,667,073</u> | <u>\$ 5,578,153</u> | <u>\$ -0-</u> | \$ 5,578,153 | \$ 88,920 |
| | \$ (394,791) | \$ 447,292 | \$ -0- | \$ 447,292 | |

Analysis of Reserves:

| State & Local Programs | Beginning Balance 4/1/15 (Unaudited) | 4th Quarter 3/31/16 (Unaudited) | Reserve Balance Period ending 3/31/16 (Unaudited) |
|------------------------|--|---------------------------------------|--|
| Restricted Reserves | \$ 1,933,719 | \$ (49,563) | \$ 1,884,156 |
| Unrestricted Reserves | <u>\$ 2,592,875</u> | <u>\$ 496,855</u> | <u>\$ 3,089,730*</u> |
| Total Reserves | \$ 4,526,594 | \$ 447,292 | \$ 4,973,886 |

* does not include the unfunded pension liability of 6.8 million.

Housing Certificate Programs

Program Summary - HACCC administers two separate Housing Certificate Programs; Shelter Plus Care and Moderate Rehabilitation (Mod Rehab). The Shelter-Plus Care Program provides rental assistance for hard-to-serve homeless persons with disabilities in connection with supportive services funded from sources outside the program. HACCC assists approximately 285 clients under this program. The Mod Rehab program was designed in 1978 as an expansion of the rental certificate program. Mod Rehab was designed to provide low-cost loans for the rehabilitation of rental units in an effort to upgrade and preserve the nation's housing stock. In return, the owner agreed to provide long-term affordable housing for low income families. The program was repealed in 1991 and no new projects are authorized for development. HACCC administers 28 Mod Rehab units.

Summary of Difference Between Budgeted and Quarter-End Estimate:

Revenue-The \$65,342 variance in revenue is a result of decreased Federal funding for rent payments (HAP) and is also the primary cause of \$108,874 reduction in expenditures.

Expenditure- The \$108,874 variance in expenditure is primarily the reduction of HAP as outline above, the remaining \$43,532 savings is labor cost due to staff turnover.

| Housing Certificate Programs | Annual Budget | 4th Quarter Actual 3/31/16 (Unaudited) | Remaining FY Estimate | Annual Total | Variance |
|------------------------------------|---------------------|--|--------------------------|---------------------|-------------|
| Revenue | \$ 3,844,402 | \$ 3,779,060 | \$ -0- | \$ 3,779,060 | \$ (65,342) |
| Expenditures | <u>\$ 3,882,833</u> | <u>\$ 3,773,959</u> | <u>\$ -0-</u> | <u>\$ 3,773,959</u> | \$ 108,874 |
| | \$ (38,431) | \$ 5,101 | \$ -0- | \$ 5,101 | |

Analysis of Reserves:

| Housing Certificate Programs | Beginning Balance 4/1/15 (Unaudited) | 4th Quarter 3/31/16 (Unaudited) | Reserve Balance period ending 3/31/16 (Unaudited) |
|------------------------------|--|---------------------------------------|--|
| Restricted Reserves | \$ -0- | \$ -0- | \$ -0- |
| Unrestricted Reserves | <u>\$ -0-</u> | <u>\$ 5,101</u> | <u>\$ 5,101</u> |
| Total Reserves | \$ -0- | \$ 5,101 | \$ 5,101 |

FISCAL IMPACT

None. Information item only.

CONSEQUENCE OF NEGATIVE ACTION

None. Information item only.

CLERK'S ADDENDUM