

To: Contra Costa County Housing Authority Board of Commissioners  
 From: Joseph Villarreal, Housing Authority  
 Date: February 13, 2018



Contra  
Costa  
County

Subject: 2018-2019 ANNUAL AGENCY BUDGET

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## **RECOMMENDATIONS**

1. APPROVE the 2018-2019 Annual Agency Budget; and
2. ADOPT Public Housing Agency Board Resolution No. 5209 approving the Annual Agency Budget on HUD Form 52574.

## **BACKGROUND**

In compliance with the United States Department of Housing and Urban Development's (HUD) regulations, the Housing Authority of the County of Contra Costa (HACCC) has prepared the proposed budget for fiscal year (FY) 2018-2019. Currently, the federal government is operating on a Continuing Resolution. As a result, the final funding levels for the federal fiscal year (FFY) 2018 and 2019 are unknown. This means that federal funding for HACCC's programs since January 1, 2017 is also unknown. The proposed budget is based on current HUD funding projections. When the federal budget for FFY 2018 is finalized, any changes in the funding levels advanced by HUD to housing authorities will be applied retroactively to January 1, 2017. If any budget changes are required, they will be compounded by the fact that HUD's funding process applies additional layers of retroactive

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Action of Board On: **02/13/2018** ☒ 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: February 13, 2018

Joseph Villarreal, Executive Director

ABSENT: Jannel George-Oden,  
 Commissioner

By: June McHuen, Deputy

Contact: 925-957-8028

cc:

## BACKGROUND (CONT'D)

adjustments after the federal budget is finalized. Staff will update the budget as required in the quarterly budget to actual presentations or, sooner, if necessary.

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 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 six years, proration levels in public housing have been as follows:

2018 90.00% (Advance)  
2017 93.10%  
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:

2018 76.00% (estimated)

2017 77.51%

2016 83.94%

2015 81.57%

2014 79.77%

2013 69.27%

In developing HACCC's proposed budget, staff used the HUD two year forecasting tool supplied by the HUD Short Fall Team to determine the Housing Assistance Payments (HAP) for the Housing Choice Voucher (HCV) Program. The administrative fees and other revenue items were estimated using the three-year median funding levels. The primary expenditures, labor and benefits, were computed using the most current planned practices. All other expenditures were computed using a combination of the three-year median and any known, planned activities.

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, and an explanation of the change from prior year. A more detailed budget is available for viewing at HACCC's administrative office.

**Agency Overview:**

<b>HACCC Agency Summary</b>	<b>2018-2019 Budget</b>	<b>2017-2018 Budget</b>	<b>Change</b>
Revenue	\$ 137,181,965	\$ 114,281,783	\$ 22,900,182
Operating Expenditures	\$ 24,314,812	\$ 23,155,945	\$ 1,158,867
Program Costs, Debt Service & Other Capital Improvements	\$ 113,142,116	\$ 90,262,007	\$22,880,109
To Reserves	\$ (274,963)	\$ 863,831	( \$ 1,138,794)

<b>HACCC Consolidated Reserves</b>	Restricted Reserve Bal.	Unrestricted Reserve Bal.	Reserve Balances
Projected 3/31/18	\$ 2,038,236	\$ 11,192,662	\$ 13,230,898
<b>FY 2018 Budget Impact</b>	<b>\$ 60,718</b>	<b>(\$ 335,681)</b>	<b>\$(274,963)</b>
Projected to 3/31/19	\$ 2,098,954	\$ 10,856,981	\$ 12,955,935

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 Payment (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 6,098 families per month under the proposed budget, a decrease of 2.6% from the fiscal year prior.

<b>HCV Summary</b>	2018-2019 Budget	2017-2018 Budget	Change
Revenue	\$ 114,086,817	\$ 92,564,347	\$ 21,522,470
Expenditures	\$ 7,073,098	\$ 6,843,945	\$ 229,153
Program Costs, Debt Service & Other Capital Improvements	\$ 107,321,470	\$ 84,800,519	\$ 22,520,951
To Reserves	\$(307,751)	\$ 919,883	\$(1,227,634)
<b>HCV Reserves</b>	Restricted Reserve Bal.	Unrestricted Reserve Bal.	Reserve Balances
Projected 3/31/18	\$ -0-	\$ 4,918,033	\$ 4,918,033
<b>FY 2018 Budget Impact</b>	<b>\$ -0-</b>	<b>(\$ 307,751)</b>	<b>(\$ 307,751)</b>
Projected to 3/31/19	\$ -0-	\$ 4,610,282	\$ 4,610,282

### **Explanation of Change:**

The \$21,522,470 increase in revenue and the \$22,520,951 in program costs are almost entirely related to increases in housing assistance payment subsidies.

## 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.

<b>Public Housing Summary - All Units</b>	2018-2019 Budget	2017-2018 Budget	Change
Revenue	\$ 11,867,879	\$ 11,053,573	\$814,306
Expenditures	\$ 11,448,135	\$ 10,648,875	\$799,260
Program Costs, Debt Service & Other Capital Improvements	\$ 431,157	\$ 872,281	(\$441,124)
To Reserves	(\$ 11,413)	(\$ 467,583)	\$456,170

  

<b>Public Housing by Asset Management Property (AMP)</b>	Area	2018-2019 Revenue	2018-2019 Expenditure	2018-2019 Residual/(Loss)
AMP-1,Ca001,Ca011,	Martinez	\$ 761,156	\$ 736,764	\$ 24,391
AMP-2,Ca045a,Ca045b	San Pablo	\$ 1,326,391	\$ 1,043,689	\$282,703
AMP-3,Ca004,Ca008,Ca012	Brentwood, Oakley	\$ 1,033,847	\$1,000,141	\$ 33,706
AMP-4,Ca010	Rodeo	\$ 2,881,780	\$ 2,819,165	\$ 62,615
AMP-5,Ca005	Pittsburg	\$ 1,574,396	\$ 1,880,421	(\$ 306,025)
AMP-6,Ca009a,Ca009b	North Richmond	\$ 616,498	\$ 771,671	(\$ 155,172)
AMP-7,Ca006	North Richmond	\$ 235,499	\$ 380,505	(\$ 145,006)
AMP-8,Ca002,Ca013	Bay Point	\$426,005	\$ 448,432	(\$ 22,428)
AMP-9,Ca003,Ca015	Antioch	\$978,220	\$ 1,078,156	(\$ 99,936)
Capital Funding	All AMPS	\$ 1,812,174	\$ 1,498,435	\$ 313,739
Program Totals		\$11,645,966	\$ 11,657,379	(\$ 11,413)

<b>Public Housing Reserves</b>	Restricted Reserve Balance	Unrestricted Reserve Balance	Reserve Balance
Projected 3/31/18	\$ -0-	\$ 2,700,627	\$ 2,700,627
<b>FY 2018 Budget Impact</b>	<b>\$ -0-</b>	<b>(\$ 11,413)</b>	<b>(\$ 11,413)</b>
Projected to 3/31/19	\$ -0-	\$ 2,689,214	\$ 2,689,214

#### Explanation of Change:

The increase in revenue and expenditures of \$814,306 and \$799,260 respectively is a result of deferred capital fund items that are required to be recognized on a cash basis due to grant funding from HUD.

The \$441,124 reduction in capital improvements is a result of the cost associated with relocation (RAD) component of the capital fund grants that are reported as expenditures versus capital improvements.

#### Housing Certificate Programs Overview:

HACCC's Housing Certificate Programs have been reduced to one program area, that being Shelter-Plus Care. The Section 8 Moderate Rehabilitation (Mod Rehab) program was merged by HUD into the Housing Choice Voucher program using project-based vouchers.

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.

<b>Certificate Programs Summary</b>	2018-2019 Budget	2017-2018 Budget	Change
Revenue	\$ 5,164,313	\$ 4,418,628	\$ 745,685
Expenditures	\$ 524,620	\$ 49,509	\$ 475,111
Program Costs, Debt Service & Other Capital Improvements	\$ 4,643,633	\$ 3,889,841	\$ 753,792
To Reserves	(\$ 3,940)	\$ 37,278	(\$ 41,218)
<b>Certificate Programs Reserves</b>	Restricted Reserve Bal.	Unrestricted Reserve Bal.	Reserve Balances
Projected 3/31/18	\$ 0	\$ 0	\$ 0

<b>FY 2018 Budget Impact</b>	<b>\$ 0</b>	<b>(\$3,940)</b>	<b>(\$3,940)</b>
Projected to 3/31/19	\$ 0	(\$3,940)	(\$3,940)

**Explanation of Change:**

The primary changes in the Certificate Program related to revenues and program costs are shifts in HAP funding and expense. The change in expenditures are Supportive Services that HUD has allowed to be funded in the program area.

**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.

<b>State &amp; Local Summary</b>	2018-2019 Budget	2017-2018 Budget	Change
Revenue	\$ 6,062,956	\$ 6,245,234	(\$182,278)
Expenditures	\$ 5,268,959	\$ 5,171,616	\$ 97,343
Program Costs, Debt Service & Other Capital Improvements	\$ 745,856	\$ 699,366	\$46,490
To Reserves	\$ 48,141	\$ 374,252	(\$326,111)
<b>State &amp; Local Reserves</b>	Restricted Reserve Bal.	Unrestricted Reserve Bal.	Reserve Balances
Projected 3/31/18	\$ 2,008,747	\$ 3,603,491	\$ 5,377,677
<b>FY 2018 Budget Impact</b>	<b>\$ 64,658</b>	<b>(\$16,517)</b>	<b>\$ 374,251</b>
Projected to 3/31/19	\$ 2,073,405	\$ 3,586,974	\$ 5,751,928

**Explanation of Change:**

The primary changes in revenue was a result of a delayed 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 increased program costs were all related to the tax credit financed properties

**CONSEQUENCE OF NEGATIVE ACTION**

Should the Board of Commissioners choose not adopt Resolution No. 5209 approving HACCC's budget for the fiscal year 2018-2019, 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.

## CLERK'S ADDENDUM

### ATTACHMENTS

HUD FORM 52574 Approving Agency Budget