Contra Costa County

To: Contra Costa County Housing Authority Board of Commissioners

From: Joseph Villarreal, Housing Authority

Date: March 14, 2017

Subject: 2017-2018 ANNUAL AGENCY BUDGET

RECOMMENDATIONS

1. CONSIDER approving the 2017-2018 Annual Agency Budget; and

2. CONSIDER adopting PHA Board Resolution No. 5204 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's (HACCC) proposed fiscal year (FY) 2018 budget for the Board's approval. Because the federal government is operating on a Continuing Resolution that expires on April 28, 2017, the final funding levels for federal fiscal year (FFY) 2017 (October 1, 2016 – September 30, 2017) are unknown. This means that federal funding for HACCC's programs since October 1, 2016 is also unknown. As soon as the federal budget for FFY 2017 is finalized, any changes in the funding levels advanced by HUD to housing authorities will be applied retroactively to October 1, 2016. If any budget changes are required, they will be compounded by the fact that HUD's funding process applies additional layers of retroactive adjustments after the federal budget is finalized. Staff will

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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

ABSENT: Fay Nathaniel, Commissioner
Jannel George-Oden, 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

By: June McHuen, Deputy

Contact: 925-957-8028

cc:

revise the proposed budget presented here (and, if necessary, the current budget) and bring it back to the Board once Congress finalizes FFY 2017 funding.

Three primary factors impact the funding of a housing authority's housing choice voucher and public housing 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

BACKGROUND (CONT'D)

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HUD's programs. In the recent past, funding to HUD has usually been prorated, meaning that HUD, or specific programs, were not fully funded. Congressional funding for HUD is then modified first by national program utilization and then by local program utilization in order to determine final program funding levels for each housing authority. The utilization rate of a program is defined as the number of families under contract at the beginning of a given month. If every public housing unit is occupied at the beginning of May, then the utilization rate for May is 100%. If only 90 out of 100 units are occupied, the utilization rate is 90%. For national utilization, if housing authorities across the nation are collectively housing more families than in a previous period, then HUD will have to adjust the proration level downward. When fewer families collectively are assisted, then proration will be increased. Within the parameters set by Congressional funding and national utilization, funding for each individual housing authority will rise when local utilization increases and fall when the number of families housed drops. HUD’s current budget process calculates utilization and program funding 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.

In addition to budgetary delays, housing authorities have also become accustomed to significant swings in funding levels. Over the past five years, proration levels in public housing have been as follows:

2017 85.00% (advance)
2016 90.21%
2015 85.36%
2014 88.79%
2013 81.86%

During the same period, proration levels in housing choice voucher administrative fees have been as follows:

2017 83.94% (advance)
2016 83.94%
2015 81.57%
2014 79.77%
2013 69.27%

What is unique about this budget cycle is that Congress froze the FFY 2017 budget process primarily so they could pursue a replacement to the Affordable Care Act. As part of that action, the Senate's budget stated that funding levels were not set by the Continuing Resolution. Additionally, the President's FFY 2018 budget proposes to increase defense funding by $54 billion while cutting all nondefense discretionary programs (apart from veteran's health care and homeland security which will both be increased) by an equal amount to pay for the defense increase. If approved by Congress, the net result of the President's proposal would be a 15% cut (approximately $7.1 billion) in the HUD budget. To put this in context, HUD's FFY 2016 voucher budget was approximately $19.7 billion and the public housing operating and capital fund budget during the same period was $6.4 billion. If the President's budget is enacted as set forth, HUD may have to eliminate as many as 625,000 vouchers and project-based units.

In developing HACCC's proposed budget, staff applied the proration level HUD used to calculate its current program advances. HACCC's proposed budget shows small gains for every program apart from public housing. If FFY 2017 funding holds at the levels provided under the Continuing Resolution, HACCC's voucher program should not face immediate cuts. This is because HACCC and other housing authorities in Alameda and Contra Costa Counties received larger than expected funding increases in response to last year's successful challenge of HUD's proposed fair market rents for the two Counties. The proposed public housing budget shows a $467,583 loss. Staff do not plan to propose such a significant loss in the revised budget once FFY 17 funding is known. Hopefully, Congress will set FFY 2017 funding by late April when the Continuing Resolution expires.

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 the HACCC's four major program areas: Housing Choice Vouchers (HCV), Public Housing, State and Local programs and Certificate Programs. Each area provides a brief program overview, last year's approved budget along with the projected change in reserve levels, explanation of the change from prior year. A more detailed budget is available for viewing at HACCC's administrative office.

Agency Overview:

HACCC Agency Summary	2017-2018 Budget	2016-2017 Budget	Change
Revenue	$ 114,281,783	$ 109,724,315	$ 4,557,468
Operating Expenditures	$ 23,155,945	$ 21,847,920	$ 1,308,025
Program Costs, Debt Service & Other Capital Improvements	$ 90,262,007	$ 86,817,392	$ 3,444,615
To Reserves	$ 863,831	$ 1,059,003	($ 195,172)

HACCC Consolidated Reserves	Restricted Reserve Bal.	Unrestricted Reserve Bal.	Reserve Balances
Projected 3/31/17	$ 5,884,094	$ 9,216,644	$ 15,100,738

FYE 2018 Budget Impact	**$ 1,180,406**	**($ 316,575)**	**$ 863,831**
Projected to 3/31/18	$ 7,064,500	$ 8,900,069	$ 15,964,569

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 6,921 families. Due to funding, regulatory and market restrictions, HACCC is projected to house an average of only 6,585 families per month under the proposed budget, an increase of 2.3% from the fiscal year prior.

HCV Summary	2017-2018 Budget	2016-2017 Budget	Change
Revenue	$ 92,564,347	$ 89,735,463	$ 2,828,884
Expenditures	$ 6,843,945	$ 6,560,369	$ 283,576
Program Costs, Debt Service & Other Capital Improvements	$ 84,800,519	$ 81,739,456	$ 3,061,063
To Reserves	$ 919,883	$ 1,435,638	($ 515,755)

HCV Reserves	Restricted Reserve Bal.	Unrestricted Reserve Bal.	Reserve Balances
Projected 3/31/17	$ 3,841,450	$ 4,249,417	$ 8,090,867
FYE 2018 Budget Impact	**$ 922,836**	**($ 2,952)**	**$ 919,884**
Projected to 3/31/18	$ 4,764,286	$ 4,246,465	$ 9,010,751

Explanation of Change:

The $2,828,884 increase in revenue and the $3,061,063 in program 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 supplement 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	2017-2018 Budget	2016-2017 Budget	Change
Revenue	$ 11,053,573	$ 10,934,181	$ 119,392
Expenditures	$ 10,648,875	$ 10,313,199	$ 335,676
Program Costs, Debt Service & Other Capital Improvements	$ 872,281	$ 844,419	$ 27,862
To Reserves	($ 467,583)	($ 223,437)	($244,145)

Public Housing by Asset Management Property (AMP)	Area	2017-2018 Revenue	2017-2018 Expenditure	2017-2018 Residual/(Loss)
AMP-1,Ca001,Ca011,	Martinez	$ 745,313	$ 666,994	$ 78,319
AMP-2,Ca045a,Ca045b	San Pablo	$ 1,173,217	$ 1,131,709	$ 41,508
AMP-3,Ca004,Ca008,Ca012	Brentwood, Oakley	$ 1,009,478	$ 929,921	$ 79,557
AMP-4,Ca010	Rodeo	$ 2,614,271	$ 2,663,869	($ 49,598)
AMP-5,Ca005	Pittsburg	$ 1,419,818	$ 2,050,590	($ 630,772)
AMP-6,Ca009a,Ca009b	North Richmond	$ 667,962	$ 778,825	($ 110,863)
AMP-7,Ca006	North Richmond	$ 260,115	$ 392,691	($ 132,576)
AMP-8,Ca002,Ca013	Bay Point	$ 391,638	$ 409,000	($ 17,362)
AMP-9,Ca003,Ca015	Antioch	$ 959,587	$ 936,370	$ 23,217
Capital Funding	All AMPS	$ 1,812,174	$ 1,561,187	$ 250,987
Program Totals		$11,053,573	$ 11,521,156	($ 467,583)

Public Housing Reserves	Restricted Reserve Balance	Unrestricted Reserve Balance	Reserve Balance
Projected 3/31/17	$ -0-	$ 1,633,823	$ 1,633,823

FYE 2018 Budget Impact	**$ -0-**	**($ 467,583)**	**($ 467,583)**
Projected to 3/31/18	$ -0-	$ 1,166,240	$ 1,166,240

Explanation of Change:

The increase in revenue of $119,392 from last year's budget is due to an increase in tenant rents and a high occupancy ratio. The increase in expenditures of $335,676 is primarily due to an increase in utility costs of roughly $197,000 and an increase in the cost for police services of approximately $117,000.

The projected loss of $467,583 in the public housing program is primarily due to the continued funding of police services after their grants have expired. Only properties that have police services are operating at a loss.

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	2017-2018 Budget	2016-2017 Budget	Change
Revenue	$ 4,418,628	$ 3,682,487	$ 736,141
Expenditures	$ 49,509	$ 302,909	$ 188,600
Program Costs, Debt Service & Other Capital Improvements	$ 3,889,841	$ 3,383,427	$ 506,414
To Reserves	$ 37,278	($ 3,849)	$ 41,127

Certificate Programs Reserves	Restricted Reserve Bal.	Unrestricted Reserve Bal.	Reserve Balances
Projected 3/31/17	$ 6,124	($ 7,753)	($ 1,629)

FYE 2018 Budget Impact	**$ 1,345**	**$ 35,933**	**$ 37,278**
Projected to 3/31/18	$ 7,469	$ 28,180	$ 35,649

Explanation of Change:

The primary changes in the Certificate Programs are related to 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	2017-2018 Budget	2016-2017 Budget	Change
Revenue	$ 6,245,234	$ 5,372,185	$ 873,049
Expenditures	$ 5,171,616	$ 4,671,444	$ 500,172
Program Costs, Debt Service & Other Capital Improvements	$ 699,366	$ 850,090	($150,724)
To Reserves	$ 374,252	($ 149,349)	$ 523,601

State & Local Reserves	Restricted Reserve Bal.	Unrestricted Reserve Bal.	Reserve Balances
Projected 3/31/17	$ 2,036,520	$ 3,341,157	$ 5,377,677
FYE 2018 Budget Impact	**$ 256,224**	**$ 118,027**	**$ 374,251**
Projected to 3/31/18	$ 2,292,744	$ 3,459,184	$ 5,751,928

Explanation of Change:

The primary changes in revenue were increased management fees due to higher program utilization and a rent increase in the tax credit property. The increase in expenditures was a direct result of maintaining the increased management performance in program utilization. The reduced program costs were all related to the tax credit financed properties

CONSEQUENCE OF NEGATIVE ACTION

Should the Board not adopt Resolution No. 5204 approving HACCC's budget for fiscal year 2017-2018, 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

Resolution 5204