



To: Board of Supervisors
From: Joseph Villarreal, Housing Authority
Date: March 14, 2017

Subject: FY 2016-2017 3rd QUARTER BUDGET REPORT

RECOMMENDATIONS

ACCEPT the 3rd Quarter (Unaudited) Budget Report for the period ending 12/31/2016.

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 3rd quarter period ending 12/31/2016. 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 first three quarters are shown in the chart below. Activity in Section 8 Voucher and Housing Certificate programs had the most significant impact on HACCC's budget.

Projected revenue increase of \$3,407,057 is a result of 3 primary items. Utilization (the

Action of Board On: **03/14/2017** ☒ APPROVED AS RECOMMENDED ☐ OTHER

Clerks Notes:

VOTE OF COMMISSIONERS

AYE: John Gioia, Commissioner
Candace Andersen,
Commissioner
Diane Burgis,
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: March 14, 2017

Joseph Villarreal, Executive Director

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

By: June McHuen, Deputy

Contact: 925-957-8028

cc:

number of families housed) growth in the Section 8 Voucher and the Housing Certificate Shelter Plus Care programs accounted for 65%, or roughly \$2.2 million dollars. Increases in public housing tenant rents and Capital Fund carryover over (Capital Fund carryover is revenue or expense from a prior grant year) accounted for 26% or \$900,000. The remaining 9% or \$300,000 was an increase in earned management fees.

BACKGROUND (CONT'D)

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Projected expenditure increase of \$4,374,020 is a result of 2 primary items. First, the utilization growth in the Section 8 Voucher and the Housing Certificate Shelter Plus Care program has increased the housing subsidy payments, which accounted for 93% or \$4.1 million dollars. The remaining 7% or \$300,000 is due to Capital Fund carryover over projects.

HACC Agency Summary	Annual Budget	3rd Quarter Actual 12/31/16	Remaining FY Estimate	Annual Total	Variance
Revenue	\$ 109,724,316	\$ 85,700,294	\$ 27,431,079	\$ 113,131,373	\$ 3,407,057
Expenditures	\$ 108,700,113	\$ 85,899,105	\$ 27,175,029	\$ 113,074,133	\$ 4,374,020
	\$ 1,024,203	\$ (198,811)	\$ 256,050	\$ 57,240	\$ (966,963)

The net change to reserve totals for the end of the third quarter was a loss of \$198,811. The net loss was a result of a decrease to restricted reserves in the amount of \$918,042 and unrestricted reserve increase of \$719,231 as shown in the summary below.

Analysis of Agency Reserves	Beginning Balance 4/1/16 (Unaudited)	3rd Quarter ending 12/31/16 (Unaudited)	Reserve Balance period ending 12/31/16 (Unaudited)
Total Reserves	\$ 15,365,820	\$ (198,811)	\$ 15,167,009
<u>Restricted Reserves</u>			
Housing Choice Vouchers	\$ 5,223,994	\$ (1,036,908)	\$ 4,187,086
Public Housing & Cap. Funds	\$ -0-	\$ -0-	\$ -0-
State & Local Programs	\$ 1,884,156	\$ 114,273	\$ 1,998,429
Housing Certificates Programs	\$ -0-	\$ 4,593	\$ 4,593
Total Restricted Reserves	\$ 7,108,150	\$ (918,042)	\$ 6,190,108
<u>Unrestricted Reserves</u>			
Housing Choice Vouchers	\$ 4,063,502	\$ 139,436	\$ 4,202,938
Public Housing & Cap. Funds	\$ 1,099,548	\$ 400,707	\$ 1,500,255
State & Local Programs	\$ 3,089,730	\$ 188,570	\$ 3,278,300*
Housing Certificates Programs	\$ 4,890	\$ (9,482)	\$ (4,592)
Total Unrestricted Reserves	\$ 8,257,670	\$ 719,231	\$ 8,976,901

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

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

FUNDS OVERVIEW:

Housing Choice Vouchers

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

Summary of Difference Between Budgeted and Quarterly-End Estimate:

Revenue –Projected revenue increase of \$1,566,411 is a direct result of increases in utilization and funding. In response to the Fair Market Rent (FMR) appeal by Alameda and Contra Costa Housing Agencies, HUD approved an increase of up to 33% in the FMR for the two counties. As a result of the study, HUD increased the funding levels in calendar year 2016 by 10.6%. This increased the number of fundable units from 5,969 to 6,602. However, because the increased funding came earlier than normal (increased FMR funding would normally come in HUD's next fiscal year) and the rental market continues to be extremely tight, approximately \$4.4 million dollars remains to fund increased utilization under the Housing Choice Voucher Program.

Expenditures-Projected increase of expenditures of \$3,540,611 is a result of increased utilization and operating costs. HAP expenditures were increased during the period by \$3.4 million, and operating costs increased by \$140,601.

Housing Choice Vouchers	Annual Budget	3rd Quarter Actual 12/31/16 (Unaudited)	Remaining FY Estimate	Annual Total	Variance
Revenue	\$ 89,735,463	\$ 68,868,008	\$ 22,433,866	\$ 91,301,874	\$ 1,566,411
Expenditures	\$ 88,299,824	\$ 69,765,479	\$ 22,074,956	\$ 91,840,435	\$ 3,540,611
	\$ 1,435,639	\$ (897,471)	\$ 358,910	\$ (538,561)	\$ (1,974,200)

Analysis of Program Reserves:

Housing Choice Vouchers	Beginning Balance 4/1/16 (Unaudited)	3rd Quarter 12/31/16 (Unaudited)	Reserve Balance period ending 12/31/16 (Unaudited)
Restricted Reserves	\$ 5,223,994	\$ (1,036,908)	\$ 4,187,086
Unrestricted Reserves	\$ 4,063,501	\$ 139,437	\$ 4,202,938
Total Reserves	\$ 9,287,495	\$ (897,471)	\$ 8,390,024

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 projected increase in revenue of \$891,957 was primarily related to capital funds carryover over, which accounts for 72% or \$642,209, and Tenant Rental Income representing 28% or \$249,748.

Expenditures - The projected increase in expenditures of \$323,673 is a result of capital funds carryover over from prior year.

Public Housing Operating and Capital Fund	Annual Budget	3rd Quarter Actual 12/31/16 (Unaudited)	Remaining FY Estimate	Annual Total	Variance
Revenue	\$ 10,934,181	\$ 9,092,594	\$ 2,733,545	\$ 11,826,138	\$ 891,957
Expenditures	\$ 11,157,618	\$ 8,691,887	\$ 2,789,405	\$ 11,481,291	\$ 323,673
	\$ (223,437)	\$ 400,707	\$ (55,860)	\$ 344,847	\$ 568,284

Analysis of Program Reserves:

Public Housing & Capital Fund	Beginning Balance 4/1/16 (Unaudited)	2nd Quarter 9/30/16 (Unaudited)	Reserve Balance period ending 9/30/16 (Unaudited)
Restricted Reserves	\$ -0-	\$ -0-	\$ -0-
Unrestricted Reserves	\$ 1,099,548	\$ 400,707	\$ 1,500,255
Total Reserves	\$ 1,099,548	\$ 400,707	\$ 1,500,255

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 projected increase in revenue of \$347,870 was primarily a result of increase in management fees earned due to increased utilization in the voucher.

Expenditures - The projected \$93,085 decrease in expenditures is result of reduced operating expenses, primarily labor related.

State & Local Programs	Annual Budget	3rd Quarter Actual 12/31/16 (Unaudited)	Remaining FY Estimate	Annual Total	Variance
Revenue	\$ 5,372,185	\$ 4,377,009	\$ 1,343,046	\$ 5,720,055	\$ 347,870
Expenditures	\$ 5,556,335	\$ 4,074,166	\$ 1,389,084	\$ 5,463,250	\$ (93,085)
	\$ (184,150)	\$ 302,843	\$ (46,038)	\$ 256,805	\$ 440,955

Analysis of Reserves:

State & Local Programs	Beginning Balance 4/1/16 (Unaudited)	3rd Quarter 12/31/16 (Unaudited)	Reserve Balance Period ending 12/31/16 (Unaudited)
Restricted Reserves	\$ 1,884,156	\$ 114,273	\$ 1,998,429
Unrestricted Reserves	\$ 3,089,730	\$ 188,570	\$ 3,278,300*
Total Reserves	\$ 4,973,886	\$ 302,843	\$ 5,276,729

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

Housing Certificate Programs

Program Summary - HACCC administers two separate Housing Certificate Programs; Shelter Plus Care and Moderate Rehabilitation (Mod Rehab). The Shelter-Plus Care Program provides rental assistance for hard-to-serve homeless persons with disabilities in connection with supportive services funded from sources outside the program. HACCC assists approximately 311 clients under this program. The Mod Rehab program was designed in 1978 as an expansion of the rental certificate program. Mod Rehab was designed to provide low-cost loans for the rehabilitation of rental units in an effort to upgrade and preserve the nation's housing stock. In return, the owner agreed to provide long-term

affordable housing for low income families. The program was repealed in 1991 and no new projects are authorized for development. HACCC administers 28 Mod Rehab units.

Summary of Difference Between Budgeted and Quarter-End Estimate:

Revenue & Expenditure -The projected increase of \$600,818 is an increase to revenue in response to increased HAP expenses. The \$2,003 increase (difference between revenue increase of \$600,818 and expenditures of \$602,821) in expenditure is a result of higher operations costs.

Housing Certificate Programs	Annual Budget	3rd Quarter Actual 12/31/16 (Unaudited)	Remaining FY Estimate	Annual Total	Variance
Revenue	\$ 3,682,487	\$ 3,362,683	\$ 920,622	\$ 4,283,305	\$ 600,818
Expenditures	<u>\$ 3,686,336</u>	<u>\$ 3,367,573</u>	<u>\$ 921,584</u>	<u>\$ 4,289,157</u>	\$ 602,821
	\$ (3,849)	\$ (4,890)	\$ (962)	\$ (5,852)	\$ (2,003)

Analysis of Reserves:

Housing Certificate Programs	Beginning Balance 4/1/16 (Unaudited)	2nd Quarter 9/30/16 (Unaudited)	Reserve Balance period ending 9/30/16 (Unaudited)
Restricted Reserves	\$ -0-	\$ 4,593	\$ 4,593
Unrestricted Reserves	<u>\$ 4,890</u>	<u>\$ (9,482)</u>	<u>\$ (4,592)</u>
Total Reserves	\$ 4,890	\$ (4,889)	\$ 1

FISCAL IMPACT

None. Information item only.

CONSEQUENCE OF NEGATIVE ACTION

None. Information item only.